

SOVEREIGN HILL FINANCIAL REPORT



09 10



ANNMAREE PERRY



ADRIAN DOYLE



DAMIEN BUTLER



STEVEN COLTMAN



ROBERT HINCHEY



JANE COWLES



SARI BAIRD



TERRY LLOYD

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.

Vice-President

Mr S O Coltman

Elected to the Board in 2003. Chairman of the Mining Museum Committee. Member of the President's Advisory, Finance and Audit & Compliance Committees. Insurance Advisor.

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 D E Butler

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

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.

Mr A K Doyle

Appointed to the Board in 2010. Certified Valuer.

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.

Prof. T M Lloyd

Elected to the Board in 2007. Chairman of the Narmbool Trust. Member of the Outdoor Museum Committee. Deputy Vice-Chancellor, University of Ballarat.



BARRY LONSDALE



ROBERT SELKIRK



COLIN PROWSE



RICHARD NICHOLSON



VOI WILLIAMS



DOUG SARAH



BRUCE MCKNIGHT



JEREMY JOHNSON



Mr B J Lonsdale

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

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 and the Sir Henry Bolte Trust. Qualified Civil Engineer. Director of a local Construction Company.

Mr D B McKnight OAM

Elected to the Board in 1987. A Past-President. Trustee of 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.

Mr C R Prowse OAM

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

Mr A D Sarah OAM

Elected to the Board in 1981. A Past-President. Trustee of The Sovereign Hill Foundation. Member of the Gold Museum Committee. Chairman of Destination Ballarat. Company Director. Business Manager.

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.

Mrs V Williams OAM

Elected to the Board in 1999. Member of the Gold Museum Committee. Retired Medical Scientist.

Mr J W M Johnson

Company Secretary from 1998. Chief Executive Officer, The Sovereign Hill Museums Association. Chairman, Central Highlands Water Corporation, Victorian Employers' Chamber of Commerce and Industry, and Victorian Tourism Industry Council. Director, Australian Chamber of Commerce and Industry. Qualified Company Secretary.

DIRECTORS' REPORT

Your Directors present this report on the Association for the financial year ended 30 June 2010.

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	R N Hinchey	R W Nicholson
D E Butler	T M Lloyd	C R Prowse OAM
J E Cowles	B J Lonsdale	A D Sarah OAM
P J Davies (to 23/11/09)	P L McCarthy (from 16/8/10)	R J Selkirk
A K Doyle (from 15/2/10)	D B McKnight OAM	V Williams OAM (to 26/10/09)

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, and FCIS. Mr Johnson has worked for The Sovereign Hill Museums Association for the past 15 years and is currently Chief Executive Officer. Mr Johnson was appointed Company Secretary on 10 November 1998.

The principal activity of the Association is as follows:

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 \$491,261.

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 \$2,246,450 from \$44,808,899 as at 30 June 2009, to \$47,055,349 in 2010.

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. 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;
2. building services supplied to the Association by a firm of building contractors of which Mr R W Nicholson is a Director; and
3. insurance brokerage services supplied to the Association by a brokerage firm of which Mr S O Coltman is a senior manager.

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.

Non-audit services

The auditor, through his South Queensland office, provided a specialist IT internal risk assessment at a fee of \$8,000 plus GST.

