

Financial Summary

Key Indicators FOR THE YEAR ENDED 30 JUNE 2002

| | 2001-2002 | 2000-2001 | 1999-2000 | 1998-1999 | 1997-1998 |
|------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Total attendance | 327,734 | 323,379 | 199,562 | 765,327 | 1,025,330 |
| Education services participants | 46,092 | 44,396 | 34,583 | 88,142 | 95,735 |
| General admission charge - adult | Free | Free | Free | Free | Free |
| Works of art purchased | \$1,929,782 | \$654,920 | \$1,540,000 | \$2,281,035 | \$1,369,000 |
| Works of art donated | \$11,120,158 | \$3,707,017 | \$1,897,000 | \$2,733,540 | \$1,092,000 |
| Total works of art acquired | \$13,049,940 | \$4,361,937 | \$3,437,000 | \$5,014,575 | \$2,461,000 |
| General admission revenue | Nil | Nil | Nil | Nil | Nil |
| Exhibition admission revenue | \$1,196,199 | \$752,452 | Nil | \$546,793 | \$2,411,108 |
| Total admission revenue | \$1,196,199 | \$752,452 | Nil | \$546,793 | \$2,411,108 |
| State grants - recurrent | \$27,756,829 | \$19,089,254 | \$17,161,000 | \$13,624,000 | \$14,407,000 |
| State grants - capital | \$0 | \$0 | \$2,254,000 | \$693,000 | \$0 |
| Total State grants | \$27,756,829 | \$19,089,254 | \$19,415,000 | \$14,317,000 | \$14,407,000 |
| Merchandise gross sales | \$1,585,403 | \$1,676,593 | \$758,000 | \$2,152,000 | \$3,032,919 |
| Gross profit from trading | \$605,317 | \$1,050,161 | \$319,000 | \$696,000 | \$1,279,033 |
| Employees (full time equivalent) | 170 | 151 | 155 | 238 | 238 |
| Salaries and associated costs | \$9,731,323 | \$9,348,690 | \$7,110,000 | \$11,609,000 | \$10,825,000 |
| Operating revenue | \$35,601,000 | \$39,353,136 | \$34,030,000 | \$28,701,000 | \$34,898,000 |
| Operating expenses | \$28,103,000 | \$24,483,130 | \$33,159,000 | \$24,927,000 | \$28,426,000 |
| Operating surplus | \$7,498,000 | \$14,870,006 | \$871,000 | \$3,774,000 | \$6,472,000 |

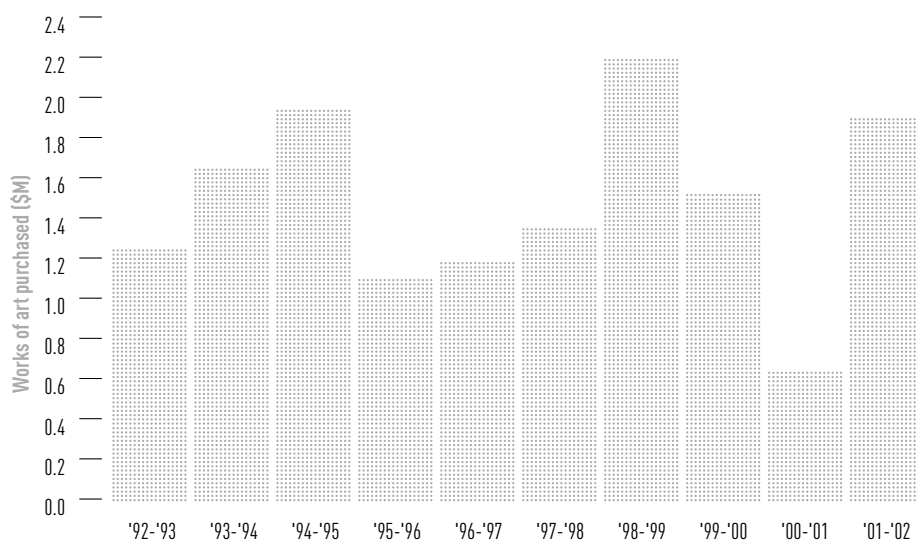
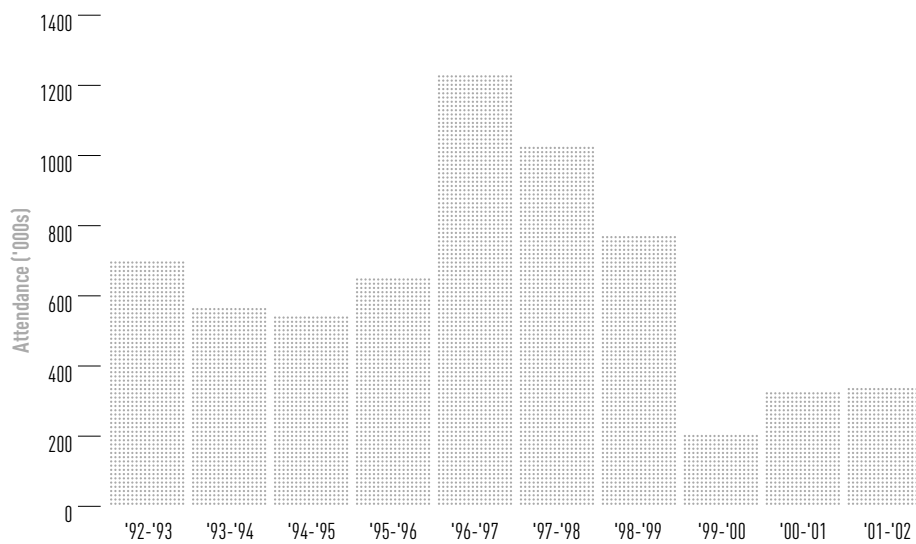
Summary of Significant Changes in Financial Position

The only significant change in the financial affairs of the National Gallery of Victoria was the revaluation of the works of art in the NGV collection (see Note 1a in the Notes to the accounts).

Performance Measures

2001-2002

| | | Quarter 1 Target | Quarter 1 Actual | Quarter 2 Target | Quarter 2 Actual | Quarter 3 Target | Quarter 3 Actual | Quarter 4 Target | Quarter 4 Actual | 2001-02 Target | 2001-02 Actual |
|---|-------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|-------------------|-------------------|
| <i>Quantity</i> | | | | | | | | | | | |
| Visitors/users | 000s | 50 | 138 | 50 | 50 | 50 | 53 | 50 | 85 | 200 | 328 |
| Online access to website | 000s | 125 | 192 | 125 | 149 | 125 | 158 | 125 | 159 | 498 | 658 |
| Major Public Programs | number | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 24 | 24 |
| Regional Public Programs | number | 4 | 4 | 4 | 4 | 4 | 6 | 4 | 3 | 15 | 17 |
| <i>Quality</i> | | | | | | | | | | | |
| Customer satisfaction with public programs and services | per cent | N/A | N/A | N/A | N/A | N/A | N/A | 95 | 95 | 95 | 95 |



Supplementary Financial Information Statements of Financial Performance and Position by Funding Source

The National Gallery of Victoria's key goal is to enrich the community's experience of the visual arts. In doing this, the Gallery relies on two principal sources of funds. The first source is the Victorian State Government. The Government provides funding to the Gallery to enable it to conduct the fundamental functions of managing and conserving the State Collection of works of art. This funding is supplemented by income generated from trading, sponsorship and other activities. The second source of funding relies on the generosity of the community through bequests and donations, combined with the Gallery's own fundraising campaigns. Works of art are mainly acquired from this source of funding although the State Government funds acquisitions from time to time. Presented below are unaudited financial statements analysed between these two main funding sources.

