

DIRECTORS



President

Mr R W Nicholson

Elected to the Board in 1998. Chairman of the President's Advisory Committee. Ex-officio member of all Board Trusts and Committees. Qualified Civil Engineer. Director of a local Construction Company.



Mrs S N Baird

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



Mr D E Butler

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



Mr B H Clark

Elected to the Board in 1990. Chairman of the Mining Museum Committee. Member of the Audit & Compliance Committee. Fellow of the Australasian Institute of Banking and Finance. Company Director and Business Consultant.



Mr S O Coltman

Elected to the Board in 2003. Member of the Finance and Outdoor Museum Committees. Company Director.



Vice-President

Mrs A P Perry

Elected to the Board in 2003. Chairman of the Outdoor Museum Committee. Member of the President's Advisory and Finance Committees. Retired Teacher and Family Historian.



Ms J E Cowles

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



Mr P J Davies

Elected to the Board in 1993. Immediate Past-President. Member of the President's Advisory Committee. Trustee of The Sovereign Hill Foundation. Chairman of Ballarat Community Enterprise Ltd. Company Director.



Dr R N Hinchey

Elected to the Board in 1996. Member 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. Trustee of the Narmbool Trust. Deputy Vice-Chancellor, University of Ballarat.



Mr B J Lonsdale

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



Mr D B McKnight OAM

Elected to the Board in 1987. A Past-President. Trustee of the Narmbool Trust, the Sir Henry Bolte Trust and The Sovereign Hill Foundation. Member of the Gold Museum and Outdoor Museum Committees. 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. Chairman of the Narmbool Trust. Member of the Audit & Compliance Committee. Trustee of The Sovereign Hill Foundation and the Sir Henry Bolte Trust. Certified Practising Accountant.



Mr A D Sarah OAM

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



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.

DIRECTORS' REPORT

Your Directors present this report on the Association for the financial year ended 30 June 2008.

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

R W Nicholson, President

A P Perry, Vice-President

S N Baird

D E Butler

B H Clark

S O Coltman

J E Cowles

P J Davies

R N Hinchey

T M Lloyd

B J Lonsdale

D B McKnight OAM

C R Prowse OAM

A D Sarah OAM

R J Selkirk

V Williams OAM

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

Company Secretary

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

Mr Jeremy W M Johnson – Diploma of Business, JP, FICS. Mr Johnson has worked for The Sovereign Hill Museums Association for the past 13 years, performing senior management roles in finance, administration and operations. Mr Johnson was appointed Company Secretary on 10 November 1998.

The principal activity of the Association is to:

At Sovereign Hill and the Gold Museum

Our purpose is to inspire an understanding of the significance of the central Victorian gold rushes in Australia's national story.

At Narmbool

Our purpose is to inspire reflection on 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 \$650,691.

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

The net assets of the Association have increased by \$1,724,847 from \$41,440,034 as at 30 June 2007, to \$43,164,881 in 2008.

This increase has largely resulted from the following factors:

- Operating performance; and
- Significant fundraising 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.

DIRECTORS' REPORT

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

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

Related party transactions

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

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

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

After balance date events

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

Future developments

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

Environmental issues

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

Indemnifying officers or auditor

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

Proceedings on behalf of the Association

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

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

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

DIRECTORS' REPORT

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

	BOARD MEETINGS		COMMITTEE MEETINGS											
			Finance Committee		President's Advisory Committee		Outdoor Museum Committee		Mining Museum Committee		Gold Museum Committee		Audit & Compliance Committee	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
S N Baird	15	13	-	-	-	-	-	-	3	3	-	-	4	4
D E Butler	15	15	10	9	-	-	-	-	-	-	-	-	-	-
B H Clark	15	12	-	-	-	-	-	-	5	5	-	-	2	2
S O Coltman	15	14	5	4	-	-	1	1	4	4	-	-	-	-
J E Cowles	15	13	-	-	-	-	-	-	-	-	5	5	2	2
P J Davies	15	10	-	-	9	7	2	1	-	-	-	-	-	-
R N Hinchey	15	14	-	-	-	-	4	4	-	-	-	-	2	2
T M Lloyd	15	11	5	4	-	-	-	-	-	-	-	-	-	-
B J Lonsdale	15	13	-	-	-	-	-	-	5	4	5	3	2	2
D B McKnight OAM	15	12	-	-	-	-	4	1	-	-	5	5	-	-
R W Nicholson	15	15	10	10	9	9	4	4	5	3	5	5	4	4
A P Perry	15	14	10	10	9	8	4	4	-	-	-	-	-	-
C R Prowse OAM	15	10	-	-	-	-	-	-	-	-	-	-	4	2
A D Sarah OAM	15	12	-	-	-	-	-	-	-	-	-	-	-	-
R J Selkirk	15	9	10	9	-	-	-	-	-	-	-	-	-	-
V Williams OAM	15	14	-	-	-	-	-	-	-	-	5	4	-	-

Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2008, has been received and can be found on page 69 of the Directors' report.