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	10	-	-	-	-	-	-	-	-	-	-	-	3	3
D E Butler	12	11	10	10	-	-	-	-	-	-	-	-	-	3	3
S O Coltman	12	10	10	5	11	6	-	-	4	4	-	-	-	-	-
J E Cowles	12	12	-	-	-	-	4	3	-	-	4	4	-	-	-
P J Davies (to 23/11/09)	5	3	-	-	-	-	-	-	2	1	-	-	-	-	-
A K Doyle (from 15/2/10)	4	2	-	-	-	-	-	-	-	-	-	-	-	-	-
R N Hinchey	12	11	-	-	-	-	4	3	-	-	-	-	-	3	2
T M Lloyd	12	12	-	-	-	-	4	3	-	-	-	-	-	-	-
B J Lonsdale	12	9	-	-	-	-	-	-	4	2	-	-	-	-	-
D B McKnight OAM	12	10	-	-	-	-	-	-	-	-	4	2	-	-	-
R W Nicholson	12	11	10	8	11	8	4	3	-	-	-	-	-	-	-
A P Perry	12	12	10	9	11	11	4	2	4	4	4	4	3	3	3
C R Prowse OAM	12	11	-	-	-	-	-	-	-	-	-	-	-	2	2
A D Sarah OAM	12	11	-	-	-	-	-	-	-	-	4	3	-	-	-
R J Selkirk	12	10	10	9	-	-	-	-	-	-	-	-	-	-	-
V Williams OAM (to 26/10/09)	4	4	-	-	-	-	-	-	-	-	2	2	-	-	-

Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2010 has been received and can be found on page 67 of the Directors' Report.

Signed in accordance with a resolution of the Board.

Dated this twentieth day of September 2010.

Annmarie P. Perry

A P Perry
President

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 2010, 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 twentieth day of September 2010.

WHK Western Victoria Audit Partnership
9 Creswick Road, Ballarat 3350



B R Judkins
Audit Principal

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2010

	Note	2010 \$	2009 \$
Revenue from operating activities	2	21,413,605	21,474,894
Other income	2	-	-
Employee benefits expense	3	(11,041,160)	(10,819,178)
Depreciation	3	(1,415,449)	(1,424,176)
Administration, marketing, maintenance expense		(6,239,295)	(6,008,687)
Cost of sales		(2,040,200)	(2,297,767)
Other expenses		(186,240)	(203,814)
Profit before income tax	3	491,261	721,272
Income tax expense		-	-
Profit after income tax		491,261	721,272
Other comprehensive income			
Available for sale reserve: Share valuation		176,689	(324,005)
Total comprehensive income for the year		667,950	397,267

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2010

	Note	2010	2009
		\$	\$
Assets			
Current assets			
Cash and cash equivalents	4	2,917,086	2,844,611
Trade and other receivables	5	861,987	631,398
Inventories	6	1,147,794	1,021,828
Other current assets	7	173,815	383,367
Financial assets	8	–	402,716
Total current assets		5,100,682	5,283,920
Non-current assets			
Financial assets	8	1,963,445	1,811,723
Property, plant and equipment	9	35,343,035	32,782,469
Collections assets	9	7,685,083	7,604,725
Total non-current assets		44,991,563	42,198,917
Total assets		50,092,245	47,482,837
Current liabilities			
Trade and other payables	10	1,206,656	1,481,285
Short term provisions	11	874,385	853,385
Total current liabilities		2,081,041	2,334,670
Non-current liabilities			
Borrowings	12	525,000	–
Long term provisions	11	430,855	339,268
Total non-current liabilities		955,855	339,268
Total liabilities		3,036,896	2,673,938
Net assets		47,055,349	44,808,899
Equity			
Retained earnings		35,820,088	34,306,594
Reserves		11,235,261	10,502,305
Total equity		47,055,349	44,808,899

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2010

	Retained Earnings	Asset Revaluation Reserve*
	\$	\$
Balance at 30 June 2008	32,796,517	130,580
Capital receipts, donations and collections assets donated	1,306,951	
Total comprehensive income for year	721,272	(324,005)
Transfers to reserves		
– General Reserve	(153,311)	
– The Sovereign Hill Foundation	(200,940)	
– Sir Henry Bolte Trust	(41,731)	
– Collections	(61,964)	
Transfers from retained earnings		
Balance at 30 June 2009	34,366,794	(193,425)
Restatement (refer note 16)	(60,200)	
Restated balance at 30 June 2009	34,306,594	(193,425)
Capital receipts, donations and collections assets donated	1,578,500	
Total comprehensive income for year	491,261	176,689
Transfers to reserves		
– General Reserve	(178,807)	
– The Sovereign Hill Foundation	(292,835)	
– Sir Henry Bolte Trust	(4,267)	
– Collections	(80,358)	
Transfers from retained earnings		
Balance at 30 June 2010	35,820,088	(16,736)

