

THE SOVEREIGN HILL MUSEUMS ASSOCIATION



sovereign hill
financial
report



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DIRECTORS' REPORT



President

Mr S O Coltman
Elected to the Board in 2003. Chairman of the President's Advisory Committee. Ex-officio member of all Board Trusts and Committees. Insurance Advisor.

Vice-President

Prof. T M Lloyd
Elected to the Board in 2007. Chairman of the Narmbool Trust. Member of the President's Advisory Committee. Deputy Vice-Chancellor, University of Ballarat.

Mrs S N Baird
Elected to the Board in 2005. Member of the Finance & Risk 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 & Risk Committee. Member of the President's Advisory 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 Outdoor & Mining Museum Committee. Trustee of the Sir Henry Bolte Trust and The Sovereign Hill Foundation.

Mr A K Doyle
Elected to the Board in 2010. Member of the Finance & Risk Committee. Certified Valuer.



Dr R N Hinchey
Elected to the Board in 1996. Member of the Outdoor & Mining Museum Committee. A Medical Practitioner in General Practice.

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



Mr P L McCarthy
Elected to the Board in 2010. Member of the Outdoor & Mining Museum Committee. Company Director.

DIRECTORS' REPORT



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 R W Nicholson
Elected to the Board in 1998. A Past-President. Member of the President's Advisory and Finance & Risk Committees. Chairman of the Gold Museum Committee. Trustee of The Sovereign Hill Foundation and the Sir Henry Bolte Trust. Qualified Civil Engineer. Director of a local Construction Company.

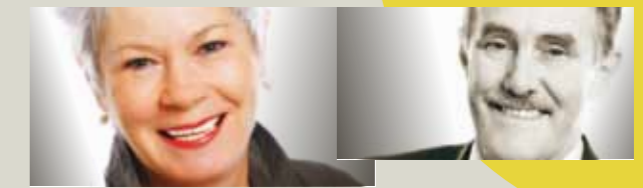
Mrs A P Perry
Elected to the Board in 2003. Immediate Past-President. Member of the President's Advisory and Gold Museum Committees. Retired Teacher and Family Historian.



Mr C R Prowse OAM (to 31/12/2010)
Elected to the Board in 1967. A Past-President. 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 (to 25/10/10)
Elected to the Board in 1992. A Past-President. Chairman of Directors of the Selkirk Group of Companies.



Cr J A Verlin
Appointed to the Board in 2011. Councillor and Past-Mayor of the City of Ballarat. Municipal Councillor.

Dr J W M Johnson
Company Secretary from 1998. Chief Executive Officer, The Sovereign Hill Museums Association. Chairman, Central Highlands Water Corporation. Past-President and Board member, Victorian Employers' Chamber of Commerce and Industry. Chairman, Victorian Tourism Industry Council. Qualified Company Secretary.

Your Directors present this report on the Association for the financial year ended 30 June 2011.

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

S O Coltman, President
T M Lloyd, Vice-President

S N Baird	B J Lonsdale	C R Prowse OAM (to 31/12/2010)
D E Butler	P L McCarthy (from 16/8/2010)	A D Sarah OAM
J E Cowles	D B McKnight OAM	R J Selkirk (to 25/10/2010)
A K Doyle	R W Nicholson	J Verlin (from 16/5/2011)
R N Hinchey	A P Perry	

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 16 years and is currently Chief Executive Officer. Mr Johnson was appointed Company Secretary on 10 November 1998.

The principal activity of the Association 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.

The Association's short-term objectives are to:

- Objective 1 – Build up cash reserves
- Objective 2 – Conservatively manage the impact of the present economic downturn on international and domestic tourism
- Objective 3 – Identify and address key risks to the Association

The Association's long-term objectives are to:

- Objective 1 – Invest in infrastructure development
- Objective 2 – Maintain Sovereign Hill's independent business model
- Objective 3 – Develop or expand potential and existing revenue streams

To achieve these objectives, the Association has adopted the following strategies:

- Strategy 1 – Growth of The Sovereign Hill Foundation and General Reserve
- Strategy 2 – Review Corporate Strategic Plan 2011-2015
- Strategy 3 – Implement and monitor the controls identified in the Risk Register including major focus on occupational health & safety

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

The profit of the Association amounted to \$305,067.

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 \$2,292,940 from \$47,055,349 as at 30 June 2010, to \$49,348,289 in 2011.

