



sovereign hill

financial report
2008 - 2009

THE SOVEREIGN HILL MUSEUMS ASSOCIATION

ABN 87 565 053 651

DIRECTORS



President

Mrs A P Perry

Elected to the Board in 2003. Chairman of the President's Advisory Committee. Ex-officio member of all Board Trusts and Committees. Retired Teacher and Family Historian.



Mr D E Butler

Elected to the Board in 2005. Chairman of the Finance Committee. Director of a Chartered Accountancy Practice.



Mrs S N Baird

Elected to the Board in 2005. Chairman of the Audit & Compliance Committee. Trustee of the Narmbool Trust. Chairman of the Art Gallery of Ballarat Board of Management. Lawyer.



Mr P J Davies

Elected to the Board in 1993. A Past-President. Member of the Mining Museum Committee. Trustee of The Sovereign Hill Foundation. Chairman of Ballarat Community Telco Ltd. Company Director.



Vice-President

Mr S O Coltman

Elected to the Board in 2003. Chairman of the Mining Museum Committee. Member of the Finance Committee. Company Director.



Ms J E Cowles

Elected to the Board in 2003. Chairman of the Gold Museum Committee. Member of the Outdoor Museum Committee. Trustee of the Sir Henry Bolte Trust and The Sovereign Hill Foundation.



Dr R N Hinchey

Elected to the Board in 1996. Chairman of the Outdoor Museum Committee. Member of the Audit & Compliance Committee. A Medical Practitioner in General Practice.

Terry Lloyd



Prof. T M Lloyd
Elected to the Board in 2007.
Member of the Outdoor Museum Committee. Trustee of the Narmbool Trust. Deputy Vice-Chancellor, University of Ballarat.

Richard Nicholson



Mr R W Nicholson
Elected to the Board in 1998.
Immediate Past-President. Member of the President's Advisory, Finance and Outdoor Museum Committees. Trustee of The Sovereign Hill Foundation. Qualified Civil Engineer. Director of a local Construction Company.

Robert Selkirk



Mr R J Selkirk
Elected to the Board in 1992.
A Past-President. Member of the Finance Committee. Chairman of Directors of the Selkirk Group of Companies.

Barry Lonsdale



Mr B J Lonsdale
Elected to the Board in 1989.
A Past-President. Member of the Mining Museum Committee. Company Director.

Colin Prowse



Mr C R Prowse OAM
Elected to the Board in 1967.
A Past-President. Chairman of the Narmbool Trust. Member of the Audit & Compliance Committee. Trustee of The Sovereign Hill Foundation and the Sir Henry Bolte Trust. Certified Practising Accountant.

Doug Sarah



Mr A D Sarah OAM
Elected to the Board in 1981.
A Past-President. Trustee of The Sovereign Hill Foundation. Chairman of Destination Ballarat. Company Director. Business Manager.

Bruce McKnight



Mr D B McKnight OAM
Elected to the Board in 1987.
A Past-President. Trustee of the Narmbool Trust and the Sir Henry Bolte Trust. Member of the Gold Museum Committee. A Past-Mayor of the former City of Ballarat. Director of a firm of Electrical Contractors.

Voi Williams



Mrs V Williams OAM
Elected to the Board in 1999.
Member of the Gold Museum Committee. Retired Medical Scientist.

DIRECTORS' REPORT

Your Directors present this report on the Association for the financial year ended 30 June 2009.

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

A P Perry, President
S O Coltman, Vice-President

S N Baird	T M Lloyd	A D Sarah OAM
D E Butler	B J Lonsdale	R J Selkirk
J E Cowles	D B McKnight OAM	V Williams OAM
P J Davies	R W Nicholson	
R N Hinchey	C R Prowse OAM	

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

Company Secretary

The following person held the position of Company Secretary at the end of the financial year:

Mr Jeremy W M Johnson – Diploma of Business, JP, FICS. Mr Johnson has worked for The Sovereign Hill Museums Association for the past 14 years, performing senior management roles in finance, administration and operations. Mr Johnson was appointed Company Secretary on 10 November 1998.