Statement of Financial Performance FOR THE YEAR ENDED 30 JUNE 2002

| | Notes | Works of Art \$ '000s | Operations \$ '000s | Total \$ '000s |
|---|-------|--------------------------|------------------------|-------------------|
| Income | | | | |
| Trading and other income | 1 | 1,693 | 6,120 | 7,813 |
| Grants | 2 | 0 | 27,756 | 27,756 |
| Donations | | 15,810 | 0 | 15,810 |
| Sponsorships and merchandising | | 0 | 1,014 | 1,014 |
| Investment income | | 1,974 | 711 | 2,685 |
| Proceeds on sale of investments | 3 | 22,759 | 0 | 22,759 |
| Total income | | 42,236 | 35,601 | 77,837 |
| Expenses | | | | |
| Salaries | | 81 | 9,650 | 9,731 |
| Depreciation and capital asset charge | | 0 | 4,519 | 4,519 |
| Other operating expenses | | 891 | 13,934 | 14,825 |
| Book value of investments sold | 3 | 22,606 | 0 | 22,606 |
| Total expenses | | 23,578 | 28,103 | 51,681 |
| Net result for the year | | 18,658 | 7,498 | 26,156 |
| Less | | | | |
| Commonwealth grant | 2 | 0 | 6,886 | 6,886 |
| Adjusted net result for the year | | 18,658 | 612 | 19,270 |

Notes

- Trading income from Works of Art comprises exhibition management fees generated by the European Masterpieces exhibition which toured the United States during the year.
- Grants include \$6.886 million of Commonwealth Grant from the Federation Fund for the redevelopment of the St Kilda Road gallery.
- In prior years, the statement of financial performance disclosed the net result on the sale of investments. Following recent changes to Australian Accounting Standards, such transactions are now required to be shown gross. This is reflected in the information shown above and in the audited financial statements. Further details on the sales of investments in the year are as follows:

| | \$ '000s |
|--------------------------------|----------|
| Proceeds on sale of securities | 15,456 |
| Book value of securities sold | 15,507 |
| Loss on sale | (51) |
| Proceeds on sale of shares | 7,303 |
| Book value of shares sold | 7,099 |
| Surplus on sale | 204 |

Supplementary Financial Information Statements of Financial Performance and Position by Funding Source

Statement of Financial Position AS AT 30 JUNE 2002

| | Works of Art | Operations | Total |
|--------------------------------------|------------------|----------------|------------------|
| | \$ '000s | \$ '000s | \$ '000s |
| ASSETS | | | |
| Current assets | | | |
| Cash | 8,992 | 13,332 | 22,324 |
| Receivables | 0 | 994 | 994 |
| Prepayments | 0 | 40 | 40 |
| Inventories | 0 | 778 | 778 |
| Other financial assets | 6,871 | 6,766 | 13,637 |
| Total current assets | 15,863 | 21,910 | 37,773 |
| Non-current assets | | | |
| Other financial assets | 12,399 | 6,759 | 19,158 |
| Works of art | 1,792,321 | 0 | 1,792,321 |
| Property, plant and equipment | 0 | 152,821 | 152,821 |
| Total non-current assets | 1,804,720 | 159,580 | 1,964,300 |
| TOTAL ASSETS | 1,820,583 | 181,490 | 2,002,073 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Payables | 0 | 1,563 | 1,563 |
| Employee entitlements | 0 | 816 | 816 |
| Total current liabilities | 0 | 2,379 | 2,379 |
| Non-current liabilities | | | |
| Employee entitlements | 0 | 1,156 | 1,156 |
| Total non-current liabilities | 0 | 1,156 | 1,156 |
| TOTAL LIABILITIES | 0 | 3,535 | 3,535 |
| NET ASSETS | 1,820,583 | 177,955 | 1,998,538 |
| EQUITY | | | |
| Contributed capital | 0 | 156,446 | 156,446 |
| Reserves | 28,262 | 7,803 | 36,065 |
| Works of Art Reserve | 51,637 | 0 | 51,637 |
| Works of Art Revaluation Reserve | 1,740,684 | 0 | 1,740,684 |
| Accumulated surplus | 0 | 13,706 | 13,706 |
| TOTAL EQUITY | 1,820,583 | 177,955 | 1,998,538 |

Auditor-General's Report



Auditor-General's Report

To the Members of the Parliament of Victoria, the responsible Ministers and the Members of the Council of Trustees of the National Gallery of Victoria

Audit Scope

The accompanying financial report of the Council of Trustees of the National Gallery of Victoria for the financial year ended 30 June 2002, comprising a statement of financial performance, statement of financial position, statements of cash flows and notes to the financial statements, has been audited. The Members of the Council of Trustees are responsible for the preparation and presentation of the financial report and the information it contains. An independent audit of the financial report has been carried out in order to express an opinion on it to the Members of the Parliament of Victoria, responsible Ministers and Members of the Council of Trustees as required by the *Audit Act 1994*.

The audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial report is free of material misstatement. The audit procedures included an examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements in Australia and the financial reporting requirements of the *Financial Management Act 1994*, so as to present a view which is consistent with my understanding of the Council of Trustees' financial position, financial performance and its cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In my opinion, the financial report presents fairly in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia and the financial reporting requirements of the *Financial Management Act 1994*, the financial position of the Council of Trustees of the National Gallery of Victoria as at 30 June 2002, its financial performance and cash flows for the year then ended.

for JW Cameron
Auditor-General

Melbourne
30 October 2002

Financial Statements

**National Gallery of Victoria
Financial Statements**

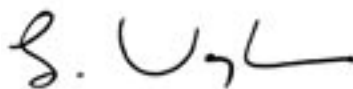
FOR THE YEAR ENDED 30 JUNE 2002

In our opinion,

- (a) the attached Statement of Financial Performance, Statement of Financial Position, Statement of Cash Flows and Notes to the accounts present fairly the financial transactions for the year ended 30 June 2002 and the financial position of the Council of Trustees of the National Gallery of Victoria as at 30 June 2002,
- (b) the accounts have been maintained in accordance with the *National Gallery of Victoria Act 1966* and regulations made thereto,
- (c) the financial statements have been prepared in accordance with the *Financial Management Act 1994*, the Accounting Standards issued by the Australian accounting bodies, mandatory professional pronouncements, and
- (d) at the date of signing these statements the Trustees are not aware of any circumstances that would render any particulars included in these statements misleading or inaccurate.



Merran Horne Kelsall
Trustee
24 October 2002



Gerard R. Vaughan
Director
24 October 2002



Michael F. Steeth FCPA
Finance Manager
24 October 2002

Statement of Financial Performance

Statement of Financial Performance FOR THE YEAR ENDED 30 JUNE 2002

| | Notes | 2002 \$ '000s | 2001 \$ '000s |
|--|-------|------------------|------------------|
| Revenue from ordinary activities | | | |
| Grants from government | 2.1 | 27,756 | 19,089 |
| Resources received free of charge | 2.2 | 2,026 | 2,030 |
| Other revenue and revenue from other parties | 2.3 | 48,055 | 35,266 |
| | | 77,837 | 56,385 |
| Expenses from ordinary activities | | | |
| Employee entitlements | 4 | 9,731 | 9,348 |
| Depreciation and amortisation | 11 | 2,538 | 1,609 |
| Resources provided free of charge | 15 | 2,044 | 2,075 |
| Capital asset charge | 1(f) | 1,981 | 815 |
| Supplies and services | 5 | 7,833 | 6,220 |
| Other expenses | 6 | 27,554 | 21,448 |
| | | 51,681 | 41,515 |
| Net result for the reporting period | | | |
| | | 26,156 | 14,870 |
| Net increase/(decrease) in Investment Revaluation Reserve | 14.2 | (1,799) | 294 |
| Net increase/(decrease) in Works of Art Revaluation Reserve | 14.2 | 1,164,331 | 0 |
| | | 1,162,532 | 294 |
| Total revenues, expenses and revaluation adjustments recognised directly in equity | | | |
| | | 1,162,532 | 294 |
| Total changes in equity other than those resulting from transactions with Victorian State Government in its capacity as owner | | | |
| | | 1,188,688 | 15,164 |

The above statement of financial performance should be read in conjunction with the accompanying notes.

Statement of Financial Position

Statement of Financial Position AS AT 30 JUNE 2002

| | Notes | 2002 \$ '000s | 2001 \$ '000s |
|--------------------------------------|----------|------------------|------------------|
| Current assets | | | |
| Cash assets | 7 | 22,324 | 13,874 |
| Receivables | 8 | 994 | 755 |
| Inventories | 1(c) | 778 | 945 |
| Prepayments | | 40 | 292 |
| Other financial assets | 9 | 13,637 | 12,772 |
| Total current assets | | 37,773 | 28,638 |
| Non-current assets | | | |
| Other financial assets | 9 | 19,158 | 18,207 |
| Works of art | 10 | 1,792,321 | 614,941 |
| Property, plant and equipment | 11 | 152,821 | 78,365 |
| Total non-current assets | | 1,964,300 | 711,513 |
| TOTAL ASSETS | | 2,002,073 | 740,151 |
| Current liabilities | | | |
| Payables | 12 | 1,563 | 1,333 |
| Employee entitlements | 1(d),13 | 816 | 652 |
| Total current liabilities | | 2,379 | 1,985 |
| Non-current liabilities | | | |
| Employee entitlements | 1(d), 13 | 1,156 | 934 |
| Total non-current liabilities | | 1,156 | 934 |
| TOTAL LIABILITIES | | 3,535 | 2,919 |
| NET ASSETS | | 1,998,538 | 737,232 |
| EQUITY | | | |
| Contributed capital | 14.1 | 156,446 | 75,585 |
| Reserves | 14.2 | 1,828,386 | 654,224 |
| Accumulated surplus | 14.3 | 13,706 | 7,423 |
| TOTAL EQUITY | | 1,998,538 | 737,232 |

The above statement of financial position should be read in conjunction with the accompanying notes.