Signed in accordance with a resolution of the Board.

Dated this fifteenth day of September 2008.



R W Nicholson
President

The Sovereign Hill Museums Association ABN 87 565 053 651

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

As lead auditor for the audit of The Sovereign Hill Museums Association, I declare that to the best of my knowledge and belief, during the year ended 30 June 2008, 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 fifteenth day of September 2008.

WHK Western Victoria Audit Partnership
615 Sturt Street, Ballarat 3350



B R Judkins
Audit Principal

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2008

	Note	2008 \$	2007 \$
Total revenue from operating activities	2	21,633,282	20,480,458
Other revenue	2	–	–
Employee benefits expense		(10,448,565)	(9,974,430)
Depreciation expense	3	(1,372,410)	(1,378,469)
Administration, marketing, maintenance expense		(6,568,896)	(5,638,294)
Cost of sales		(2,460,123)	(2,423,606)
Other expenses		(132,596)	(214,345)
Profit before income tax	3	650,691	851,314
Income tax expense		–	–
Profit after income tax		650,691	851,314

BALANCE SHEET AS AT 30 JUNE 2008

	Note	2008	2007
		\$	\$
Assets			
Current assets			
Cash and cash equivalents	4	778,666	1,347,394
Trade and other receivables	5	1,553,070	1,741,288
Inventories	6	1,238,848	1,073,126
Other current assets	7	275,304	158,915
Total current assets		<u>3,845,888</u>	<u>4,320,723</u>
Non-current assets			
Financial assets	8	2,236,656	2,794,176
Property, plant and equipment	9	32,756,594	30,055,921
Collections assets	9	7,542,761	7,487,841
Total non-current assets		<u>42,536,011</u>	<u>40,337,938</u>
Total assets		<u>46,381,899</u>	<u>44,658,661</u>
Current liabilities			
Trade and other payables	10	2,037,012	2,092,200
Short term provisions	11	829,332	809,963
Total current liabilities		<u>2,866,344</u>	<u>2,902,163</u>
Non-current liabilities			
Long term provisions	11	350,674	316,464
Total non-current liabilities		<u>350,674</u>	<u>316,464</u>
Total liabilities		<u>3,217,018</u>	<u>3,218,627</u>
Net assets		<u>43,164,881</u>	<u>41,440,034</u>
Equity			
Retained earnings		32,796,517	30,656,423
Reserves		10,368,364	10,783,611
Total equity		<u>43,164,881</u>	<u>41,440,034</u>

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2008

	Retained Earnings	Asset Revaluation Reserve*
	\$	\$
Balance at 1 July 2006	27,962,972	436,030
Capital receipts, donations and collections assets donated	2,274,731	
Profit for the year	851,314	
Shares, hybrid securities, convertible and floating notes in Corporations listed on a prescribed Stock Exchange revaluation increment		323,291
Transfers to and from reserves		
– General Reserve	(173,059)	
– The Sovereign Hill Foundation	(174,743)	
– Sir Henry Bolte Trust	(6,226)	
– Collections	(78,566)	
Transfers to retained earnings		
Transfers from retained earnings		
Balance at 30 June 2007	30,656,423	759,321
Capital receipts, donations and collections assets donated	1,702,897	
Profit for the year	650,691	
Shares, hybrid securities, convertible and floating notes in Corporations listed on a prescribed Stock Exchange revaluation decrement		(628,741)
Transfers to and from reserves		
– General Reserve	88,206	
– The Sovereign Hill Foundation	(188,421)	
– Sir Henry Bolte Trust	(58,359)	
– Collections	(54,920)	
Transfers to retained earnings		
Transfers from retained earnings		
Balance at 30 June 2008	32,796,517	130,580