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

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2010

General Reserve	Sir Henry Bolte Trust	The Sovereign Hill Foundation	Collections Reserve	Total
\$	\$	\$	\$	\$
1,092,541	511,627	1,090,855	7,542,761	43,164,881
				1,306,951
				397,267
				(153,311)
				(200,940)
				(41,731)
				(61,964)
153,311	41,731	200,940	61,964	457,946
1,245,852	553,358	1,291,795	7,604,725	44,869,099
				(60,200)
1,245,852	553,358	1,291,795	7,604,725	44,808,899
				1,578,500
				667,950
				(178,807)
				(292,835)
				(4,267)
				(80,358)
178,807	4,267	292,835	80,358	556,267
1,424,659	557,625	1,584,630	7,685,083	47,055,349

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2010

	Note	2010 \$	2009 \$
Cash flows from operating activities			
Sales from small businesses		5,928,462	6,320,037
Other revenues from operating activities		15,022,961	15,816,330
Interest and dividends received		231,593	260,199
Payments to employees		(10,928,574)	(10,806,531)
Interest paid		(12,150)	–
Payments for materials and contracts		(8,632,266)	(8,886,858)
Net cash generated from operating activities	15(b)	<u>1,610,026</u>	<u>2,703,177</u>
Cash flows from investing activities			
Capital receipts and donations		1,578,500	1,306,951
Proceeds from sale of plant and equipment		36,316	91
Proceeds of disposal of investments		529,389	341,180
Purchase of investments		(119,911)	(691,722)
Purchase of property, plant and equipment		(4,086,845)	(1,593,732)
Net cash used in investing activities		<u>(2,062,551)</u>	<u>(637,232)</u>
Cash flows from financing activities			
Proceeds/(Repayment) of borrowings		525,000	–
Net cash used in financing activities		<u>525,000</u>	<u>–</u>
Net increase (decrease) in cash held		72,475	2,065,945
Cash at the beginning of the year		2,844,611	778,666
Cash at the end of the year	15(a)	<u>2,917,086</u>	<u>2,844,611</u>

Note 1 Statement Of Significant Accounting Policies

The financial statements are 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.

Basis of preparation

The financial statements are general purpose financial statements that have 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 financial statements containing relevant and reliable information about transactions, events and conditions. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless otherwise stated.

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

In the current financial year, the Association adopted revised AASB101 (Presentation of Financial Statements) which became effective in the current year. The effect of adopting the revised standard is the re-naming of the Income Statement to the Statement of Comprehensive Income, the Balance Sheet to the Statement of Financial Position and the Cash Flow Statement to the Statement of Cash Flows. Those transactions that result in changes in equity, other than those with equity participants (owners) are shown in the Statement of Comprehensive Income and no longer on the face of the Statement of Changes in Equity.

Accounting policies**Revenue**

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

Grant revenue is recognised in the Statement of Comprehensive Income 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 as 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 Statement of Financial Position as a liability until the service has been delivered to the contributor. Otherwise, the grant is recognised as income on receipt.

The Association receives non-reciprocal contributions of assets from other parties at either a nil or a nominal value. These assets are recognised at fair values on the date of acquisition in the Statement of Financial Position with the corresponding value credited to the Collections Reserve.

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 net realisable value.

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 building exhibits 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 the end of each reporting period.

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 Statement of Comprehensive Income.

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 assets and financial liabilities are recognised when the Association becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date the Association commits itself to either purchase or sell the asset (i.e. trade date accounting is adopted). Financial instruments are initially measured at fair value plus transaction costs except where the instrument is classified 'at fair value through profit and loss' in which case transaction costs are expensed to profit and loss immediately.

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. They are subsequently measured at amortised cost.

Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period.