The principal activity of the Association is as follows:

Our purpose at Sovereign Hill and the Gold Museum is to inspire an understanding of the significance of the central Victorian gold rushes in Australia's national story, and at Narmbool of the importance of the land, water and biodiversity in Australia's future.

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

The profit of the Association amounted to \$721,272.

The Association is not liable to pay company tax and is not permitted to pay dividends to its Members.

The net assets of the Association have increased by \$1,704,218 from \$43,164,881 as at 30 June 2008, to \$44,869,099 in 2009.

This increase has largely resulted from the following factors:

- Operating performance; and
- Significant fund-raising activities towards capital works.

The Association's solid financial position has enabled it to continue with its strategy of investing in infrastructure development and building up of cash reserves.

The Directors believe the Association is in a strong and stable financial position to expand and grow its current operations.

No significant changes in the Association's state of affairs occurred during the financial year.

Related party transactions

During or since the end of the previous financial year, no Board Member has received or become entitled to receive a benefit by reason of a contract made by the Association, or a related body corporate with a Member of the Board or with a firm of which a Director is a Member, or with an entity in which a Director has a substantial interest, other than:

1. medical services from a firm of which Mr R N Hinchey is a partner;
2. electrical goods supplied and electrical contracting work carried out for the Association by a firm of electrical contractors of which Mr D B McKnight is a Director; and
3. building services supplied to the Association by a firm of building contractors of which Mr R W Nicholson is a Director.

All transactions were on normal commercial terms and conditions no more favourable than those available to other persons.

After balance date events

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

Future developments

The Association expects to maintain the present status and level of operations and hence there are no likely developments in the Association's operations.

Environmental issues

The Association's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

Indemnifying officers or auditor

During the financial year, the Association has paid a premium to insure officers against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of an officer of the Association, other than conduct involving a wilful breach of duty in relation to the Association. No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for the auditor of the Association.

Proceedings on behalf of the Association

No person has applied for leave of Court to bring proceedings on behalf of the Association or intervene in any proceedings to which the Association is a party for the purpose of taking responsibility on behalf of the Association for all or any part of those proceedings.

The Association was not a party to any such proceedings during the year.

The auditor provided no non-audit services to the Association during the year.

DIRECTORS' REPORT

The attendances of each Director of the Association at meetings during the year were:

	BOARD MEETINGS		COMMITTEE MEETINGS												
			Finance Committee		President's Advisory Committee		Outdoor Museum Committee		Mining Museum Committee		Gold Museum Committee		Audit & Compliance Committee		
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended	
S N Baird	12	11	-	-	-	-	-	-	-	-	-	-	-	3	3
D E Butler	12	12	10	9	-	-	-	-	-	-	-	-	-	-	-
B H Clark	4	4	-	-	-	-	-	-	1	1	-	-	-	1	1
S O Coltman	12	10	10	6	7	5	2	1	3	3	-	-	-	-	-
J E Cowles	12	11	-	-	-	-	3	3	-	-	4	4	-	-	-
P J Davies	12	7	-	-	3	0	-	-	3	3	-	-	-	-	-
R N Hinchey	12	12	-	-	-	-	5	4	-	-	-	-	-	3	3
T M Lloyd	12	10	-	-	-	-	3	3	-	-	-	-	-	-	-
B J Lonsdale	12	10	-	-	-	-	-	-	4	0	2	2	-	-	-
D B McKnight OAM	12	11	-	-	-	-	2	2	-	-	4	1	-	-	-
R W Nicholson	12	12	10	8	10	9	5	4	1	1	2	2	1	1	1
A P Perry	12	11	10	9	10	9	5	5	3	3	2	2	2	2	2
C R Prowse OAM	12	10	-	-	-	-	-	-	-	-	-	-	-	3	3
A D Sarah OAM	12	12	-	-	-	-	-	-	-	-	2	2	-	-	-
R J Selkirk	12	12	10	6	-	-	-	-	-	-	-	-	-	-	-
V Williams OAM	12	11	-	-	-	-	-	-	-	-	4	4	-	-	-

Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2009 has been received and can be found on page 69 of the Directors' Report.