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

General Reserve	Sir Henry Bolte Trust	The Sovereign Hill Foundation	Collections Reserve	Total
\$	\$	\$	\$	\$
1,007,688	447,042	727,691	7,409,275	37,990,698
				2,274,731
				851,314
				323,291
				(173,059)
				(174,743)
				(6,226)
				(78,566)
173,059	6,226	174,743	78,566	432,594
1,180,747	453,268	902,434	7,487,841	41,440,034
				1,702,897
				650,691
				(628,741)
				88,206
				(188,421)
				(58,359)
				(54,920)
(88,206)				(88,206)
	58,359	188,421	54,920	301,700
1,092,541	511,627	1,090,855	7,542,761	43,164,881

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2008

	Note	2008 \$	2007 \$
Cash flows from operating activities			
Sales from small businesses		6,855,349	6,578,471
Other revenues from operating activities		14,966,152	12,847,921
Payments to employees		(10,394,986)	(9,876,736)
Payments for materials and contracts		(9,539,398)	(7,864,185)
Other expenses		(13,564)	(4,828)
Net cash provided by operating activities	13(b)	<u>1,873,553</u>	<u>1,680,643</u>
Cash flows from investing activities			
Capital receipts and donations		1,682,721	2,210,996
Proceeds from sale of plant and equipment		19,700	138,112
Sales (purchase) of investments		(14,617)	(414,835)
Purchase of property, plant and equipment		(4,130,085)	(4,397,929)
Net cash used in investing activities		<u>(2,442,281)</u>	<u>(2,463,656)</u>
Cash flows from financing activities			
Repayment of borrowings		–	–
Net cash used in financing activities		<u>–</u>	<u>–</u>
Net increase (decrease) in cash held		(568,728)	(783,013)
Cash at the beginning of the year		1,347,394	2,130,407
Cash at the end of the year	13(a)	<u>778,666</u>	<u>1,347,394</u>

NOTE 1 Statement of significant accounting policies

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

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

Basis of preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements 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 a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

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

Accounting policies

Revenue

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

Grant revenue is recognised in the income statement when it is controlled. When there are conditions attached to grant revenue relating to the use of those grants for specific purposes, it is recognised in the balance sheet as a liability until such conditions are met or services provided. Capital grants are recognised in the Statement of Changes in Equity when the grant is controlled.

Interest revenue and distribution income from investments is recognised on a proportional basis taking into account the interest rates applicable to the financial assets. 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 cost, adjusted when applicable for any loss of service potential.

Property, plant and equipment

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

Property

The Association is an Outdoor Museum that represents Ballarat in the Victorian goldfields for the period 1851 to 1861. All the buildings 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, are depreciated on a straight-line basis over their useful life to the Association commencing from the time the asset is held ready for use.

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

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

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

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

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

Collections assets

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

Financial instruments

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

Financial assets at fair value through the income statement

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

Held-to-maturity investments

These investments have fixed maturities, and it is the Association's intention to hold these investments to maturity. Any held-to-maturity investments held by the Association are stated at amortised cost using the effective interest rate method.

Available-for-sale financial assets

Available-for-sale financial assets include any financial assets not included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

Impairment of assets

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

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

Where it is not possible to estimate the recoverable amount of an asset class, the Association estimates the recoverable amount of the cash-generating unit to which the class of assets belongs.

Employee benefits

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

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

Cash and cash equivalents

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

Goods and service tax (GST)

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

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

Income tax

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

Provisions

Provisions are recognised when the Association has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Comparative figures

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

Critical accounting estimates and judgements

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

	2008	2007
	\$	\$
Note 2 Revenue		
Total revenue from operating activities		
– sale of goods	6,855,349	6,578,471
– interest received	283,004	371,005
– government subsidies received	664,692	563,706
– other revenue	13,830,237	12,967,276
Total revenue from operating activities	<u>21,633,282</u>	<u>20,480,458</u>
Other revenue		
– gain on disposal of property, plant and equipment	–	–
Total other income	<u>–</u>	<u>–</u>
Capital receipts, donations and collections assets donated	1,702,895	2,274,733
Total revenue	<u>23,336,177</u>	<u>22,755,191</u>

Note 3 Profit

Expenses

Depreciation		
– Buildings	267,493	282,451
– Plant and equipment	1,104,917	1,096,018
Total depreciation	<u>1,372,410</u>	<u>1,378,469</u>
Auditor remuneration		
– Audit services	34,000	33,000
– Other services	13,000	–