Financial assets at fair value through profit or loss

Financial assets are classified at 'fair value through profit or loss' when they are held for trading for the purpose of short-term profit taking.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting period, which will be classified as non-current assets.

Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

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.

Available-for-sale financial assets are included in non-current assets, except for those which are expected to be disposed of within 12 months after the end of the reporting period.

Impairment of financial instruments

At each reporting date, the Association assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the Statement of Comprehensive Income.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires 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 the end of each reporting period, 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 Statement of Comprehensive Income.

Where the future economic benefit of an 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 the 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 the end of the reporting period. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for these benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may not satisfy vesting requirements. Those cash outflows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of the cash flows.

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 Statement of Financial Position are shown inclusive of GST.

Cash flows are presented in the Statement of Cash Flows 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 the end of the reporting period.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Comparative figures

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

Trade and other payables

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

Critical accounting estimates and judgements

The Directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the 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 ongoing 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 statements, the Standards and Interpretations listed below were in issue, but not yet effective.

The Association has decided against early adoption of these standards.

A discussion of those future requirements and their impact on the Association follows:

- AASB 9 standard is one of a series of amendments that are expected to eventually completely replace AASB 139. During 2010, the standard will be expanded to include new rules on measurement of financial liabilities, impairment methodology, and hedge accounting. Currently, the existing provisions of AASB 139 will continue to apply in these areas.
- AASB 9 simplifies the classifications of financial assets into those to be carried at amortised cost and those to be carried at fair value – the ‘available for sale’ and ‘held-to-maturity’ categories no longer exist. AASB 9 also simplifies requirements for embedded derivatives and removes the tainting rules associated with held-to-maturity assets.

The new categories of financial assets are:

- Amortised cost – those assets with ‘basic’ loan features.
- Fair value through other comprehensive income – this treatment is optional for equity instruments not held for trading (this choice is made at initial recognition and is irrevocable).
- Fair Value through profit and loss – everything that does not fall into the above two categories.

The following changes also apply:

- Investments in unquoted equity instruments must be measured at fair value. However, cost may be the appropriate measure of fair value where there is insufficient more recent information available to determine a fair value.
- There is no longer any requirement to consider whether ‘significant or prolonged’ decline in the value of financial assets has occurred. The only impairment testing will be on those assets held at amortised cost, and all impairments will be eligible for reversal.
- Similarly, all movements in the fair value of a financial asset now go to the Statement of Comprehensive Income, or, for equity instruments not held for trading, other comprehensive income. There is no longer any requirement to book decrements through the Statement of Comprehensive Income, and increments through equity.
- The rules for reclassification of financial assets have been simplified. Financial assets are now reclassified only when the entity’s business model changes – this is expected to be very infrequent.

The standard will have an impact on the Association and will require reassessing all financial instrument classifications.

Note 2 Revenue

Revenue from operating activities		
– sale of goods	5,928,462	6,320,037
– interest and dividends received	231,593	260,199
– government grants	771,576	646,696
– entrance takings	11,451,460	11,273,412
– rents and commissions	888,063	867,822
– other revenue (including accommodation and memberships)	2,142,450	2,106,728
Revenue from operating activities	<u>21,413,604</u>	<u>21,474,894</u>
Other income		
– gain on disposal of property, plant and equipment	–	–
Other revenue	<u>–</u>	<u>–</u>
Capital receipts, donations and collections assets donated	1,578,500	1,306,951
Total revenue	<u>22,992,104</u>	<u>22,781,845</u>

Note 3 Profit

Expenses		
Depreciation		
– Buildings	336,160	327,134
– Plant and equipment	1,079,289	1,097,042
Total depreciation	<u>1,415,449</u>	<u>1,424,176</u>
Auditor remuneration		
– Audit services – external	39,500	37,000
– Audit services – internal	10,000	–
Employee Benefits		
– Key management personnel – gross wages	1,134,436	1,114,578
– Key management personnel – superannuation	234,634	243,221
– Non-executive staff – gross wages	8,623,775	8,333,302
– Non-executive staff – superannuation	642,379	667,648
Interest paid on borrowings	12,150	–

