



# Financial Report and disclosures

## OVERVIEW

### Legal Framework

The will of R E Ross provides that the Trustees hold on trust the balance of the “real and personal estate” of Mr Ross remaining after payment of debts, expenses and duties following his death, in order “to pay or apply the income therefrom in perpetuity...”.

The will authorises the Trustees to invest the Trust’s monies as they “think fit”, “to vary, alter, transpose and re-invest” monies and to invest in the name of a custodian trustee, including any company the Trustees form for such purpose.

The will also authorises the Trustees to meet from Trust income the expenses of any custodian company and of administration, accounting and other services required to carry out the trusts under the will.

The Trustees have the approval of the Australian Taxation Office to withhold from distribution up to 20% of income earned each year. The Trustees invest these withheld distribution funds (Reserves) to generate income and provide for greater distributions in future years.

### Investment and Administration

In their investment decisions, the Trustees aim to achieve maximum income for distribution as charitable grants consistent with achieving over the medium to longer term capital growth which is greater than the mere maintenance of real capital value. In administering the Trust, the Trustees aim to achieve a balance between using and paying for those services necessary to achieve best investment and distribution results and keeping expenses within bounds appropriate to a Charitable Trust.

Most of the assets of The R E Ross Trust are held in the name of its “custodian” company, R E Ross Nominees Pty Ltd. The five Trustees are the Directors of the company.

Currently the Trust holds assets in the following classes:

Cash	Australian Equities
Fixed Interest and Hybrids	International Funds
Property Trusts	Alternative Investments
Real Property	A wholly owned quarrying business.

For most of its holdings of Australian and International equities the Trust uses professional investment managers. Its principal manager of Australian equities at year’s end was Challenger Financial Services, the successor to HSBC Asset Management (Australia) Limited. The Trust also holds units in diversified international and alternative investment funds through Goldman Sachs JBWere Limited.

Trustees continued to use the benchmarks established previously for each category of assets (except for the separate investment in the wholly owned quarrying business, Hillview Quarries Pty Ltd, and the land used for quarrying operations). However, they made a number of changes in the individual holdings within asset categories. All Trustees serve as the Directors of Hillview Quarries Pty Ltd and the Trust owns the quarry land.

All Trustees are members of the Trust’s Investment Committee which meets quarterly. Two Trustees comprise an Investment Sub-Committee which meets in each other month and as required.

## Information, Reporting and Independent Audit

For the year ended 30 June 2005, the Trustees prepared a general purpose financial report (Annual Report) on The R E Ross Trust and its controlled entity, Hillview Quarries Pty Ltd. An independent audit of the financial report was conducted by PricewaterhouseCoopers.

By special Orders of the Supreme Court of Victoria, the Trustees are paid commission if the Attorney-General of Victoria is satisfied with the Trust's Annual Accounts. The Trust submits a copy of the Annual Accounts in the form of the Annual Report, together with a report of the activities of the Trust, each year to the Attorney-General.

Trustees do not receive fees for their services as Directors of R E Ross Nominees Pty Ltd, Hillview Quarries Pty Ltd or any other company where they hold office as a nominee of the Trust.

The information contained in this Financial Report is drawn from the Annual Report of The R E Ross Trust for the period 1 July 2004 to 30 June 2005.

## PERFORMANCE

### Value of Assets

At 30 June 2005 the Book Value of the Trust's assets was \$32.97 million comprised as follows:

Residuary (corpus) funds	\$26,245,904
Reserves of accumulated income (20% withheld from distribution) funds	\$6,726,436

The total estimated Market Value of the assets was \$68.29 million.

### Income

Gross income for the year totalled \$5,043,035. In "Notes to the Accounts" below, Note 2 shows a significant increase in Dividend income from 2004 to 2005. This was because the year ended 30 June 2005 was the first year in which, due to a change in policy by the Trustees, Hillview Quarries paid no grants at the request of the Ross Trust but instead paid only fully franked Dividends.

Income distributed as grants during the year totalled \$4,162,067. Grants refunded by previous recipients totalled \$8,151.

187 grants with a total value of \$5,177,003, were approved in the year, involving 230 grant payments including 43 for payment in future years.

### Expenses

Expenses for the year totalled \$952,925. This represented:

1.70% of asset market value
18.90% of gross income

### Distribution

From its establishment in 1970 to 30 June 2005, the Ross Trust has made grants totalling \$60,126,867. Of these, \$46,951,355 have been made by the Trust directly and \$13,175,512 by Hillview Quarries Pty Ltd at the request of the Trust.