This increase has largely resulted from capital grants and fundraising activities towards capital works.

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;
3. insurance brokerage services supplied to the Association by a brokerage firm of which Mr S O Coltman is a Senior Manager; and
4. educational services supplied to the Association by the University of Ballarat of which Mr T M Lloyd is a Deputy Vice-Chancellor.

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.

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 provided internal audit services on the inventory system at a fee of \$2,200 plus GST.

The Association changed its meeting structure during the year from January 2011. Consequently, meeting attendances are shown as two separate tables.

The attendances of each Director of the Association for the period July 2010 to December 2010 were:

JULY - DECEMBER	BOARD MEETINGS		COMMITTEE MEETINGS												
	Number eligible to attend	Number attended	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	
S N Baird	6	5	-	-	-	-	-	-	-	-	-	-	-	1	1
D E Butler	6	6	5	5	3	2	-	-	-	-	-	-	-	-	-
S O Coltman	6	4	5	5	6	4	-	-	1	1	-	-	-	1	1
J E Cowles	6	4	-	-	-	-	1	1	-	-	1	1	-	-	-
A K Doyle	6	6	-	-	-	-	-	-	-	-	-	-	-	-	-
R N Hinchey	6	5	-	-	-	-	1	1	-	-	-	-	-	1	0
T M Lloyd	6	5	-	-	2	0	1	1	-	-	-	-	-	-	-
B J Lonsdale	6	5	-	-	-	-	-	-	1	1	-	-	-	-	-
P L McCarthy (from 16/8/2010)	4	3	-	-	-	-	-	-	-	-	-	-	-	-	-
D B McKnight OAM	6	5	-	-	-	-	-	-	-	-	1	1	-	-	-
R W Nicholson	6	5	5	5	4	2	1	1	-	-	-	-	-	-	-
A P Perry	6	5	3	3	6	4	1	1	1	1	1	1	1	1	1
C R Prowse OAM	6	6	-	-	-	-	-	-	-	-	-	-	-	-	-
A D Sarah OAM	6	5	-	-	-	-	-	-	-	-	1	1	-	-	-
R J Selkirk (to 25/10/2010)	4	4	3	1	-	-	-	-	-	-	-	-	-	-	-

The attendances of each Director of the Association for the period January 2011 to June 2011 were:

JANUARY - JUNE	BOARD MEETINGS		COMMITTEE MEETINGS							
	Number eligible to attend	Number attended	FINANCE & RISK COMMITTEE*		PRESIDENT'S ADVISORY COMMITTEE		OUTDOOR & MINING MUSEUM COMMITTEE*		GOLD MUSEUM 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
S N Baird	5	4	5	4	-	-	-	-	-	-
D E Butler	5	4	5	5	5	5	-	-	-	-
S O Coltman	5	4	5	3	5	3	2	0	2	1
J E Cowles	5	5	-	-	-	-	2	2	-	-
A K Doyle	5	2	5	5	-	-	-	-	-	-
R N Hinchey	5	5	-	-	-	-	2	2	-	-
T M Lloyd	5	4	-	-	5	3	-	-	-	-
B J Lonsdale	5	4	-	-	-	-	2	2	-	-
P L McCarthy	5	5	-	-	-	-	2	2	-	-
D B McKnight OAM	5	5	-	-	-	-	-	-	2	1
R W Nicholson	5	5	5	3	-	-	-	-	2	2
A P Perry	5	4	-	-	5	5	-	-	2	1
A D Sarah OAM	5	5	-	-	-	-	-	-	2	1
J A Verlin (from 16/5/2011)	2	2	-	-	-	-	-	-	-	-

* Note: Committees were consolidated in 2011.

Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2011 has been received.

Signed in accordance with a resolution of the Board.

Dated this nineteenth day of September 2011.



S O Coltman
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 2011, 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 nineteenth day of September 2011.