	2010	2009
	\$	\$
Significant revenue and expenses		
Net gain/(loss) on disposal of non-current assets		
Investments		
Proceeds on disposal	126,674	341,180
Disposals at written down value	(144,878)	(369,935)
Net loss on disposals as at 30 June 2010	<u>(18,204)</u>	<u>(28,755)</u>
Property, plant and equipment		
Proceeds on disposal	36,316	91
Disposals at written down value	(30,473)	(21,517)
Net (loss)/gain on disposals as at 30 June 2010	<u>5,843</u>	<u>(21,426)</u>

Note 4 Cash and cash equivalents

CURRENT		
Cash at bank	2,847,852	2,759,057
Cash on hand	69,234	85,554
	<u>2,917,086</u>	<u>2,844,611</u>

Note 5 Trade and other receivables

CURRENT		
Trade receivables	797,775	410,604
Other receivables	64,212	220,794
	<u>861,987</u>	<u>631,398</u>

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

The Association does not have any impaired debtors past due.

Note 6 Inventories

CURRENT		
At average cost		
Stock	1,147,794	1,021,828

Note 7 Other assets

CURRENT		
Pre-payments	173,815	383,367

	2010	2009
	\$	\$
Note 8 Financial assets		
CURRENT		
Held-to-maturity investments	–	402,716
NON-CURRENT		
Available-for-sale financial assets	1,963,445	1,811,723

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	34,463,128	31,284,769
Less accumulated depreciation	(4,333,215)	(3,997,056)
Total land and buildings	<u>30,129,913</u>	<u>27,287,713</u>
PLANT AND EQUIPMENT		
At cost	19,103,386	18,353,280
Less accumulated depreciation	(13,890,264)	(12,858,524)
Total plant and equipment	<u>5,213,122</u>	<u>5,494,756</u>
PROPERTY, PLANT AND EQUIPMENT	<u>35,343,035</u>	<u>32,782,469</u>
COLLECTIONS ASSETS		
At fair value	7,685,083	7,604,725

	Land and Buildings	Plant and Equipment	Collections Assets	Total
	\$	\$	\$	\$

Movements in carrying amounts

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	<u>27,287,713</u>	<u>5,554,956</u>	<u>7,604,725</u>	<u>40,447,394</u>

	Land and Buildings \$	Plant and Equipment \$	Collections Assets \$	Total \$
2010				
Balance at the beginning of the year	27,287,713	5,554,956	7,604,725	40,447,394
Restatement (refer note 16)	–	(60,200)	–	(60,200)
Restated balance at the beginning of year	<u>27,287,713</u>	<u>5,494,756</u>	<u>7,604,725</u>	<u>40,387,194</u>
Additions at cost	3,178,360	828,127	29,533	4,036,020
Additions at fair value	–	–	50,825	50,825
Disposals	–	(30,472)	–	(30,472)
Depreciation expense	(336,160)	(1,079,289)	–	(1,415,449)
Carrying amount at end of year	<u>30,129,913</u>	<u>5,213,122</u>	<u>7,685,083</u>	<u>43,028,118</u>
			2010 \$	2009 \$

Note 10 Trade and other payables

CURRENT

Trade payables	658,565	699,274
Other current payables	548,091	782,011
	<u>1,206,656</u>	<u>1,481,285</u>

Note 11 Provisions for employee entitlements

Opening balance at 1 July 2009	1,192,653	1,180,006
Additional provisions raised during year	222,537	108,328
Amounts used	(109,950)	(95,681)
Balance at 30 June 2010	<u>1,305,240</u>	<u>1,192,653</u>

Analysis of total provisions

Current	874,385	853,385
Non-current	430,855	339,268
	<u>1,305,240</u>	<u>1,192,653</u>

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.