Statement of Cash Flows

Statement of Cash Flows FOR THE YEAR ENDED 30 JUNE 2002

| | Notes | 2002 \$ '000s | 2001 \$ '000s |
|---|-------|------------------|------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts from government | | 26,806 | 18,964 |
| Receipts from other entities | | 11,058 | 11,654 |
| Net Goods and Services Tax recovered from the Australian Tax Office | | 631 | 126 |
| Payments to suppliers and employees | | (16,339) | (18,899) |
| | | 22,156 | 11,845 |
| Dividends received | | 507 | 389 |
| Interest received | | 2,031 | 1,900 |
| Investment income - other | | 147 | 0 |
| Capital asset charge | | (1,981) | (815) |
| Net cash inflow from operating activities | 26 | 22,860 | 13,319 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Proceeds from sale of investments | | 22,759 | 17,835 |
| Proceeds from sale of property, plant and equipment | | 444 | 4 |
| Payments for investments | | (26,467) | (26,783) |
| Payments for works of art | | (1,930) | (654) |
| Payments for property, plant and equipment | | (9,216) | (406) |
| Net cash (outflow) from investing activities | | (14,410) | (10,004) |
| CASH FLOWS USED IN FINANCING ACTIVITIES | | | |
| Lease repayments | | 0 | (18) |
| Net cash flows used in financing activities | | 0 | (18) |
| NET CASH FLOWS FOR PERIOD | | 8,450 | 3,297 |
| CASH AT THE BEGINNING OF THE FINANCIAL YEAR | | 13,874 | 10,577 |
| CASH AT THE END OF THE FINANCIAL YEAR | 7 | 22,324 | 13,874 |

The above statement of cash flows should be read in conjunction with the accompanying notes.

Notes to and forming part of the accounts FOR THE YEAR ENDED 30 JUNE 2002

1. Summary of significant accounting policies

This general purpose financial report has been prepared in accordance with the *Financial Management Act 1994*, Australian Accounting Standards, Statements of Accounting Concepts and other authoritative pronouncements of the Australian Accounting Standards Board, and Urgent Issues Group Consensus Views.

It is prepared in accordance with the historical cost convention, except for certain non-current assets, investments, works of art and library collections which, as noted, are at valuation. The accounting policies adopted, and the classification and presentation of items, are consistent with those of the previous year, except where a change is required to comply with an Australian Accounting Standard or Urgent Issues Group Consensus View, or an alternative accounting policy permitted by an Australian Accounting Standard is adopted to improve the relevance and reliability of the financial report. Where practicable, comparative amounts are presented and classified on a basis consistent with the current year. Comparative figures relating to the sale of shares and securities have been amended to ensure consistent disclosure between the reported years.

a. Revaluations of non-current assets

Subsequent to the initial recognition as assets, non-current physical assets, other than plant and equipment, are measured at fair value. Plant and equipment are measured at cost. Revaluations are made with sufficient regularity to ensure that the carrying amount of each asset does not differ materially from its fair value at the reporting date. Revaluations are assessed annually and supplemented by independent assessments, at least every three years. Revaluations are conducted in accordance with the Victorian Government Policy, Revaluation of Non-Current Physical Assets.

Revaluation increments are credited directly to the Asset Revaluation Reserve, except that, to the extent that an increment reverses a revaluation decrement in respect of that class of asset previously recognised as an expense in the net result, the increment is recognised immediately as revenue in the net result.

Revaluation decrements are recognised immediately as expenses in the net result, except that, to the extent that a credit balance exists in the Asset Revaluation Reserve in respect of the same class of assets, they are debited directly to the Asset Revaluation Reserve.

Revaluation increments and decrements are offset against one another within a class of non-current assets.

Change in revaluation policy

In previous reporting periods up to 30 June 2001, plant and equipment were measured using the deprival value basis. During the reporting period ended 30 June 2001, land and buildings were recognised at cost of acquisition. The library was valued at market buying price current at the time of valuation. These values were deemed to approximate fair value.

For the reporting period ended on 30 June 2002, the National Gallery of Victoria elected to adopt the fair value basis for measuring land and buildings and the works of art and library collections and revert to the cost basis for measuring all plant and equipment.

In changing from a deprival basis to the cost basis, the carrying amount for plant and equipment at 1 July 2001 was deemed to equal the cost of the assets.

Accordingly, the change in the accounting policy for land and buildings and plant and equipment has had no impact on either the current year Statement of Financial Performance or opening accumulated surplus.

The change in measurement basis is to comply with the accounting requirements of AASB 1041 and the Victorian Government Policy, Revaluation of Non-Current Physical Assets.

The revaluation of buildings is planned for the financial year ending 2006-07 and the revaluation of land is planned for 2003-04.

Works of art and library collections

Control of works of art in the State collection is vested in the Council of Trustees of the National Gallery of Victoria by virtue of the *National Gallery of Victoria Act 1966* as amended. Additions to the collection may take the form of either a purchase by the Gallery or a donation from the public.

During 2002 a project was commenced to determine the fair value for the entire holdings of works of art. This project was completed in August 2002 and the resultant valuations are recognised in this financial report.

Works of art were valued independently by Simon Storey Valuers in each segment of sub-collections, resulting in a total value of \$1,790,516,000. Mr Simon Storey, a director of Simon Storey Valuers, is an approved valuer under the Commonwealth of Australia Taxation Incentives for the Arts Scheme.

The prior valuation of the works of art was made in 1997 by Sotheby's Australia Pty Ltd and was valued to represent current market buying price at the time of valuation in accordance with the Department of Treasury and Finance policy, Recognition and Valuation of Non-Current Physical Assets, as published in January 1995. The valuation was prepared for the purpose of financial reporting as required by the Finance Department of the State Government of Victoria. The valuation was only valid for the National Gallery of Victoria and for the purpose specified. The individual valuations provided were not intended to be used, and were inappropriate, for insurance, sale or any other purpose other than financial reporting.

The significant increase in the valuation of the works of art in 2002 (see Note 10) has arisen for two reasons. Firstly, the valuation recognises the values that are currently being attributed to works of art. Secondly, the 2002 valuation methodology was based upon the current definition of fair value. The 2002 values represent fair values at the time of valuation in accordance with the requirements of the Australian Accounting Standard AASB 1041 – Revaluation of Non-Current Physical Assets and the Victorian Government Policy, Revaluation of Non-Current Physical Assets, issued in May 2002. As items in the collection are acquired but not disposed by sale or gift, 'fair value', as defined in AASB 1041, is supported and determined by a combination of the approaches nominated in paragraphs 4.6.3 and 4.6.4 of the Victorian Government Policy.

1. Summary of significant accounting policies (continued)

These paragraphs are as follows:

4.6.3 Where no quoted market price exists for an asset, but there is available market evidence of fair value with respect to similar assets, the market evidence is used to estimate the fair value.

4.6.4 Where the market buying and selling prices differ materially or where no market exists for the asset, the fair value is determined with reference to the asset's buying price, the best indicator of this is usually the replacement cost of the asset's remaining future economic benefits. This typically applies to specialised public sector assets where these assets often have a limited market, if any, and where the market price cannot be easily determined.

Library collections were valued independently by Kenneth Hince Old and Fine Books Pty Ltd (Member of the Antiquarian Booksellers Association) on a market value basis. The valuation was completed on 11 December 1995 resulting in a total valuation of \$1,500,400. The revaluation of the National Gallery of Victoria library is planned for the financial year ending 30 June 2003.

The reported values represent fair values at the time of valuation in accordance with the Victorian Government Policy, Revaluation of Non-Current Physical Assets. However, the individual valuations are not intended to be used, and would be inappropriate, for insurance, sale or any purpose other than the preparation of the annual financial reports.