WHK Western Victoria Audit Partnership



B R Judkins
Audit Partner
21 Armstrong Street, Ballarat 3350

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2011

	Note	2011 \$	2010 \$
Revenue from operating activities	2	22,049,000	21,413,605
Other income	2	-	-
Employee benefits expense	3	(11,498,881)	(11,041,160)
Depreciation	3	(1,328,768)	(1,415,449)
Administration, marketing, maintenance expense		(6,408,362)	(6,239,295)
Cost of sales		(2,224,018)	(2,040,200)
Other expenses		(283,904)	(186,240)
Profit before income tax	3	305,067	491,261
Income tax expense		-	-
Profit from ordinary activities after related income tax expense attributable to members of the Association		305,067	491,261
Other comprehensive income			
Capital receipts	2	1,988,893	1,578,500
Available for sale reserve: Share valuation		(1,019)	176,689
Total comprehensive income for the year		2,292,941	2,246,450

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2011

	Note	2011 \$	2010 \$
Assets			
Current assets			
Cash and cash equivalents	4	1,356,661	2,917,086
Trade and other receivables	5	2,127,293	861,987
Inventories	6	1,164,297	1,147,794
Other current assets	7	334,349	173,815
Financial assets	8	310,947	-
Total current assets		5,293,547	5,100,682
Non-current assets			
Financial assets	8	3,036,067	1,963,445
Property, plant and equipment	9	36,428,770	35,343,035
Collections assets	9	7,757,114	7,685,083
Total non-current assets		47,221,951	44,991,563
Total assets		52,515,498	50,092,245
Current liabilities			
Trade and other payables	10	1,263,420	1,206,656
Short term provisions	11	949,146	874,385
Total current liabilities		2,212,566	2,081,041
Non-current liabilities			
Borrowings			
Long term provisions	11	429,643	430,855
Total non-current liabilities		954,643	955,855
Total liabilities		3,167,209	3,036,896
Net assets		49,348,289	47,055,349
Equity			
Retained earnings		37,545,267	35,820,088
Reserves		11,803,022	11,235,261
Total equity		49,348,289	47,055,349

	Retained Earnings	Asset Revaluation Reserve*	General Reserve	Sir Henry Bolte Trust	The Sovereign Hill Foundation	Collections Reserve	Total
	\$	\$	\$	\$	\$	\$	\$
Balance at 30 June 2009	34,306,594	(193,425)	1,245,852	553,358	1,291,795	7,604,725	44,808,899
Total comprehensive income for year	2,069,761	176,689					2,246,450
Transfers to reserves							
– General Reserve	(178,807)						(178,807)
– The Sovereign Hill Foundation	(292,835)						(292,835)
– Sir Henry Bolte Trust	(4,267)						(4,267)
– Collections	(80,358)						(80,358)
Transfers from retained earnings			178,807	4,267	292,835	80,358	556,267
Balance at 30 June 2010	35,820,088	(16,736)	1,424,659	557,625	1,584,630	7,685,083	47,055,349
Total comprehensive income for year	2,293,960	(1,019)					2,292,941
Transfers to reserves							
– General Reserve	(90,183)						(90,183)
– The Sovereign Hill Foundation	(239,334)						(239,334)
– Sir Henry Bolte Trust	(167,232)						(167,232)
– Collections	(72,032)						(72,032)
Transfers from retained earnings			90,183	167,232	239,334	72,032	568,780
Balance at 30 June 2011	37,545,267	(17,756)	1,514,842	724,857	1,823,964	7,757,114	49,348,289

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

	Note	2011 \$	2010 \$
Cash flows from operating activities			
Sales from small businesses		6,183,938	5,928,462
Other revenues from operating activities		14,191,994	15,022,961
Interest and dividends received		407,762	231,593
Payments to employees		(11,425,331)	(10,928,574)
Interest paid		(32,492)	(12,150)
Payments for materials and contracts		(8,887,390)	(8,632,266)
Net cash generated from operating activities	15(b)	438,481	1,610,026
Cash flows from investing activities			
Capital receipts		1,988,893	1,578,500
Proceeds from sale of plant and equipment		102,885	36,316
Proceeds of disposal of investments		2,332,914	529,389
Purchase of investments		(3,805,376)	(119,911)
Purchase of property, plant and equipment		(2,618,222)	(4,086,845)
Net cash used in investing activities		(1,998,906)	(2,062,551)
Cash flows from financing activities			
Proceeds/(Repayment) of borrowings		-	525,000
Net cash used in financing activities		-	525,000
Net increase (decrease) in cash held		(1,560,425)	72,475
Cash at the beginning of the year		2,917,086	2,844,611
Cash at the end of the year	15(a)	1,356,661	2,917,086

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 Sovereign Hill Museums Association has elected to early adopt the pronouncements AASB 1053: Application of Tiers of Australian Accounting Standards and AASB 2010-2: Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements to the annual reporting period beginning 1 July 2010.