	2010 \$	2009 \$
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Note 12 Borrowings

NON-CURRENT

Interest-only loan	525,000	–
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Loan liability is secured by assets of the Association

	2010	2009
	\$	\$
Note 13 Capital commitments		
Commitments for uncompleted capital projects at 30 June	1,108,809	2,572,949

Note 14 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.

During the year, a number of Board Members were directors or management of companies that provided services to the Association from the following industries;

– building services	\$174,108
– electrical services	\$2,330
– insurance services	\$676,291

Note 15 Cash flow information**a Reconciliation of cash**

Cash at bank	2,847,852	2,759,057
Other cash	69,234	85,554
	<u>2,917,086</u>	<u>2,844,611</u>

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

Profit after income tax	491,261	721,272
Non-cash flows		
Depreciation	1,415,449	1,424,176
Increase in employee entitlements	112,587	12,647
Loss on sale of non-current assets and impairments	12,361	70,180
Changes in assets and liabilities		
(Increase)/decrease in inventories	(125,966)	217,020
(Increase)/decrease in receivables	(230,589)	921,673
(Increase)/decrease in other assets	209,551	(108,063)
Increase in trade and other payables	(274,628)	(555,728)
Cash flows provided by operating activities	<u>1,610,026</u>	<u>2,703,177</u>

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

Note 16 Restatement

An adjustment was made to reflect the write-off of assets disposed of in prior years, but which were still included in the Property, Plant and Equipment balance.

The adjustment affected the Statement of Financial Position and Statement of Changes in Equity.

	Before Restatement 30/6/2009	Adjustment	Restated Balance 30/6/2009
Property, plant & equipment	32,842,669	(60,200)	32,782,469
Retained earnings	34,366,794	(60,200)	34,306,594

Note 17 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 2010.

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 borrowings of \$525,000 as at 30 June 2010. Interest is variable being a negotiated percentage above the 90-day bank bill business rate.

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	
	2010	2009	2010	2009	2010	2009	2010	2009
	\$	\$	\$	\$	\$	\$	\$	\$
Financial liabilities due for payment								
Trade and other payables (excluding estimated annual leave)	1,206,656	1,481,285	-	-	-	-	1,206,656	1,481,285
Total expected outflows	<u>1,206,656</u>	<u>1,481,285</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,206,656</u>	<u>1,481,285</u>

	Within 1 Year		1 to 5 Years		Over 5 Years		Total contractual cash flow	
	2010	2009	2010	2009	2010	2009	2010	2009
	\$	\$	\$	\$	\$	\$	\$	\$
Financial assets – cash flow realisable								
Cash and cash equivalents	2,917,086	2,844,611	–	–	–	–	2,917,086	2,844,611
Trade and other receivables	861,987	631,398	–	–	–	–	861,987	631,398
Other investments	–	402,716	1,963,445	1,811,723	–	–	1,963,445	2,214,439
Total anticipated inflows	3,779,073	3,878,725	1,963,445	1,811,723	–	–	5,742,518	5,690,448
Net (outflow)/inflow on financial instruments	2,572,417	2,397,440	1,963,445	1,811,723	–	–	4,535,862	4,209,163

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 statement of financial position 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 2010. 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
- With the exception of Westpac, bank deposits are not to exceed \$1,000,000 with any one institution and must be supported by Government Guarantee. Sandhurst Trustee investments are not to exceed \$500,000.

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 following table 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	
	2010	2009	2010	2009
	%	%	\$	\$
Cash at bank	3.2	3.2	2,847,852	2,759,057
Cash on hand			69,234	85,554
Trade and other receivables			861,987	631,398
Held-to-maturity investments	–	4.0	–	402,716
Available-for-sale financial assets	7.4	10.1	1,963,445	1,811,723
Total financial assets			5,742,518	5,690,448
Financial liabilities				
Trade and sundry creditors			1,206,656	1,481,285
Total financial liabilities			1,206,656	1,481,285

Trade and sundry payables are expected to be paid as follows:

Trade payables				
Less than 6 months			658,565	699,275
6 months to 1 year			–	–
			658,565	699,275
Sundry payables				
Less than 6 months			486,151	708,729
6 months to 1 year			61,940	73,281
			548,091	782,010
			1,206,656	1,481,285

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 statement of financial position. 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.