Signed in accordance with a resolution of the Board.

Dated this twenty-first day of September 2009.

Annmarie P. Perry

A P Perry
President

The Sovereign Hill Museums Association ABN 87 565 053 651

AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 370C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF THE SOVEREIGN HILL MUSEUMS ASSOCIATION

As lead auditor for the audit of The Sovereign Hill Museums Association, I declare that to the best of my knowledge and belief, during the year ended 30 June 2009, there have been:

1. No contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

Dated this twenty-first day of September 2009.

WHK Western Victoria Audit Partnership
9 Creswick Road, Ballarat 3350



B R Judkins
Audit Principal

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2009

	Note	2009	2008
		\$	\$
Revenue from operating activities	2	21,474,894	21,633,282
Other income	2	–	–
Employee benefits expense		(10,819,178)	(10,448,565)
Depreciation	3	(1,424,176)	(1,372,410)
Administration, marketing, maintenance expense		(6,008,687)	(6,568,897)
Cost of sales		(2,297,767)	(2,460,123)
Other expenses		(203,814)	(132,596)
Profit before income tax	3	721,272	650,691
Income tax expense		–	–
Profit after income tax		721,272	650,691

The Sovereign Hill Museums Association ABN 87 565 053 651

BALANCE SHEET AS AT 30 JUNE 2009

	Note	2009	2008
		\$	\$
Assets			
Current assets			
Cash and cash equivalents	4	2,844,611	778,666
Trade and other receivables	5	631,398	1,553,070
Inventories	6	1,021,828	1,238,848
Other current assets	7	383,367	275,304
Financial assets	8	402,716	–
Total current assets		<u>5,283,920</u>	<u>3,845,888</u>
Non-current assets			
Financial assets	8	1,811,723	2,236,656
Property, plant and equipment	9	32,842,669	32,756,594
Collections assets	9	7,604,725	7,542,761
Total non-current assets		<u>42,259,117</u>	<u>42,536,011</u>
Total assets		<u>47,543,037</u>	<u>46,381,899</u>
Current liabilities			
Trade and other payables	10	1,481,285	2,037,012
Short term provisions	11	853,385	829,332
Total current liabilities		<u>2,334,670</u>	<u>2,866,344</u>
Non-current liabilities			
Long term provisions	11	339,268	350,674
Total non-current liabilities		<u>339,268</u>	<u>350,674</u>
Total liabilities		<u>2,673,938</u>	<u>3,217,018</u>
Net assets		<u>44,869,099</u>	<u>43,164,881</u>
Equity			
Retained earnings		34,366,794	32,796,517
Reserves		10,502,305	10,368,364
Total equity		<u>44,869,099</u>	<u>43,164,881</u>

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2009

	Retained Earnings	Asset Revaluation Reserve*
	\$	\$
Balance at 30 June 2007	30,656,423	759,321
Capital receipts, donations and collections assets donated	1,702,897	
Profit for the year	650,691	
Shares, hybrid securities, convertible and floating notes in Corporations listed on a prescribed Stock Exchange revaluation increment		(628,741)
Transfers to and from reserves		
– General Reserve	88,206	
– The Sovereign Hill Foundation	(188,421)	
– Sir Henry Bolte Trust	(58,359)	
– Collections	(54,920)	
Transfers to retained earnings		
Transfers from retained earnings		
Balance at 30 June 2008	32,796,517	130,580
Capital receipts, donations and collections assets donated	1,306,951	
Profit for the year	721,272	
Shares, hybrid securities, convertible and floating notes in Corporations listed on a prescribed Stock Exchange revaluation decrement		(324,005)
Transfers to and from reserves		
– General Reserve	(153,311)	
– The Sovereign Hill Foundation	(200,940)	
– Sir Henry Bolte Trust	(41,731)	
– Collections	(61,964)	
Transfers to retained earnings		
Transfers from retained earnings		
Balance at 30 June 2009	34,366,794	(193,425)

* This reserve records the revaluation increment of shares, hybrid securities and floating notes in Corporations listed on a prescribed Stock Exchange.