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements of the Australian Accounting Standards Board 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.

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 average 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:

Class of asset	Depreciation of asset
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 Narnbool, 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.

Classification and subsequent measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest rate method or cost. Fair value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as:

- (i) the amount at which the financial asset or financial liability is measured at initial recognition;
- (ii) less principal repayments;
- (iii) plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest method; and
- (iv) less any reduction for impairment.

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

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.

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.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

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 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 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.

Key judgements

Available-for-sale investments

The Association maintains a portfolio of securities with a carrying value of \$3,036,067 at the end of the reporting period. These valuations are the current market value on the stock exchange as at reporting date. The Directors believe there is no impairment of these investments.

	2011	2010
	\$	\$
Note 2 Revenue		
Revenue from operating activities		
– sale of goods	6,183,938	5,928,462
– interest and dividends received	407,762	231,593
– government grants	684,050	771,576
– entrance takings	11,250,012	11,451,460
– rents and commissions	928,066	888,063
– other revenue (including accommodation and memberships)	2,595,172	2,142,451
Revenue from operating activities	22,049,000	21,413,605
Other income		
– gain on disposal of property, plant and equipment	–	–
Other revenue	–	–
Capital receipts includes donations, insurance refunds and collections assets donated	1,988,893	1,578,500
Total revenue	24,037,893	22,992,105
Note 3 Profit		
Expenses		
Depreciation		
– Buildings	392,695	336,160
– Plant and equipment	936,073	1,079,289
Total depreciation	1,328,768	1,415,449
Auditor remuneration		
– Audit services – external	39,500	39,500
– Audit services – internal	2,200	10,000
Employee Benefits		
– Key management personnel – gross wages	1,189,647	1,134,436
– Key management personnel – superannuation	250,431	234,634
– Non-executive staff – gross wages	8,977,622	8,623,775
– Non-executive staff – superannuation	669,063	642,379
Interest paid on borrowings	32,492	12,150

	2011	2010
	\$	\$
Significant revenue and expenses		
Net gain/(loss) on disposal of non-current assets		
Investments		
Proceeds on disposal	2,332,914	529,389
Disposals at written down value	(2,420,788)	(547,593)
Net loss on disposals as at 30 June 2011	(87,874)	(18,204)
Property, plant and equipment		
Proceeds on disposal	102,885	36,316
Disposals at written down value	(131,687)	(30,473)
Net (loss)/gain on disposals as at 30 June 2011	(28,802)	5,843
Note 4 Cash and cash equivalents		
CURRENT		
Cash at bank	1,288,387	2,847,852
Cash on hand	68,274	69,234
	1,356,661	2,917,086
Note 5 Trade and other receivables		
CURRENT		
Trade receivables	1,971,904	797,775
Other receivables	155,389	64,212
	2,127,293	861,987

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.

	2011	2010
	\$	\$
Note 6 Inventories		
CURRENT		
At the lower of average cost and net realisable value		
Stock	1,164,297	1,147,794
Note 7 Other assets		
CURRENT		
Pre-payments	334,349	173,815
Note 8 Financial assets		
CURRENT		
Held-to-maturity investments	310,947	-
NON-CURRENT		
Available-for-sale financial assets	3,036,067	1,963,445
<p>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.</p>		

	2011 \$	2010 \$
Note 9 Property, plant and equipment		
LAND AND BUILDINGS		
At cost	36,173,234	34,463,128
Less accumulated depreciation	(4,725,170)	(4,333,215)
Total land and buildings	<u>31,448,064</u>	<u>30,129,913</u>
PLANT AND EQUIPMENT		
At cost	17,627,179	19,103,386
Less accumulated depreciation	(12,646,473)	(13,890,264)
Total plant and equipment	<u>4,980,706</u>	<u>5,213,122</u>
PROPERTY, PLANT AND EQUIPMENT	<u>36,428,770</u>	<u>35,343,035</u>
COLLECTIONS ASSETS		
At fair value	<u>7,757,114</u>	<u>7,685,083</u>