	2010		2009	
	Carrying Amount \$	Net Fair Value \$	Carrying Amount \$	Net Fair Value \$
Financial assets				
Cash and cash equivalents	2,917,086	2,917,086	2,844,611	2,844,611
Trade and other receivables	861,987	861,987	631,398	631,398
Available-for-sale financial assets at fair value	1,963,445	1,963,445	1,811,723	1,811,723
Held-to-maturity investments	–	–	402,716	402,716
	<u>5,742,518</u>	<u>5,742,518</u>	<u>5,690,448</u>	<u>5,690,448</u>
Financial liabilities				
Trade and other payables	1,206,656	1,206,656	1,481,285	1,481,285
	<u>1,206,656</u>	<u>1,206,656</u>	<u>1,481,285</u>	<u>1,481,285</u>

Note 18 Capital management

Management controls the capital of the Association to ensure that adequate cash flows are generated to fund its programs and that returns from investments are maximised. The Finance Committee ensures that the overall risk management strategy is in line with this objective.

The Finance Committee operates under policies approved by the Board of Directors. Risk management policies are approved and reviewed by the Board on regular basis. These include credit risk policies and future cash flow requirements.

Management effectively manages the Association's capital by assessing the Association's financial risks and responding to changes in these risks and in the market. These responses may include the consideration of debt levels.

There have been no changes to the strategy adopted by Management to control the capital of the Association since the previous year. The strategy of the Association is to only take out debt for the purchase of income producing assets.

There are no gearing ratios for the years ended 30 June 2010 and 30 June 2009, as there is no net debt.

	Note	2010 \$	2009 \$
Total borrowings	12	525,000	–
Less cash and cash equivalents	4	(2,917,086)	(2,844,611)
Net cash and cash equivalents		<u>(2,392,086)</u>	<u>(2,844,611)</u>
Total equity (reserves + retained earnings)		47,055,349	44,808,899

Note 19 Reserves

The Sovereign Hill Foundation Reserve was established to grow the corpus to underpin Sovereign Hill's long term financial viability.

The Sir Henry Bolte Trust Reserve is used as the main acquisitive fund for collections.

The General Fund Reserve exists to provide a major financial underpinning of Sovereign Hill's operations.

The Collections Reserve recognises collections assets controlled by the Association. They include works of art and other heritage assets which have been donated to the Association.

The Asset Revaluation Reserve records revaluation increments and decrements (that do not represent impairment write-downs) that relate to financial assets that are classified as available-for-sale.

Note 20 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 21 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 towards meeting any outstandings and obligations of the Association. At 30 June 2010, the number of Members was 1,429.

DIRECTORS' DECLARATION

The Directors of the Association declare that:

The financial statements and notes, as set out on pages 68 to 88, are in accordance with the Corporations Act 2001. They

- a. comply with Accounting Standards and;
- b. give a true and fair view of the financial position as at 30 June 2010 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 twentieth day of September 2010.



A P Perry
President

Report on the Financial Statements

We have audited the accompanying financial statements of The Sovereign Hill Museums Association, which comprises the Statement of Financial Position as at 30 June 2010 and the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the Directors' declaration.

The Responsibility of the Directors for the Financial Statements

The Directors of the Association are responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements 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 statements 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 statements is free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements 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 statements 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 made by the Directors, as well as evaluating the overall presentation of the financial statements.

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 twentieth of September 2010, 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 statements presents fairly, in all material respects, the financial position of The Sovereign Hill Museums Association as at 30 June 2010, and its financial performance and cash flows for the year then ended in accordance with the *Corporations Act 2001* and the Australian Accounting Standards (including Australian Accounting Interpretations).

Dated this twentieth day of September, 2010

WHK Western Victoria Audit Partnership
9 Creswick Road, Ballarat 3350



B R Judkins
Audit Principal