Significant revenue and expenses

Net gain (loss) on disposal of non-current assets		
Investments		
Proceeds on disposal	541,454	159,049
Disposals at written down value	(484,850)	(198,081)
Net loss on disposals as at 30 June 2008	<u>56,604</u>	<u>(39,032)</u>
Property, plant and equipment		
Proceeds on disposal	19,700	138,112
Disposals at written down value	(22,257)	(144,485)
Net (loss) gain on disposals as at 30 June 2008	<u>(2,557)</u>	<u>(6,373)</u>

Note 4 Cash and cash equivalents

CURRENT		
Cash at bank	681,652	1,264,710
Cash on hand	97,014	82,684
	<u>778,666</u>	<u>1,347,394</u>

	2008	2007
	\$	\$
Note 5 Trade and other receivables		
CURRENT		
Trade receivables	1,288,413	1,617,346
Other receivables	264,657	123,942
	<u>1,553,070</u>	<u>1,741,288</u>

Note 6 Inventories

CURRENT		
At the lower of cost or net realisable value		
Stock	1,238,848	1,073,126

Note 7 Other assets

CURRENT		
Prepayments	275,304	158,915

Note 8 Financial assets

NON-CURRENT		
Available-for-sale financial instruments	2,236,656	2,794,176

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.

Note 9 Property, plant and equipment

LAND AND BUILDINGS		
At cost	30,666,145	27,494,868
Less accumulated depreciation	(3,669,922)	(3,402,428)
Total land and buildings	<u>26,996,223</u>	<u>24,092,440</u>
PLANT AND EQUIPMENT		
At cost	17,931,220	17,201,700
Less accumulated depreciation	(12,170,849)	(11,238,219)
Total plant and equipment	<u>5,760,371</u>	<u>5,963,481</u>
Property, plant and equipment	<u>32,756,594</u>	<u>30,055,921</u>
COLLECTIONS ASSETS		
At fair value	7,542,761	7,487,841

	Land and Buildings \$	Plant and Equipment \$	Collections Assets \$	Total \$
Movements in carrying amounts				
2007				
Balance at the beginning of the year	21,730,501	5,465,275	7,409,275	34,605,051
Additions at cost	2,644,390	1,738,709	14,829	4,397,928
Additions at fair value	-	-	63,737	63,737
Disposals	-	(144,485)	-	(144,485)
Depreciation expense	(282,451)	(1,096,018)	-	(1,378,469)
Carrying amount at end of year	<u>24,092,440</u>	<u>5,963,481</u>	<u>7,487,841</u>	<u>37,543,762</u>
2008				
Balance at the beginning of the year	24,092,440	5,963,481	7,487,841	37,543,762
Additions at cost	3,171,276	924,064	34,745	4,130,085
Additions at fair value	-	-	20,175	20,175
Disposals	-	(22,257)	-	(22,257)
Depreciation expense	(267,493)	(1,104,917)	-	(1,372,410)
Carrying amount at end of year	<u>26,996,223</u>	<u>5,760,371</u>	<u>7,542,761</u>	<u>40,299,355</u>
			2008	2007
			\$	\$

Note 10 Trade and other payables

CURRENT

Trade payables	1,331,897	800,665
Other current payables	705,115	1,291,535
	<u>2,037,012</u>	<u>2,092,200</u>

Note 11 Provisions for employee entitlements

Opening balance at 1 July 2007	1,126,427	1,028,733
Additional provisions raised during year	204,365	158,444
Amounts used	(150,786)	(60,750)
Balance at 30 June 2008	<u>1,180,006</u>	<u>1,126,427</u>

Analysis of total provisions

Current	829,332	809,963
Non-current	350,674	316,464
	<u>1,180,006</u>	<u>1,126,427</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 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.

	2008	2007
	\$	\$
Note 13 Cash flow information		
a Reconciliation of cash		
Cash at bank	681,652	1,264,710
Other cash	97,014	82,684
	<u>778,666</u>	<u>1,347,394</u>
b Reconciliation of cash flow from operations with profit after income tax with profit after income tax		
Profit after income tax	650,691	851,314
Non-cash flows		
Depreciation	1,372,410	1,378,469
Increase (decrease) in employee entitlements	53,580	97,694
Loss on sale of non-current assets	(54,048)	45,405
Changes in assets and liabilities		
(Increase) decrease in inventories	(165,722)	(6,130)
(Increase) decrease in receivables	188,218	(1,054,066)
(Increase) decrease in other assets	(116,389)	70,886
Increase (decrease) in trade and other payables	(55,187)	297,071
Cash flows provided by operating activities	<u>1,873,553</u>	<u>1,680,643</u>

The Association has a bank overdraft facility available to the extent of \$50,000.