General Reserve	Sir Henry Bolte Trust	The Sovereign Hill Foundation	Collections Reserve	Total
\$	\$	\$	\$	\$
1,180,747	453,268	902,434	7,487,841	41,440,034
				1,702,897
				650,691
				(628,741)
				88,206
				(188,421)
				(58,359)
				(54,920)
(88,206)				(88,206)
	58,359	188,421	54,920	301,700
1,092,541	511,627	1,090,855	7,542,761	43,164,881
				1,306,951
				721,272
				(324,005)
				(153,311)
				(200,940)
				(41,731)
				(61,964)
153,311	41,731	200,940	61,964	—
1,245,852	553,358	1,291,795	7,604,725	44,869,099

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2009

	Note	2009 \$	2008 \$
Cash flows from operating activities			
Sales from small businesses		6,320,037	6,855,349
Other revenues from operating activities		16,076,529	14,966,152
Payments to employees		(10,806,531)	(10,394,986)
Payments for materials and contracts		(8,881,762)	(9,539,398)
Other expenses		(5,096)	(13,564)
Net cash generated from operating activities	14(b)	<u>2,703,177</u>	<u>1,873,553</u>
Cash flows from investing activities			
Capital receipts and donations		1,306,951	1,682,721
Proceeds from sale of plant and equipment		91	19,700
Proceeds of disposal of investments		341,180	541,454
Purchase of investments		(691,722)	(556,071)
Purchase of property, plant and equipment		(1,593,732)	(4,130,085)
Net cash used in investing activities		<u>(637,232)</u>	<u>(2,442,281)</u>
Cash flows from financing activities			
Repayment of borrowings		–	–
Net cash used in financing activities		<u>–</u>	<u>–</u>
Net increase (decrease) in cash held		2,065,945	(568,728)
Cash at the beginning of the year		778,666	1,347,394
Cash at the end of the year	14(a)	<u>2,844,611</u>	<u>778,666</u>

NOTE 1 Statement of significant accounting policies

The financial report is for The Sovereign Hill Museums Association as an individual entity, incorporated and domiciled in Australia. The Sovereign Hill Museums Association is a company limited by guarantee.

The following is a summary of the material accounting policies adopted by the Association in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

Basis of preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) and the *Corporations Act 2001*.

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

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

Accounting policies

Revenue

Revenue from the sale of goods is recognised upon the delivery of goods to customers.

Grant revenue is recognised in the income statement when the Association obtains control of the grant and it is probable that the economic benefits gained from the grant will flow to the Association and the amount of the grant can be measured reliably.

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

When grant revenue is received whereby the Association 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 balance sheet as a liability until the service has been delivered to the contributor; otherwise, the grant is recognised as income on receipt.

Donations and bequests are recognised as revenue when received.

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

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

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

Inventories

Inventories are measured at the lower of cost and current replacement cost.

Property, plant and equipment

Each class of property, plant and equipment is carried at cost less, where applicable, accumulated depreciation and impairment losses.

Property

The Association is an Outdoor Museum that represents Ballarat in the Victorian goldfields for the period 1851 to 1861. All the buildings have extensive on-going maintenance to ensure their standards are in keeping with this 11-year time period. Consequently, the Directors believe that buildings will have an estimated useful life of 150 years and therefore depreciation has been calculated at 0.67% pa.

Plant and equipment

Plant and equipment are measured on the cost basis less depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets' employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Depreciation

The depreciable amount of all fixed assets including buildings, but excluding freehold land, is depreciated on a straight-line basis over their useful life to the Association commencing from the time the asset is held ready for use.