Acquisitions of works of art and library books are recorded initially at cost. Donations are recorded at fair value at the time of the donation. Fair value is determined from either an average of independent valuations for works donated under the Taxation Incentives for the Arts Scheme or from a curatorial assessment by the National Gallery of Victoria.

b. Depreciation of property, plant and equipment

Depreciation is calculated on a straight-line basis so as to write off the net cost or 'deemed' net cost of applicable assets over their estimated useful lives to the Gallery. Depreciation is treated as an operating expense and recognised in the Statement of Financial Performance based on the following categories, unchanged from the prior year:

| | |
|----------------------|----------------|
| Buildings | 2.00 % |
| Capital improvements | 7.50 % |
| Works-in-progress | Nil % |
| Plant and equipment | 7.50 - 20.00 % |

Works of art are kept under special conditions so that there is minimal physical deterioration. They are anticipated to have indeterminate useful lives. No amount for depreciation has been recognised in respect of works of art, as their service potential has not, in any material sense, been consumed during the reporting period. Depreciation on the construction sites of the NGV will commence once the construction is completed and the buildings are in use.

c. Inventories

Inventories on hand are valued at the lower of cost or net realisable value.

d. Employee entitlements

The National Gallery of Victoria has, in accordance with AAS 30 – Accounting for Employee Entitlements, assessed the liability for employee entitlements and the amount represents the present obligation to pay entitlements resulting from services up to the reporting date. Liabilities for employee entitlements to wages, salaries and annual leave are accrued at nominal rates.

Liabilities for employee entitlements for long service leave represent the present value of the estimated future cash outflows to be made to employees for services provided up to the reporting date. In determining the liability for employee entitlements, consideration is given to expected future increases in wages and salary rates, and experience with staff departures. Related on-costs have also been included in the liability.

e. Revenue recognition

In accordance with AAS15 – Revenue, revenues are measured at the fair value of the consideration or contribution received or receivable. Revenue is recognised only when it can be reliably measured.

Sale of goods and disposal of other assets

Revenue arising from the sale of goods or the disposal of other assets is recognised when the following conditions have been satisfied:

- control of the goods or other assets has passed to the buyer; and
- it is probable that the economic benefits comprising the consideration will be realised.

Contra Sponsorship

The National Gallery of Victoria enters into contra sponsorship contracts to receive sponsorship in various forms in exchange for promoting the provider as a corporate supporter of the Gallery.

Revenue (and expense) arising from a contract for the provision of services is recognised by reference to the stage of completion of the contract when the following conditions have been satisfied:

- control of a right to be compensated for the services rendered exists;
- it is probable that the economic benefits comprising the compensation will be realised, and
- the stage of completion of the transaction can be reliably measured.

Contribution of assets

Revenue arising from the contribution of assets is recognised when the following conditions have been satisfied:

- control of the contribution or right to receive the contribution exists; and
- it is probable that the economic benefits comprising the contribution will be realised.

1. Summary of significant accounting policies (continued)

State Government contributions

State Government contributions are recognised on receipt.

Interest

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

Dividends

Dividend revenue is recognised when the right to receive payment is established.

Member subscriptions

Member subscriptions are recognised as income in the same period covered by the subscriptions.

Management fees

Exhibition management fees are recognised as income in the period in which they are received.

f. Capital asset charge

The capital asset charge is imposed by the Department of Treasury and Finance and represents the opportunity cost of capital invested in the non-current physical assets used in the provision of outputs. The charge is calculated on the carrying amount of non-current physical assets (excluding heritage assets).

g. Leased non-current assets

A distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and benefits incident to ownership of leased non-current assets, and operating leases under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the interest expense.

The lease asset is amortised on a straight-line basis over the term of the lease, or where it is likely that the Gallery will obtain ownership of the asset, the expected useful life of the asset to the Gallery. Any lease assets that would be held at the reporting date would be amortised over the period of the underlying lease or such shorter period if the expected useful life is less.

Operating lease payments are charged to the Statement of Financial Performance in the periods in which they are incurred, as this represents the pattern of benefits derived from the leased assets.

h. Goods and services tax

Revenues, expenses and assets are recognised net of GST except where the amount of the GST incurred is not recoverable, in which case it is recognised as part of the cost of acquisition of an asset or part of an item of expense. The net amount of GST recoverable from, or payable to, the Australian Taxation Office (ATO) is included as part of receivables or payables in the Statement of Financial

Position. The GST component of a receipt or payment is recognised on a gross basis in the Statement of Cash Flows in accordance with Accounting Standard AAS 28 – Statement of Cash Flows.

i. Contributed capital

For the reporting period ended 30 June 2002, the National Gallery of Victoria has deemed its accumulated surplus of \$8,243,000 (Note 14.3) as the opening balance for contributed capital. This accounting treatment is to comply with the Urgent Issues Group Abstract 38, Contributions by Owners Made to Wholly-Owned Public Sector Entities, Accounting and Financial Reporting Bulletin No. 39, Accounting for Contributed Capital, and No. 40, Establishment of Opening Balances and Formal Designation for Contributed Capital.

Consistent with Urgent Issues Group Abstract 38, Contributions by Owners Made to Wholly-Owned Public Sector Entities, appropriations for additions to net assets have been designated as contributed capital. Other transfers that are in the nature of contributions or distributions have also been designated as contributed capital.

For the reporting period ended 30 June 2002, such transactions between wholly-owned public sector entities are now recognised in the Statement of Financial Position as adjustments to net assets in the general government sector, where in substance, they satisfy the definition of a contribution by owner.

This change in accounting policy for transfers of assets and liabilities is in compliance with the accounting requirements of Urgent Issues Group Abstract 38, Contributions by Owners Made to Wholly-Owned Public Sector Entities, and Accounting and Financial Reporting Bulletin No. 39, Accounting for Contributed Capital (note 14.1).

j. Resources provided and received free of charge or for nominal consideration

Contributions of resources and resources provided free of charge or for nominal consideration are recognised at their fair value. Contributions in the form of services are only recognised when a fair value can be reliably determined and the services would have been purchased if not donated.

k. Rounding of amounts

Amounts shown in the financial report are rounded to the nearest thousand dollars or, in other cases, to the nearest dollar.



| | Notes | 2002 \$ '000s | 2001 \$ '000s |
|---|----------|------------------|------------------|
| 2. Revenue | | | |
| 2.1 Grants | | | |
| - State current - Department of Premier and Cabinet | | 18,523 | 14,718 |
| - State other - Department of Premier and Cabinet - Youth Employment Scheme | | 12 | 0 |
| - State other - Department of Education, Employment and Training | | 127 | 556 |
| - State - Arts Victoria | | 227 | 0 |
| - State - Capital-asset charge | | 1,981 | 815 |
| Total State Grants | | 20,870 | 16,089 |
| - Commonwealth | | 6,886 | 3,000 |
| Total grants | | 27,756 | 19,089 |
| 2.2 Resources received free of charge | | | |
| Resources received free of charge | 15 | 2,026 | 2,030 |
| | | 2,026 | 2,030 |
| 2.3 Other revenue | | | |
| Admissions | | 1,196 | 752 |
| Bequests, donations and donated works of art | 2.4 | 15,810 | 9,330 |
| Education booking fees | | 276 | 229 |
| Gallery magazine | | 63 | 98 |
| Foreign exchange gain on investments | | 19 | 181 |
| Investment income | | | |
| - Dividends | | 507 | 389 |
| - Interest | | 2,031 | 1,900 |
| - Other | | 147 | 0 |
| Great Hall/Restaurant | | 0 | (27) |
| Management fees | | 1,723 | 1,866 |
| Membership | | 451 | 878 |
| Merchandise sales (gross profit) | 3 | 605 | 627 |
| Miscellaneous | | 246 | 204 |
| Other trading | | 88 | 100 |
| Sponsorship | | 329 | 191 |
| Contra sponsorship | 18, 1(e) | 80 | 708 |
| Assets brought to account following physical count | | 1,281 | 0 |
| Proceeds on sale of property, plant and equipment | 11 | 444 | 4 |
| Proceeds on sale of securities | | 15,456 | 11,258 |
| Proceeds on sale of shares | | 7,303 | 6,578 |
| Total other revenue | | 48,055 | 35,266 |
| Total revenue | | 77,837 | 56,385 |