	Land and Buildings \$	Plant and Equipment \$	Collections Assets \$	Total \$
Movements in carrying amounts				
2010				
Balance at the beginning of the year	27,287,713	5,494,756	7,604,725	40,387,194
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>
2011				
Balance at the beginning of the year	30,129,913	5,213,122	7,685,083	43,028,118
Additions at cost	1,713,520	832,670	14,000	2,560,190
Additions at fair value	-	-	58,031	58,031
Disposals	(2,674)	(129,013)	-	(131,687)
Depreciation expense	(392,695)	(936,073)	-	(1,328,768)
Carrying amount at end of year	<u>31,448,064</u>	<u>4,980,706</u>	<u>7,757,114</u>	<u>44,185,884</u>

	2011 \$	2010 \$
Note 10 Trade and other payables		
CURRENT		
Trade payables	761,530	658,565
Other current payables	501,890	548,091
	<u>1,263,420</u>	<u>1,206,656</u>
Note 11 Provisions for employee entitlements		
Opening balance at 1 July 2010	1,305,240	1,192,653
Additional provisions raised during year	241,719	222,537
Amounts used	(168,169)	(109,950)
Balance at 30 June 2011	<u>1,378,790</u>	<u>1,305,240</u>
Analysis of total provisions		
Current	949,146	874,385
Non-current	429,643	430,855
	<u>1,378,789</u>	<u>1,305,240</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.

Note 12 Borrowings

NON-CURRENT		
Interest-only loan	525,000	525,000

Loan liability is secured by assets of the Association

2011
\$

2010
\$

Note 13 Capital commitments

Commitments for uncompleted capital projects at 30 June	122,655	1,108,809
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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	\$1,195,171
– electrical services	\$3,379
– insurance services	\$722,992
– education services	\$22,526

Note 15 Cash flow information

a Reconciliation of cash

Cash at bank	1,288,387	2,847,852
Other cash	68,274	69,234
	1,356,661	2,917,086

b Reconciliation of cashflow from operations with profit after income tax

Profit after income tax	305,067	491,261
Non-cash flows		
Depreciation	1,328,768	1,415,449
Increase in employee entitlements	73,550	112,587
Loss on sale of non-current assets and impairments	116,676	12,361
Changes in assets and liabilities		
(Increase)/decrease in inventories	(16,503)	(125,966)
(Increase)/decrease in receivables	(1,265,306)	(230,589)
(Increase)/decrease in other assets	(160,534)	209,551
Increase in trade and other payables	56,763	(274,628)
Cash flows provided by operating activities	438,481	1,610,026

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

Note 16 Financial instruments

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

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

	2011 \$	2010 \$
Financial assets		
Cash and cash equivalents	1,356,661	2,917,086
Loans and receivables	2,127,293	861,987
Held-to-maturity investments	310,947	–
Available-for-sale financial assets	3,036,067	1,963,445
Total financial assets	6,830,968	5,742,518
Financial liabilities		
Financial liabilities at amortised cost:		
– trade and other payables	1,263,420	1,206,656
– borrowings	525,000	525,000
Total financial liabilities	1,788,420	1,731,656
Net fair values		
Fair value estimation.		
(i) For listed available-for-sale financial assets and financial assets at fair value through profit or loss, the fair values have been based on closing quoted bid prices at the end of the reporting period.		
In determining the fair values of the unlisted available-for-sale financial assets, the Directors have used inputs that are observable either directly (as prices) or indirectly (derived from prices).		
(ii) Fair values of held-to-maturity investments are based on quoted market prices at the ending of the reporting period.		

Note 17 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 18 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 19 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 2011, the number of members was 1,465.

The Directors of the Association declare that:

The financial statements and notes, as set out on pages 58 to 76, 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 2011 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 nineteenth day of September 2011.

S O Coltman
President

Report on the Financial Report

We have audited the accompanying financial report of The Sovereign Hill Museums Association (the Association), which comprises the statement of financial position as at 30 June 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Directors' declaration.

Directors' Responsibility for the Financial Report

The Directors of the Association are responsible for the preparation and fair presentation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards – Reduced Disclosure Requirements (including Australian Accounting Interpretations) and the Corporations Act 2001 and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance 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 purpose 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 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 nineteenth of September 2011, would be in the same terms if provided to the Directors as at 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 Association's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
- b. complying with Australian Accounting Standards – Reduced Disclosure Requirements (including Australian Accounting Interpretations) and the Corporations Regulations 2001.

Dated this nineteenth day of September, 2011

WHK Western Victoria Audit Partnership

WHK Western Victoria Audit Partnership

B R Judkins

B R Judkins
Audit Partner
21 Armstrong Street, Ballarat 3350