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

<u>Class of asset</u>	<u>Depreciation of asset</u>
Buildings	0.67%
Plant, equipment and vehicles	2.5 - 40%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset class's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the income statement.

Collections assets

Collections assets controlled by the Association are works of art and other heritage assets, including the property Narmbool, which have been donated to the Association. They are anticipated to have very long and indeterminate useful lives. Their future economic benefits have not, in any material sense, been consumed during the reporting period. As such, no amount for depreciation has been recognised in respect of them.

Financial instruments

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition, these instruments are measured as set out below.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Association's intention to hold these investments to maturity.

Financial assets at fair value through the income statement

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by Management and within the requirements of AASB 139: Recognition and Measurement of Financial Instruments. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the income statement in the period in which they arise.

Available-for-sale financial assets

Available-for-sale financial assets (i.e. shares, hybrid securities, fixed interest, convertible and floating notes) are non-derivative financial assets that are either not capable of being classified into other categories of financial assets due to their nature, or they are designated as such by Management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the Association no longer has any significant continuing involvement in the risks and benefits associated with the asset.

Impairment of assets

At each reporting date, the Association reviews the carrying values of its tangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less cost to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the Income Statement.

Where the future economic benefit of the asset is not primarily dependent upon the asset's ability to generate net cash inflows and when the Association would, if deprived of the asset, replace its remaining future economic benefits, value in use is determined as depreciated replacement cost of the asset.

Employee benefits

Provision is made for the Association's liability for employee benefits arising from services rendered by employees to Balance Sheet date. Employee benefits expected to be settled within one year together with benefits arising from wages, salaries and annual leave which may be settled after one year, have been measured at the amounts expected to be paid when the liability is settled. Other employee benefits payable later than one year have been measured at the net present value.

Contributions are made by the Association to an employee superannuation fund and are charged as expenses when incurred.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at-call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

Goods and service tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense. Receivables and payables in the Balance Sheet are shown inclusive of GST.

Cash flows are presented in the Cash Flow Statement on a net basis.

Income tax

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

Provisions

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

Comparative figures

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

Critical accounting estimates and judgements

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

Critical accounting judgements and key sources of estimation uncertainty

In the application of Australian Accounting Standards (including Australian Accounting Interpretation) Management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgement made by Management in the application of Australian Accounting Standards (including Australian Accounting Interpretation) that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements.

Standards and Interpretations issued not yet effective

At the date of authorisation of the financial report, the following Standards and Interpretations listed below were in issue but not yet effective:

Initial application of the following Standards will not affect any of the amounts recognised in the financial report, but will change the disclosures presently made in relation to Association's financial report:

Standards	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
<ul style="list-style-type: none"> AASB 101 'Presentation of Financial Statements' (revised September 2007), AASB 2007-8 'Amendments to Australian Accounting Standards arising from AASB 101' 	1 January 2009	30 June 2010

Initial application of the following Standards and Interpretations is not expected to have any material impact on the financial report of the Association.

	2009	2008
	\$	\$
Note 2 Revenue		
Total revenue from operating activities		
– sale of goods	6,320,037	6,855,349
– interest received	260,199	283,004
– government grants	646,696	664,692
– other revenue	14,247,962	13,830,237
Revenue from operating activities	<u>21,474,894</u>	<u>21,633,282</u>
Other income		
– gain on disposal of property, plant and equipment	–	–
Other revenue	–	–
Capital receipts, donations and collections assets donated	1,306,951	1,702,897
Total revenue	<u>22,781,845</u>	<u>23,336,179</u>

Note 3 Profit

Expenses

Depreciation		
– Buildings	327,134	267,493
– Plant and equipment	1,097,042	1,104,917
Total depreciation	<u>1,424,176</u>	<u>1,372,410</u>
Auditor remuneration		
– Audit services – external	37,000	34,000
– Audit services – internal	–	13,000