2. Revenue (continued)

| | Notes | 2002 \$ '000s | 2001 \$ '000s |
|--|-------|------------------|------------------|
| 2.4 Bequests, donations and donated works of art | | | |
| Bequests and donations | | 4,690 | 5,623 |
| Donated works of art | | 11,120 | 3,707 |
| | | 15,810 | 9,330 |
| <p>Bequests, donations and donated works of art are gifts given to the National Gallery of Victoria by the general public and other supporters of the Gallery to the benefit of the collection or so that works of art may be purchased or other activities be undertaken to enhance the Gallery's presentation of the collection.</p> | | | |
| 3. Merchandise sales | | | |
| Gross sales | | 1,585 | 1,677 |
| Less cost of goods sold | | (980) | (1,050) |
| Gross profit from trading | | 605 | 627 |
| 4. Employee entitlements | | | |
| Salaries and associated costs | | 8,651 | 8,303 |
| Provision for annual leave | 1(d) | 758 | 580 |
| Provision for long service leave | 1(d) | 322 | 465 |
| | | 9,731 | 9,348 |
| 5. Supplies and services | | | |
| Advertising and publicity | | 669 | 1,393 |
| Accounting and audit fees | | 18 | 44 |
| Books and publications | | 89 | 133 |
| Computer support and supplies | | 348 | 267 |
| Conservation | | 164 | 143 |
| Couriers/freight | | 855 | 536 |
| Insurance | | 324 | 323 |
| Materials | | 271 | 244 |
| Photography | | 36 | 28 |
| Postage and telephones | | 181 | 174 |
| Printing | | 200 | 340 |
| Professional fees | | 4,294 | 2,427 |
| Stationery and supplies | | 209 | 99 |
| Subscriptions | | 43 | 41 |
| Valuation fees | | 132 | 28 |
| | | 7,833 | 6,220 |



| | Notes | 2002 \$ '000s | 2001 \$ '000s |
|---|-------|------------------|------------------|
| 6. Other expenses | | | |
| Bad debts written off | | (11) | 24 |
| Bank, credit and cash charges | | 53 | 31 |
| Building maintenance | | 438 | 742 |
| Equipment maintenance | | 47 | 29 |
| Exhibition design and displays | | 153 | 301 |
| Exhibition management fees | | 941 | 496 |
| Gallery magazine | | 169 | 171 |
| Hospitality and function expenses | | 366 | 262 |
| Interest expense | | 0 | 1 |
| Investment management fees | | 243 | 230 |
| Foreign exchange loss on management fees | | 195 | 67 |
| Miscellaneous | | 57 | 109 |
| Motor vehicles | | 141 | 40 |
| Prizes and awards | | 12 | 56 |
| Staff development | | 109 | 210 |
| Travel and personal expenses | | 257 | 224 |
| Uniforms and protective clothing | | 2 | 3 |
| Book value of securities sold | | 15,507 | 11,158 |
| Book value of shares sold | | 7,099 | 5,870 |
| Written down value on sale/retirement of fixed assets | 11 | 1,527 | 370 |
| Investment loss - market value below cost | 14.2 | 249 | 0 |
| Demolished capital improvements - St Kilda Road gallery | 24 | 0 | 1,054 |
| | | 27,554 | 21,448 |

7. Cash assets

For the purposes of the Statement of Cash Flows, cash includes cash on hand, cash at bank and investments in short term deposits.

| | | | |
|--------------------------|----|---------------|---------------|
| Cash at bank and on hand | | 11,036 | 3,255 |
| Short-term deposits | | 11,288 | 10,619 |
| | 17 | 22,324 | 13,874 |

Short-term deposits

The deposits are bearing floating interest rates at between 3.60% and 4.35% (2001 - 4.35% and 5.6%)



| | Notes | 2002 \$ '000s | 2001 \$ '000s |
|--------------------------------------|-------|------------------|------------------|
| 8. Receivables | | | |
| Debtors | | 544 | 562 |
| Less, Provision for doubtful debts | | (9) | (22) |
| Net debtors | | 535 | 540 |
| GST receivables | | 354 | 0 |
| Other debtors | | 105 | 215 |
| Total receivables | 17 | 994 | 755 |
| 9. Other financial assets | | | |
| <i>Investments at market value</i> | | | |
| Current assets | | | |
| Fixed interest securities | | 482 | 0 |
| Equities | | 13,155 | 12,772 |
| Total current investments | | 13,637 | 12,772 |
| Non-current assets | | | |
| Fixed interest securities | | 19,158 | 18,207 |
| Total non-current investments | | 19,158 | 18,207 |
| Investments at market value | 17 | 32,795 | 30,979 |
| Investments at cost | | 33,044 | 29,180 |

A reconciliation of the carrying amounts of each class of investments at the beginning and end of the current financial year is as set out below.

| | Equities \$ '000s | Fixed Interest Securities \$ '000s | Total \$ '000s |
|---------------------------------------|----------------------|---|-------------------|
| 2002 | | | |
| Carrying amount at start of year | 12,772 | 18,207 | 30,979 |
| Additions | 9,425 | 17,056 | 26,481 |
| Disposals | (7,099) | (15,507) | (22,606) |
| Revaluation decrease | (1,943) | (116) | (2,059) |
| Carrying amount at end of year | 13,155 | 19,640 | 32,795 |



| | Notes | 2002 \$ '000s | 2001 \$ '000s |
|--|-------------|------------------|------------------|
| 10. Works of art | | | |
| Works of art at cost or donated | | 305 | 15,395 |
| Works of art independent valuation: 1995 | | 1,500 | 599,546 |
| Works of art independent valuation: 2002 | 1(a) | 1,790,516 | 0 |
| Total works-of-art | 14.2 | 1,792,321 | 614,941 |

A reconciliation of the carrying amounts of each class of works of art at the beginning and end of the current financial year is as set out below.

| | At Cost or Donated \$ '000s | Works-of-art Independent Valuation \$ '000s | Total \$ '000s |
|---------------------------------------|-----------------------------------|--|-------------------|
| 2002 | | | |
| Carrying amount at start of year | 15,395 | 599,546 | 614,941 |
| Additions | 13,049 | 0 | 13,049 |
| Disposal | 0 | 0 | 0 |
| Transfer | (28,139) | 28,139 | 0 |
| Revaluation increase | 0 | 1,164,331 | 1,164,331 |
| Carrying amount at end of year | 305 | 1,792,016 | 1,792,321 |

| | Notes | 2002 \$ '000s | 2001 \$ '000s |
|---|-------|------------------|------------------|
| 11. Property, plant and equipment | | | |
| Land | | | |
| At valuation (2000) | 1(a) | 20,000 | 20,000 |
| | | 20,000 | 20,000 |
| Buildings | | | |
| At valuation (2000) | 1(a) | 18,972 | 18,972 |
| Less: Accumulated depreciation | 1(b) | 0 | 0 |
| | | 18,972 | 18,972 |
| Total land and buildings | | 38,972 | 38,972 |
| Capital improvements | | | |
| At cost | | 2,971 | 3,049 |
| Less: Accumulated depreciation | | (2,924) | (1,011) |
| | | 47 | 2,038 |
| Works-in-progress | | | |
| At cost | | 108,062 | 34,483 |
| | | 108,062 | 34,483 |
| Total capital improvements and works-in-progress | | 108,109 | 36,521 |
| The works-in-progress mainly represents the major redevelopment of the interior of the site of the National Gallery of Victoria at St Kilda Road and amounts to \$106,293,000. The interior was demolished and substantial renovations are well advanced on this site with an expected completion date in early 2003. The balance represents works at the Federation Square gallery and amounts to \$1,769,000. | | | |
| Plant and equipment | | | |
| At valuation (1995) | 1(a) | 0 | 2,279 |
| At cost | | 6,865 | 3,402 |
| Less: Accumulated depreciation | | (1,125) | (2,809) |
| Total plant and equipment | | 5,740 | 2,872 |
| Total property, plant and equipment | | 152,821 | 78,365 |
| Profit and /or (loss) on disposal of fixed assets | | | |
| Proceeds on sale of non-current assets | | 444 | 4 |
| Less: Carrying amount | | (1,527) | (1,424) |
| Loss on disposal | | (1,083) | (1,420) |
| Depreciation/Amortisation charge for year | | | |
| Capital improvements | | 1,938 | 969 |
| Plant and equipment | | 600 | 640 |
| | 1(b) | 2,538 | 1,609 |