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### STATEMENTS OF FINANCIAL PERFORMANCE

for the year ended 30 June 2005

The details below have been extracted from The R E Ross Trust Annual report – 30 June 2005 and relate only to the Parent entity referred to in that report, that is, The R E Ross Trust.

	Notes	2005 \$	2004 \$
<b>Revenue from ordinary activities</b>	2	5,043,035	3,888,525
Employee benefits expense		(380,422)	(347,579)
Grants paid during the year		(4,153,916)	(3,156,809)
Depreciation expenses		(15,048)	(19,640)
Other expenses		(555,595)	(522,705)
Borrowing costs expense		(1,855)	(2,037)
<b>Net Surplus</b>		(63,801)	(160,245)
Aggregate of amounts transferred to general reserve		(818,022)	(599,313)
<b>Total changes in equity other than those resulting from transactions with owners as owners</b>	1(g)	<b>(881,823)</b>	(759,558)

Income which is not able to be distributed in any year is accumulated (see Statements of Financial Position).

The negative surpluses arise because some grants paid in the year have been paid from Accumulated Income.

## STATEMENTS OF FINANCIAL POSITION

### for the year ended 30 June 2005

The details below have been extracted from The R E Ross Trust Annual report – 30 June 2005 and relate only to the Parent entity referred to in that report, that is, The R E Ross Trust.

	Notes	2005 \$	2004 \$
<b>Current assets</b>			
Cash assets		183,758	406,298
Receivables		1,478,634	929,847
Other financial assets	3	29,062,498	27,701,095
Total Current assets		30,724,890	29,037,240
<b>Non-current assets</b>			
Receivables	4	3,119,539	3,119,539
Other financial assets		64,005	64,005
Property, plant and equipment		36,088	45,662
Total Non-current assets		3,219,632	3,229,206
<b>Total assets</b>		33,944,522	32,418,192
<b>Current liabilities</b>			
Payables		378,542	322,897
Provisions		13,400	7,308
Total Current liabilities		391,942	387,345
<b>Total liabilities</b>			387,344
<b>Net assets</b>		33,552,580	32,030,847
<b>Equity</b>			
Residuary (Estate Funds)		26,245,905	24,660,371
Reserve funds		6,726,436	5,908,414
Accumulated income		580,239	1,462,062
		<b>33,552,580</b>	32,030,847

# Financial Report and disclosures

## NOTES TO THE ACCOUNTS

The following notes comprise relevant (renumbered) extracts from the Notes to and forming part of the Annual Report and additional notes relating to the statement of Income and Expenses.

### Relevant extracts from the Notes to and forming part of the Annual Report

#### Note 1. Summary of significant accounting policies

This general purpose financial report has been prepared in accordance with Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views and the *Corporations Act 2001*.

It is prepared in accordance with the historical cost convention, except for certain assets which, as noted, are at valuation.

##### (a) Income tax

The trust is a non-profit charitable organisation and is not subject to income tax on its income.

On 28 June 1992 the trustees were granted clearance by the Australian Taxation Office to accumulate up to 20% of the net income of the trust each year. The purpose of this is to maintain and enhance the capital asset base of the trust for the derivation of income to be distributed by way of grants for future years.

##### (b) Revenue recognition

The trust recognises revenue in the year it is earned.

##### (c) Investments

Interests in unlisted securities and associates are brought to account at cost.

##### (d) Depreciation of property, plant and equipment

Depreciation is calculated on both the diminishing value and prime cost method so as to write off the net cost of each item of property, plant and equipment (excluding land) over its expected useful life to the consolidated entity.

##### (e) Investment properties

Investment properties are initially recorded at cost. Costs incurred subsequent to initial acquisition are capitalised when it is probable that future economic benefits in excess of the originally assessed performance of the asset will flow to the consolidated entity. Investment properties are maintained at a high standard, and as permitted by accounting standards, the properties are not depreciated.

##### (f) Cash

For purposes of the statements of cash flows, cash includes deposits at call which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value.

##### (g) Grants

Grants are recognised as a liability when there exists a present obligation which the entity has no realistic alternative but to settle. Accordingly, grants approved which have not been settled at 30 June 2005 have not been recognised as liabilities at 30 June 2005 because the Trust can vary or terminate the approved grants prior to payment. The negative surplus arises because some grants paid in the current year have been paid from Accumulated income (Equity).