Significant revenue and expenses

Net gain (loss) on disposal of non-current assets		
Investments		
Proceeds on disposal	341,180	541,454
Disposals at written down value	(369,935)	(484,850)
Net loss on disposals as at 30 June 2009	<u>(28,755)</u>	<u>56,604</u>
Property, plant and equipment		
Proceeds on disposal	91	19,700
Disposals at written down value	(21,517)	(22,257)
Net (loss) gain on disposals as at 30 June 2009	<u>(21,426)</u>	<u>(2,557)</u>

Note 4 Cash and cash equivalents

CURRENT		
Cash at bank	2,759,057	681,652
Cash on hand	85,554	97,014
	<u>2,844,611</u>	<u>778,666</u>

	2009	2008
	\$	\$
Note 5 Trade and other receivables		
CURRENT		
Trade receivables	410,604	1,288,413
Other receivables	220,794	264,657
	<u>631,398</u>	<u>1,553,070</u>

The Association does not have material credit risks exposure to any receivable or group of receivables.

Note 6 Inventories

CURRENT		
At cost		
Stock	1,021,828	1,238,848

Note 7 Other assets

CURRENT		
Pre-payments	383,367	257,304

Note 8 Financial assets

CURRENT		
Held-to-maturity investments	402,716	–
NON-CURRENT		
Available-for-sale financial assets	1,811,723	2,236,656

Available-for-sale financial instruments comprise shares, hybrid securities, convertible and floating notes in Corporations listed on a prescribed Stock Exchange at market value. There are no fixed returns or fixed maturity dates attached to these investments. Held-to-maturity investments comprise term deposits with banks.

Note 9 Property, plant and equipment

LAND AND BUILDINGS		
At cost	31,284,769	30,666,145
Less accumulated depreciation	(3,997,056)	(3,669,922)
Total land and buildings	<u>27,287,713</u>	<u>26,996,223</u>
PLANT AND EQUIPMENT		
At cost	18,423,380	17,931,220
Less accumulated depreciation	(12,868,424)	(12,170,849)
Total plant and equipment	<u>5,554,956</u>	<u>5,760,371</u>
Property, plant and equipment	<u>32,842,669</u>	<u>32,756,594</u>
COLLECTIONS ASSETS		
At fair value	7,604,725	7,542,761

	Land and Buildings \$	Plant and Equipment \$	Collections Assets \$	Total \$
Movements in carrying amounts				
2008				
Balance at the beginning of the year	24,092,440	5,963,481	7,487,841	37,543,762
Additions at cost	3,171,276	924,064	34,745	4,130,085
Additions at fair value	–	–	20,175	20,175
Disposals	–	(22,257)	–	(22,257)
Depreciation expense	(267,493)	(1,104,917)	–	(1,372,410)
Carrying amount at end of year	26,996,223	5,760,371	7,542,761	40,299,355
2009				
Balance at the beginning of the year	26,996,223	5,760,371	7,542,761	40,299,355
Additions at cost	618,624	913,144	27,049	1,558,817
Additions at fair value	–	–	34,915	34,915
Disposals	–	(21,517)	–	(21,517)
Depreciation expense	(327,134)	(1,097,042)	–	(1,424,176)
Carrying amount at end of year	27,287,713	5,554,956	7,604,725	40,447,394
			2009 \$	2008 \$

Note 10 Trade and other payables

CURRENT

Trade payables	699,274	1,331,897
Other current payables	782,011	705,115
	1,481,285	2,037,012

Note 11 Provisions for employee entitlements

Opening balance at 1 July 2008	1,180,006	1,126,427
Additional provisions raised during year	108,328	204,365
Amounts used	(95,681)	(150,786)
Balance at 30 June 2009	1,192,653	1,180,006

Analysis of total provisions

Current	853,385	829,332
Non-current	339,268	350,674
	1,192,653	1,180,006

A provision has been recognised for employee entitlements relating to long service leave. In calculating the present value of future cash flows in respect to long service leave, the probability of long service leave being taken is based on historical data. The measurement and recognition criteria relating to employee benefits have been included in Note 1 to this report.