11. Property, plant and equipment (continued)

Reconciliation

The reconciliation of the carrying amounts of each class of property, plant and equipment at the beginning and end of the financial year is set out below.

| | Land | Buildings | Capital Improvements | Works- In- Progress | Plant and Equipment | Total |
|--|---------------|---------------|-------------------------|---------------------------|---------------------------|----------------|
| | \$ '000s | \$ '000s | \$ '000s | \$ '000s | \$ '000s | \$ '000s |
| 2002 | | | | | | |
| Carrying amount at start of year | 20,000 | 18,972 | 2,038 | 34,483 | 2,872 | 78,365 |
| Additions | 0 | 0 | 5 | 73,806 | 3,429 | 77,240 |
| Addition - Assets brought to account following physical count | 0 | 0 | 0 | 0 | 1,281 | 1,281 |
| Disposals | 0 | 0 | 0 | (285) | (1,242) | (1,527) |
| Transfers - In/(Out) | 0 | 0 | (58) | 58 | 0 | 0 |
| Depreciation/amortisation expense | 0 | 0 | (1,938) | 0 | (600) | (2,538) |
| Carrying amount at end of year | 20,000 | 18,972 | 47 | 108,062 | 5,740 | 152,821 |

| | Notes | 2002 | 2001 |
|------------------------------------|-------|--------------|--------------|
| | | \$ '000s | \$ '000s |
| 12. Payables | | | |
| Trade creditors | | 1,258 | 969 |
| Other creditors and accruals | | 252 | 357 |
| Works of art purchases | | 8 | 0 |
| Income in advance | | 45 | 7 |
| Total payables | 17 | 1,563 | 1,333 |
| 13. Employee entitlements | | | |
| Current | | | |
| - Annual leave | | 664 | 528 |
| - Long service leave | | 128 | 104 |
| - Employee related costs | | 24 | 20 |
| | | 816 | 652 |
| Non-current | | | |
| - Long service leave | | 1,156 | 934 |
| Total employee entitlements | 1(e) | 1,972 | 1,586 |



| | | 2002 | 2001 |
|--|-------|------------------|----------------|
| | Notes | \$ '000s | \$ '000s |
| 14. Equity and movements in equity | | | |
| 14.1 Movement in contributed capital | | | |
| Contributed capital | | | |
| Balance 1 July 2001 | | 75,585 | 2,130 |
| Transfer of accumulated surplus as at 1 July 2001 | 14.3 | 8,243 | 0 |
| Capital contribution by Victorian State Government | | 72,618 | 73,455 |
| Balance 30 June 2002 | | 156,446 | 75,585 |
| 14.2 Movement in reserves | | | |
| General reserves | | | |
| Balance 1 July 2001 | | 10,375 | 9,624 |
| Transfer from accumulated surplus | | 0 | 751 |
| Transfer to Works of Art Reserve | | (2,572) | 0 |
| Balance 30 June 2002 | | 7,803 | 10,375 |
| Bequest and donations reserves | | | |
| Balance 1 July 2001 | | 26,289 | 23,068 |
| Transfer from accumulated surplus | | 12,450 | 7,582 |
| Transfer to Works of Art Reserve | | (10,477) | (4,361) |
| Balance 30 June 2002 | | 28,262 | 26,289 |
| Works of Art Reserve | | | |
| Balance 1 July 2001 | | 38,588 | 34,227 |
| Transfer from general reserves | | 2,572 | 0 |
| Transfer from bequest and donations reserves | | 10,477 | 4,361 |
| Balance 30 June 2002 | | 51,637 | 38,588 |
| Asset Revaluation Reserves | | | |
| <i>Plant and equipment</i> | | | |
| Balance 1 July 2001 | | 820 | 820 |
| Transfer (to) accumulated surplus | | (820) | 0 |
| Balance 30 June 2002 | | 0 | 820 |
| <i>Works of art</i> | | | |
| Balance 1 July 2001 | | 576,353 | 576,353 |
| Increment during the year | | 1,164,331 | 0 |
| Balance 30 June 2002 | | 1,740,684 | 576,353 |
| Total Asset Revaluation Reserves | | 1,740,684 | 577,173 |

The total book value of the works of art, \$1,792,321,000 (Note 10) equates to the total of the Works of Art Reserve and the Asset Revaluation (Works of Art) Reserve.

14. Equity and movements in equity (continued)

| | | 2002 | 2001 |
|--|-------|------------------|----------------|
| | Notes | \$ '000s | \$ '000s |
| Investment Revaluation Reserve | | | |
| Balance 1 July 2001 | | 1,799 | 1,505 |
| Increment/(Decrement) during the year | | (2,048) | 294 |
| Net decrease of market value to cost - written off | | 249 | 0 |
| Balance 30 June 2002 | | 0 | 1,799 |
| TOTAL RESERVES | | 1,828,386 | 654,224 |

14.3 Accumulated surplus

| | | | |
|--|------|---------------|--------------|
| Balance 1 July 2001 | | 7,423 | 871 |
| Transfer from Asset Revaluation Reserve | | 820 | 0 |
| | | 8,243 | 871 |
| Transfer to Contributed Capital | 1(i) | (8,243) | 0 |
| | | 0 | 871 |
| Transfer to/from general operating reserves | | 0 | (751) |
| Adjustment to reserves | | 0 | 15 |
| Result for the period | | 26,156 | 14,870 |
| Transfer (to) bequest and donation reserves - 2002 | | (12,450) | (7,582) |
| Balance 30 June 2002 | | 13,706 | 7,423 |

| | Balance at 1 July 2001 | Transfers | Balance at 30 June 2002 |
|--------------------------------|---------------------------|------------------|----------------------------|
| | \$ '000s | \$ '000s | \$ '000s |
| Summary of reserves | | | |
| Contributed capital | 75,585 | 80,861 | 156,446 |
| General reserves | 10,375 | (2,572) | 7,803 |
| Bequest and donation reserves | 26,289 | 1,973 | 28,262 |
| Works of Art Reserve | 38,588 | 13,049 | 51,637 |
| Asset Revaluation Reserves | 577,173 | 1,163,511 | 1,740,684 |
| Investment Revaluation Reserve | 1,799 | (1,799) | 0 |
| | 654,224 | 1,174,162 | 1,828,386 |
| Accumulated surplus | 7,423 | 6,283 | 13,706 |
| Total equity | 737,232 | 1,261,306 | 1,998,538 |

14. Equity and movements in equity (continued)

Bequest and donation reserves

To assist the Council of Trustees maintain, develop and improve the State collection of works of art.

Other reserves

General reserves

Incorporates all the activities administered by the Council of Trustees including admissions, exhibitions, public programs, the Gallery Shop, publications, catering and maintenance of the building.

Works of Art Reserve

The Works of art reserve, together with the Works of art revaluation reserve, equate to the value of the National Gallery of Victoria's works of art.

Asset Revaluation Reserves

Comprises increments to non-current assets, excluding plant and equipment, arising from revaluations to fair value. Non-current assets classified to plant and equipment are not subject to revaluation.

Investment Revaluation Reserve

Represents increments arising from revaluation of investments to market value.

Contributed capital

Represents transfers of capital to the National Gallery of Victoria by the State Government of Victoria to support the infrastructure of the Gallery.

15. Resources received/provided free of charge

The market value of land and buildings for the St Kilda Road gallery did not appear in the financial statements until 1 July 2000, when they were transferred to the National Gallery of Victoria. Until that date, all property occupied by the National Gallery of Victoria was leased without financial consideration.

The temporary gallery at 285 Russell Street was leased without financial consideration from the State Library of Victoria, by the National Gallery of Victoria for a period of 12 months during the 2002 financial year at an estimated value of \$839,100 (2001 – estimated value \$839,100). This arrangement ceased on 30 June 2002 when the National Gallery of Victoria closed the Russell Street gallery.

In addition, the site at North Melbourne, also leased without financial consideration from the Public Records Office, has been occupied by the National Gallery of Victoria during the 2002 financial year at an estimated value of \$1,186,812 (2001 - estimated value \$1,190,800).

| | 2002 | 2001 |
|---|--------------|--------------|
| | \$ '000s | \$ '000s |
| The temporary gallery at 285 Russell Street | 839 | 839 |
| Public Records Office at North Melbourne | 1,187 | 1,191 |
| | <u>2,026</u> | <u>2,030</u> |

A tenant within the temporary North Melbourne site receives administrative support from the National Gallery of Victoria without financial consideration. The estimated value of this resource provided free of charge is as follows:

| | 2002 | 2001 |
|--|-----------|-----------|
| | \$ '000s | \$ '000s |
| Public Records Office at North Melbourne | | |
| - Administrative support | 18 | 45 |
| | <u>18</u> | <u>45</u> |

Expenses from ordinary activities of the National Gallery of Victoria included \$18,000 (2001 \$45,000) to recognise this resource provided free of charge classified separately as an expense.