Note 14 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 2008.

i Treasury risk management

A Finance Committee meets on a regular basis to analyse currency and interest rate exposure and to evaluate treasury management strategies in the context of the most recent economic conditions and forecasts.

ii Financial risks

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

Interest rate risk

The Association holds no borrowings as at 30 June 2008.

Liquidity risk

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

Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements. The Association does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the Association. There are no material amounts of collateral held as security at 30 June 2008. Credit risk is managed by the Association and reviewed by the Finance Committee. It arises from exposures to customers as well as through deposits with financial institutions.

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

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

Price risk

The Association is not exposed to any material commodity price risk.

b Financial Instrument Composition and Maturity Analysis

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

Financial assets	Weighted Average Effective Interest Rate		Floating Interest Rate		Non Interest Bearing		Total	
	2008	2007	2008	2007	2008	2007	2008	2007
	%	%	\$	\$	\$	\$	\$	\$
Cash at bank	5.6	6.3	681,652	1,264,710	-	-	681,652	1,264,710
Cash on hand			-	-	97,014	82,684	97,014	82,684
Trade and other receivables			-	-	1,553,070	1,741,288	1,553,070	1,741,288
Investments	9.7	9.3	-	-	2,236,656	2,794,176	2,236,656	2,794,176
Total financial assets			681,652	1,264,710	3,886,740	4,618,148	4,568,392	5,882,858
Financial liabilities								
Trade and sundry creditors					2,037,012	2,092,200	2,037,012	2,092,200
Total financial liabilities			-	-	2,037,012	2,092,200	2,037,012	2,092,200

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

	2008	2007
	\$	\$
Trade payables		
Less than 6 months	1,331,897	800,665
6 months to 1 year	-	-
	1,331,897	800,665
Sundry payables		
Less than 6 months	570,580	1,214,769
6 months to 1 year	134,535	76,766
	705,115	1,291,535
	2,037,012	2,092,200

c Net fair values

The net fair values of listed investments have been valued at the quoted market bid price at balance date adjusted for transaction costs expected to be incurred. For other assets and other liabilities the net fair value approximates their carrying value. No financial assets and financial liabilities are readily traded on organised markets in standardised form other than listed investments.

The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the balance sheet and in the notes to the financial statements.

Aggregate net fair values and carrying amounts of financial assets and financial liabilities at balance date:

	2008		2007	
	Carrying Amount \$	Net Fair Value \$	Carrying Amount \$	Net Fair Value \$
Financial assets				
Available-for-sale financial assets at fair value	2,106,076	2,236,656	2,034,855	2,794,176
	<u>2,106,076</u>	<u>2,236,656</u>	<u>2,034,855</u>	<u>2,794,176</u>

Note 15 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 16 Members' guarantee

The Association is incorporated under the *Corporations Act 2001* and is an entity limited by guarantee. If the Association is wound up, the constitution states that each Member is required to contribute a maximum of \$20 each towards meeting any outstandings and obligations of the Association. At 30 June 2008, the number of Members was 1,553.

DIRECTORS' DECLARATION

The Directors of the Association declare that:

The financial statements and notes, as set out on pages 70 to 85, are in accordance with the *Corporations Act 2001*. They

- a. comply with Accounting Standards and the Corporations Regulations 2001; and
- b. give a true and fair view of the financial position as at 30 June 2008 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 fifteenth day of September 2008.



R W Nicholson
President

Report on the Financial Report

We have audited the accompanying financial report of The Sovereign Hill Museums Association, which comprises the balance sheet as at 30 June 2008 and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the Directors' declaration.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, provided to the Directors of The Sovereign Hill Museums Association on the fifteenth of September 2008 would be in the same terms if provided to the Directors as the date of this Auditor's report.

Auditor's Opinion

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

- a. giving a true and fair view of the company's financial position as at 30 June 2008 and of its performance for the year ended on that date, and
- b. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

Dated this sixteenth day of September, 2008

WHK Western Victoria Audit Partnership

615 Sturt Street BALLARAT 3350



B R Judkins
Audit Principal