	2009	2008
	\$	\$
Note 12 Capital commitments		
Commitments for uncompleted capital projects at 30 June 2009	2,572,949	–

Note 13 Related party transactions

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

Note 14 Cash flow information

a Reconciliation of cash

Cash at bank	2,759,057	681,652
Other cash	85,554	97,014
	<u>2,844,611</u>	<u>778,666</u>

b Reconciliation of cash flow from operations with profit after income tax with profit after income tax

Profit after income tax	721,272	650,691
Non-cash flows		
Depreciation	1,424,176	1,372,410
Increase (decrease) in employee entitlements	12,647	53,580
Loss on sale of non-current assets and impairments	70,180	(54,048)
Changes in assets and liabilities		
(Increase) decrease in inventories	217,020	(165,722)
(Increase) decrease in receivables	921,673	188,218
(Increase) decrease in other assets	(108,063)	(116,389)
Increase (decrease) in trade and other payables	(555,728)	(55,187)
Cash flows provided by operating activities	<u>2,703,177</u>	<u>1,873,553</u>

The Association has a bank overdraft facility available to the extent of \$500,000.

Note 15 Financial instruments

a Financial risk management

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

The Association does not have any derivative instruments at 30 June 2009.

Financial risk management policies

The Finance Committee's overall risk management strategy seeks to assist the Association in meeting its financial targets, whilst minimising potential adverse effects on financial performance. Risk management policies are approved and reviewed by the Finance Committee on a regular basis. These include credit risk policies and future cash flow requirements.

Specific financial risk exposures and management

The main risks the Association is exposed to through its financial instruments are interest rate risk, liquidity risk, credit risk and equity price risk.

Interest rate risk

The Association holds no borrowings as at 30 June 2009.

Liquidity risk

The Association manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained.

	Within 1 Year		1 to 5 Years		Over 5 Years		Total contractual cash flow	
	2009	2008	2009	2008	2009	2008	2009	2008
	\$	\$	\$	\$	\$	\$	\$	\$
Financial liabilities due for payment								
Trade and other payables (excluding estimated annual leave)	1,481,285	2,037,012	–	–	–	–	1,481,285	2,037,012
Total expected outflows	1,481,285	2,037,012	–	–	–	–	1,481,285	2,037,012
Financial assets – cash flow realisable								
Cash and cash equivalents	2,844,611	778,666	–	–	–	–	2,844,611	778,666
Trade and other receivables	631,398	1,553,070	–	–	–	–	631,398	1,553,070
Other investments	402,716	–	1,811,723	2,236,656	–	–	2,214,439	2,236,656
Total anticipated inflows	3,878,725	2,331,736	1,811,723	2,236,656	–	–	5,690,448	4,568,392
Net (outflow) inflow on financial instruments	2,397,440	294,724	1,811,723	2,236,656	–	–	4,209,163	2,531,380

Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements. The Association does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the Association. There are no material amounts of collateral held as security at 30 June 2009. Credit risk is managed by the Association and reviewed by the Finance Committee. It arises from exposures to customers as well as through deposits with financial institutions.

The Association monitors the credit risk by actively assessing the rating quality and liquidity of counterparties:

- Only banks and financial institutions with at least an 'A' rating are utilised
- Only accredited fund managers linked to financial institutions with at least an 'A' rating are used

Price risk

"Price risk relates to the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices largely due to demand and supply factors for commodities.

The Association is exposed to securities price risk on investments held for trading or for medium to longer terms. Such risk is managed through diversification of investments across industries and geographic location."

b Financial Instrument Composition and Maturity Analysis

The table below reflects the undiscounted contractual settlement terms for financial instruments of a fixed period of maturity, as well as Management's expectations of the settlement period for all other financial instruments.