16. Audit fees

The Victorian Auditor-General's Office audits the annual financial report of the National Gallery of Victoria. Amounts payable for this service total \$18,240 (2001 \$17,200).

17. Financial instruments

(i) Accounting policies

The economic entity's accounting policies, and terms and conditions of each class of financial asset and financial liability at balance date are as follows:

- Investments**
 Investments include equities and fixed interest securities. Investments on the stock exchange and market securities are brought to account at market value and interest and dividend income is recognised in the revenue and expense statement when receivable.

Net unrealised gains are credited to the Asset Revaluation Reserve. Market values and historical cost for each class of investment are reported at note 9.

- Receivables**
 Trade debtors are carried at nominal amounts due, less any provision for doubtful debts. A provision for doubtful debts is recognised when collection of the full nominal amount is no longer probable. Credit sales are generally on 30-day terms.
- Payables**
 These amounts represent liabilities for goods and services provided to the entity prior to the end of the financial year and which are unpaid. The amounts are unsecured and usually paid within 30 days of recognition.

(ii) Net fair value

Unless otherwise stated each class of financial asset and financial liability is recognised in the statement of financial position at book value which approximates net fair value.

17. Financial instruments (continued)

(iii) Credit risk

The maximum credit risk on financial assets of the economic entity, which have been recognised in the statement of financial position, is generally the carrying amount less any provision for doubtful debts. The total credit risk exposure of the entity could also be considered to include the difference between the carrying amount and the realisable amount.

(iv) Foreign exchange risk

The entity maintained a US dollar bank account to hold funds collected from the Masterpieces exhibition touring the United States of America. No hedging of the foreign exchange risk was undertaken while the account was held in US dollars. The US dollars held in the account were converted to Australian dollars in April 2002. \$US2,000,000 was converted to \$A3,757,279.73 at that date at the conversion rate of \$US1 to \$A0.5323. The account held \$A27,586 (\$US15,501) at 30 June 2002.

(v) Interest rate risk

| | Notes | Floating interest rate | Fixed interest maturing in: | | | Non-interest bearing (Equities) | Total |
|---|-------|------------------------|-----------------------------|------------------------|-------------------|---------------------------------|---------------|
| | | | 1 year or less | Over 1 year to 5 years | More than 5 years | | |
| | | \$ '000s | \$ '000s | \$ '000s | \$ '000s | \$ '000s | \$ '000s |
| 2002 | | | | | | | |
| Financial assets | | | | | | | |
| Cash | 7 | 22,320 | 0 | 0 | 0 | 4 | 22,324 |
| Receivables | 8 | 0 | 0 | 0 | 0 | 994 | 994 |
| Other financial assets | | | | | | | |
| - investments | 9 | 0 | 482 | 10,649 | 8,509 | 13,155 | 32,795 |
| | | 22,320 | 482 | 10,649 | 8,509 | 14,153 | 56,113 |
| Weighted average interest rate | | 3.84% | 8.07% | 7.23% | 7.02% | N/A | |
| Financial liabilities | | | | | | | |
| Trade and other creditors | 12 | 0 | 0 | 0 | 0 | 1,563 | 1,563 |
| Lease liabilities | | 0 | 0 | 0 | 0 | 0 | 0 |
| | | 0 | 0 | 0 | 0 | 1,563 | 1,563 |
| Weighted average interest rate | | N/A | N/A | N/A | N/A | N/A | |
| Net financial assets/(liabilities) | | 22,320 | 482 | 10,649 | 8,509 | 12,590 | 54,550 |

17. Financial instruments (continued)

| | Notes | Floating interest rate | Fixed interest maturing in: | | | Non- interest bearing (Equities) | Total |
|---|-------|------------------------------|-----------------------------|------------------------------|-------------------------|---|----------------------|
| | | | 1 year or less | Over 1 year to 5 years | More than 5 years | | |
| | | \$ 000s | \$ 000s | \$ 000s | \$ 000s | \$ 000s | \$ 000s |
| 2001 | | | | | | | |
| Financial assets | | | | | | | |
| Cash | 7 | 13,873 | 0 | 0 | 0 | 1 | 13,874 |
| Receivables | 8 | 0 | 0 | 0 | 0 | 755 | 755 |
| Other financial assets - investments | 9 | 0 | 0 | 11,940 | 6,267 | 12,772 | 30,979 |
| | | <u>13,873</u> | <u>0</u> | <u>11,940</u> | <u>6,267</u> | <u>13,528</u> | <u>45,608</u> |
| Weighted average interest rate | | 4.98% | N/A | 7.54% | 7.15% | N/A | |
| Financial liabilities | | | | | | | |
| Trade and other creditors | 12 | 0 | 0 | 0 | 0 | 1,333 | 1,333 |
| Lease liabilities | | 0 | 0 | 0 | 0 | 0 | 0 |
| | | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>1,333</u> | <u>1,333</u> |
| Weighted average interest rate | | N/A | N/A | N/A | N/A | N/A | |
| Net financial assets/(liabilities) | | <u>13,873</u> | <u>0</u> | <u>11,940</u> | <u>6,267</u> | <u>12,195</u> | <u>44,275</u> |

18. Contra sponsorship

The National Gallery of Victoria receives sponsorship in the form of advertising, accommodation, printing, refreshments, travel, freight, etc. in exchange for promoting the provider as a corporate supporter of the Gallery. The value of contra sponsorship of \$79,957 is included in the financial statements (2001 \$708,206).

19. Superannuation

The National Gallery of Victoria has, in its staffing profile, a number of employees who are members of the public sector superannuation schemes listed below. As at 30 June 2002, these schemes were carrying total liabilities, including liabilities for members' benefits in excess of the value of the schemes' assets. In line with Government policy the unfunded superannuation liabilities have been reflected in the financial statements of the Department of Treasury and Finance.

Superannuation contributions for the reporting period are included as part of salaries and associated costs in the Statement of Financial Performance.

The name and details of the major employee superannuation funds and contributions made by the National Gallery of Victoria are as follows:

Government Superannuation Office (Revised Scheme)

| Employee Contribution | Employer Contribution |
|-----------------------|-----------------------|
| From 8.0% to 9.5% | 15.5% (15.5%) |

Depending on member's age bracket, younger members being at the lower rates.

Government Superannuation Office (New Scheme)

| Employee Contribution | Employer Contribution |
|-----------------------|-----------------------|
| 0 % | 8.0 % |
| 3 % | 8.5% |
| 5 % | 9.5% |
| 7 % | 10.0 % |

Contributions to the above schemes totalled \$239,292 during 2002 (2001 \$229,194).

Government Superannuation Office (Vic Super)

Contributions calculated at the rates set out below of participating employee salaries totalled \$457,083 during 2002 (2001 \$338,489).

| Employee Contribution | Employer Contribution |
|-----------------------|-----------------------|
| No contribution made | 8.00% (8.00%) |

Various other superannuation schemes

Contributions calculated at the rates set out below of participating employee salaries totalled \$44,810 during 2002 (2001 \$49,555).

| Employee | Employer |
|----------------------|---------------|
| No contribution made | 8.00% (8.00%) |

Total contributions

Contributions by the National Gallery of Victoria to all superannuation schemes totalled \$741,185 during 2002 (2001 \$617,238).

Contributions outstanding at year-end

Contributions outstanding to all superannuation schemes was \$Nil -2002 (2001 \$Nil).

20. Responsible officer disclosures

Responsible persons

During the reporting period the following people held a position designated as a "responsible person" as defined by section 9.4.3 of the *Financial Management Act 1994*. There were no benefits or remuneration paid to responsible persons other than the Accountable Officer (*Director of the Gallery).

The Hon. M Delahunty MLA, Dr G Vaughan*, Mr P Clemenger, Mr J Cousins, Dr A Inglis, Mr R Walker, Mr R Myer, Mr G Newcombe, Mr S Vizard, Mr C Brown, Ms M Palmer, Ms J Murphy-Wandin, Ms M Kelsall and Ms S Smart.