Financial assets	Weighted Average Effective Interest Rate		Total	
	2009 %	2008 %	2009 \$	2008 \$
Cash at bank	3.2	5.6	2,759,057	681,652
Cash on hand			85,554	97,014
Trade and other receivables			631,398	1,553,070
Held-to-maturity	4.0	–	402,716	–
Available-for-sale	10.1	9.7	1,811,723	2,236,656
Total financial assets			5,690,448	4,568,392
Financial liabilities				
Trade and sundry creditors			1,481,285	2,037,012
Total financial liabilities			1,481,285	2,037,012
Trade and sundry payables are expected to be paid as follows:			2009	2008
			\$	\$
Trade payables				
Less than 6 months			699,275	1,331,897
6 months to 1 year			–	–
			699,275	1,331,897
Sundry payables				
Less than 6 months			708,729	570,580
6 months to 1 year			73,281	134,535
			782,010	705,115
			1,481,285	2,037,012

c Net fair values

Fair value estimation

"The fair values of financial assets are presented in the following table and can be compared to their carrying values as presented in the balance sheet. Fair values are those amounts at which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction.

Fair values for listed securities are obtained from quoted market bid prices.

Differences between fair values and carrying values of the financial instruments are put through the Asset Revaluation Reserve."

	2009		2008	
	Carrying Amount \$	Net Fair Value \$	Carrying Amount \$	Net Fair Value \$
Financial assets				
Cash and cash equivalents	2,844,611	2,844,611	778,666	778,666
Trade and other receivables	631,398	631,398	1,553,070	1,553,070
Available-for-sale financial assets at fair value	2,005,148	1,811,723	2,367,236	2,236,656
Held-to-maturity investments	402,716	402,716	–	–
	<u>5,883,873</u>	<u>5,690,448</u>	<u>4,698,972</u>	<u>4,568,392</u>
Financial liabilities				
Trade and other payables	1,481,285	1,481,285	2,037,012	2,037,012
	<u>1,481,285</u>	<u>1,481,285</u>	<u>2,037,012</u>	<u>2,037,012</u>

Note 17 Entity details

The registered office of the Association is:

The Sovereign Hill Museums Association
39 Magpie Street
Ballarat, Victoria 3350

The principal place of business is:

The Sovereign Hill Museums Association
39 Magpie Street
Ballarat, Victoria 3350

Note 18 Members' guarantee

The Association is incorporated under the *Corporations Act 2001* and is an entity limited by guarantee. If the Association is wound up, the constitution states that each Member is required to contribute a maximum of \$20 each towards meeting any outstandings and obligations of the Association. At 30 June 2009, the number of Members was 1,483.

DIRECTORS' DECLARATION

The Directors of the Association declare that:

The financial statements and notes, as set out on pages 70 to 86, are in accordance with the *Corporations Act 2001*. They

- a. comply with Accounting Standards and the Corporations Regulations 2001; and
- b. give a true and fair view of the financial position as at 30 June 2009 and of the performance for the year ended on that date of the Association.

In the Directors' opinion there are reasonable grounds to believe that the Association 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

Dated this twenty-first day of September 2009.

Annmarie P. Perry

A P Perry
President

Report on the Financial Report

We have audited the accompanying financial report of The Sovereign Hill Museums Association, which comprises the balance sheet as at 30 June 2009 and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the Directors' declaration.

Directors' Responsibility for the Financial Report

The Directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

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

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, provided to the Directors of The Sovereign Hill Museums Association on the twenty-first of September 2009 would be in the same terms if provided to the Directors as the date of this Auditor's Report.

Auditor's Opinion

In our opinion, the financial report of The Sovereign Hill Museums Association is in accordance with the *Corporations Act 2001*, including:

- a. giving a true and fair view of the company's financial position as at 30 June 2009 and of its performance for the year ended on that date, and
- b. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

Dated this twenty-second day of September, 2009

WHK Western Victoria Audit Partnership
9 Creswick Road, Ballarat 3350



B R Judkins
Audit Principal