Remuneration benefits of executive officers (including the Accountable Officer)

The number of executive officers are shown below in their relevant income bands:

| | 2002 | 2001 |
|-----------------------|------|------|
| \$100,000 - \$109,999 | 1 | 1 |
| \$110,000 - \$119,999 | 0 | 0 |
| \$120,000 - \$139,999 | 0 | 0 |
| \$140,000 - \$159,999 | 1 | 1 |
| \$160,000 - \$169,999 | 0 | 0 |
| \$170,000 - \$179,999 | 1 | 1 |

| | \$ '000s | \$ '000s |
|--|----------|----------|
|--|----------|----------|

| | | |
|---|-----|-----|
| Total remuneration of executive officers included in the above, excluding bonuses, amounted to: | 428 | 428 |
|---|-----|-----|

| | | |
|---|----|----|
| Bonuses paid during the period to executive officers included in the above amounted to: | 61 | 75 |
|---|----|----|

Amounts relating to Ministers are reported in the financial statements of the Department of Premier and Cabinet.

There were no related party transactions during the period.

21. Contingent liabilities

There were no contingent liabilities at balance date (2001 \$Nil).

22. Commitments

There were no capital commitments at balance date (2001 \$Nil).

| | 2002 | 2001 |
|---|------------|----------|
| | \$ '000s | \$ '000s |
| Operating lease expenditure contracted for is payable as follows: | | |
| Not later than one year | 422 | 5 |
| Later than one year but not later than five years | 173 | 2 |
| Total operating lease expenditure commitments | 595 | 7 |

23. Additions to Contributed Capital

The National Gallery of Victoria's financial statements include the following additions to Contributed Capital for the financial year:

| | 2002 | 2001 |
|--|----------------|---------------|
| | \$ '000s | \$ '000s |
| Opening balance | 75,585 | 2,130 |
| Transfer of Accumulated Surplus as at 1 July 2001 | 8,243 | 0 |
| Land | 0 | 20,000 |
| Building | 0 | 18,972 |
| Capital improvements | | |
| - Amounts transferred from the Victorian Arts Centre Trust | 0 | 25,551 |
| - Capital improvements | 72,618 | 8,932 |
| Total | 156,446 | 75,585 |

An exemption was granted by the Minister of Finance under subsection 47(1) of the *Financial Management Act 1994* in the 2001 financial year to treat the 2001 amount above as "Contributions to Capital" in the financial statements of the National Gallery of Victoria.

As a result of changes to the *Victorian Arts Centre Act 1979*, assets, being the land, buildings and the capital cost of the refurbishment works of the St Kilda Road gallery, previously on the books of the Victorian Arts Centre Trust, were transferred to the National Gallery of Victoria in the financial year ended 30 June 2001. Land and buildings were transferred at 'fair value' and the refurbishment works at 'cost'.

The amount of \$72,618,313 (2001 - \$8,931,372) represents the capital cost of refurbishment works at the St Kilda Road gallery and at the Federation Square gallery.

Depreciation on both buildings and capital works at the gallery will commence once the refurbishment has been completed and the building project managers have handed over the building to National Gallery of Victoria.

24. Asset – Capital Improvements Write-off

The financial statements include the write-off of a written down value of assets of \$1.1 million in 2001 and this was been included in Note 6. Other expenses from ordinary activities. This write-off was due to the move of the Gallery to various temporary locations and the re-development of the St Kilda Road site. Prior capital improvements have been removed and it was appropriate to write-off the historical capital improvements at the St Kilda Road site in determining the net result for the prior reporting period.

25. Post balance date event

In the financial year commencing 1 July 2002, the National Gallery of Victoria will become a tenant of the Federation Square complex with the opening of the Australian art gallery, The Ian Potter Centre: NGV Australia. Estimated annual rental and outgoings are \$2,000,000.

26. Note to Statement of Cash Flows

Reconciliation of net result for the year to net cash flows from operating activities

| | 2002 | 2001 |
|---|----------------------|----------------------|
| | \$ '000s | \$ '000s |
| Net result for the reporting period | 26,156 | 14,870 |
| Plus: | | |
| Depreciation/amortisation | 2,538 | 1,609 |
| Loss on retirement of property, plant and equipment | 1,083 | 1,420 |
| Investment loss - market value below cost | 249 | 0 |
| Loss on sale of fixed interest securities | 51 | 0 |
| Increase in provisions for employee entitlements | 385 | 400 |
| Increase in payables | 6,323 | 0 |
| Increase in income in advance | 45 | 0 |
| Decrease in prepayments | 2 | 0 |
| Decrease in inventories | 167 | 82 |
| | <u>10,843</u> | <u>3,511</u> |
| Less: | | |
| State government depreciation funding | (950) | (0) |
| Donated works of art | (11,120) | (3,693) |
| Increase in receivables | (584) | (103) |
| Increase in prepayments | (0) | (137) |
| Decrease in payables | (0) | (321) |
| Assets brought to account following physical count | (1,281) | (0) |
| Profit on sale of equities | (204) | (708) |
| Profit on sale of fixed interest securities | (0) | (100) |
| | <u>(14,139)</u> | <u>(5,062)</u> |
| Net cash flows from operating activities | <u>22,860</u> | <u>13,319</u> |

Compliance Index

The Annual Report of the entity is prepared in accordance with the *Financial Management Act 1994* and the Directions of the Minister for Finance. This index has been prepared to facilitate identification of compliances with statutory-disclosure requirements.

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| 9.2.3 (ii) (d) | Financing cost | 120 |
| 9.2.3 (ii) (e) | Depreciation, amortisation or diminution in value | 112,123,124 |
| 9.2.3 (ii) (f) | Bad and doubtful debts | 120,121 |
| 9.2.3 (ii) (g) | Losses arising from the sale of non-current assets | 120,124 |
| 9.2.3 (ii) (h) | Losses on the revaluation of assets | N/A |
| 9.2.3 (ii) (i) | Audit expense | 119,127 |
| 9.2.3 (ii) (j) | Emoluments of the governing board | N/A |
| 9.2.3 (ii) (k) | Shareholdings in the entity by members of the governing board | 130 |

Compliance Index continued

Statement of Financial Position

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|-----------------------|--|-----------------|
| 9.2.3 (iii) (a) (i) | Cash at bank or in hand | 113,120,128,129 |
| 9.2.3 (iii) (a) (ii) | Inventories, by class | 113 |
| 9.2.3 (iii) (a) (iii) | Receivables, including trade debtors, loans and other debtors | 113,121,128,129 |
| 9.2.3 (iii) (a) (iv) | Other assets, including prepayments | 113,121,128,129 |
| 9.2.3 (iii) (a) (v) | Investments, by class | 121,128,129 |
| 9.2.3 (iii) (a) (vi) | Property, plant and equipment | 113,123 |
| 9.2.3 (iii) (a) (vii) | Intangible assets | N/A |
| 9.2.3 (iii) (b) (i) | Overdrafts | N/A |
| 9.2.3 (iii) (b) (ii) | Bank loans, bills payable, promissory notes, debentures and other loans | N/A |
| 9.2.3 (iii) (b) (iii) | Trade and other creditors | 113,124,128,129 |
| 9.2.3 (iii) (b) (iv) | Finance-lease liabilities | N/A |
| 9.2.3 (iii) (b) (v) | Provisions, including employee entitlements | 113,124 |
| 9.2.3 (iii) (c) (i) | Authorised capital | N/A |
| 9.2.3 (iii) (c) (ii) | Issued capital | N/A |
| 9.2.3 (iii) (d) | Reserves, and transfers to and from reserves, shown separately | 113,125,126,127 |

Statement of Cash Flows

| | | |
|---------------|---|---------|
| 9.2.2 (i) (c) | A statement of cash flows during the year | 114,132 |
|---------------|---|---------|

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| 9.2.2 (i) (d) | Amounts written off | 120 |
| 9.2.3 (iv) (a) | Charges against assets | N/A |
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| 9.2.3 (iv) (f) | Assets received without adequate consideration | 112,118,127 |
| 9.4 | Transaction with responsible persons and their related parties | 130 |



Acknowledgements

The National Gallery of Victoria wishes to acknowledge the following organizations for their continued generous support during 2001-02



The National Gallery of Victoria wishes to acknowledge the following organizations which have supported the Gallery on a project basis during 2001-02