##### (h) Treatment of Residuary Funds / Reserves

Reserves are increased by the transfer of up to 20% of net income to reserves (see note 1(b)) and Residuary Funds are increased by profit on disposal of investments and decreased by losses on disposal of investments and by unrealised losses on fall in market value below purchase cost.

**Note 2. Revenue**

	2005	2004
	\$	\$
<b>Revenue from operating activities</b>		
Investment income	2,548,820	1,982,211
Income from running Hillview Quarries Pty Ltd	893,864	758,608
Income from beneficial interest in private company	-	128,752
Interest income	324,483	383,048
Dividend income	1,273,814	633,312
	<u>5,040,981</u>	<u>3,885,931</u>
<b>Revenue from outside operating activities</b>		
Other revenue	2,054	2,594
	<u>2,054</u>	<u>2,594</u>
<b>Revenue from ordinary activities</b>	<b><u>5,043,035</u></b>	<b><u>3,888,525</u></b>

**Note 3. Current assets – Receivables**

	2005	2004
	\$	\$
Trade Debtors	1,478,326	928,715
Less: Provision for doubtful debts	-	-
	1,478,326	928,715
Sundry debtors	308	1,132
	<u>1,478,634</u>	<u>929,847</u>

**Note 4. Current assets – Other financial assets**

	2005	2004
	\$	\$
<b>Investments</b>		
Public company shares – at cost	41,200	598,400
Loans and short term deposits	811,185	215,751
Investment funds – at cost	2,095,676	2,116,500
Investment funds – fall in market value of certain funds	-	(19,198)
Public listed property trusts – at cost	5,787,048	5,825,602
Public listed property trusts – fall in market value of certain trusts	(296,975)	(59,255)
Other managed portfolio investment – at cost	18,176,844	16,727,521
Investment properties	2,447,520	2,447,520
	<u>29,062,498</u>	<u>27,852,841</u>

## Financial Report and disclosures

### Note 5. Non-current assets – Receivable

	2005 \$	2004 \$
<b>Receivable from controlled entity</b>	3,119,539	3,119,539
	3,119,539	3,335,290

### Note 6. Non-current assets – Other financial assets

	2005 \$	2004 \$
<b>Private company shares – at cost</b>	64,005	64,005

### Note 7. Related parties

During the year material transactions took place with the following related parties:

Hillview Quarries Pty Ltd, which is wholly owned by The R E Ross Trust.

The transactions comprised:

- Royalties received from Hillview Quarries Pty Ltd based on that company's operations;
- Interest received from Hillview Quarries Pty Ltd on loans from the Trust;
- Fees for directors' services received for management of Hillview Quarries Pty Ltd;
- Fees received for company secretary services provided to Hillview Quarries Pty Ltd;
- Dividends paid from Hillview Quarries Pty Ltd;

## Disclosures

<b>Colin Harper, Trustee:</b>	Non executive Director, Australian National Memorial Theatre Limited.
<b>Ian Renard, Trustee:</b>	Chancellor, The University of Melbourne; Director of CSL Limited; Director of Newcrest Mining Limited; and Director of The SP Ausnet Group.
<b>Eda Ritchie:</b>	Member, Victorian Environment Assessment Council; Member, Council of the Australian National Maritime Museum; and Member, Council of The University of Melbourne.
<b>Sylvia Geddes, Executive Officer:</b>	Member, Ministerial (Victorian Minister for Children and for Community Services) Advisory Committee for Vulnerable Children, Young People and Families (formerly Child and Family Support).

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20 February 2006

Dear Trustees


**Extracts of financial information included in the Ross Trust Annual Report 2005**

This is to confirm the financial information presented on pages 54 to 58 of the Ross Trust Annual Report 2005 has been extracted from the R. E. Ross Trusts 2005 General Purpose Financial Report dated 26 October 2005.

The 2005 General Purpose Financial Report was audited by PricewaterhouseCoopers and was not subject to audit qualification.

We have reconciled the extracted information presented on pages 54 to 58 of the Ross Trust Annual Report 2005 to the R. E. Ross Trusts 2005 General Purpose Financial Report noting no exceptions.

Yours faithfully

  
Sanjiv Jera  
Partner

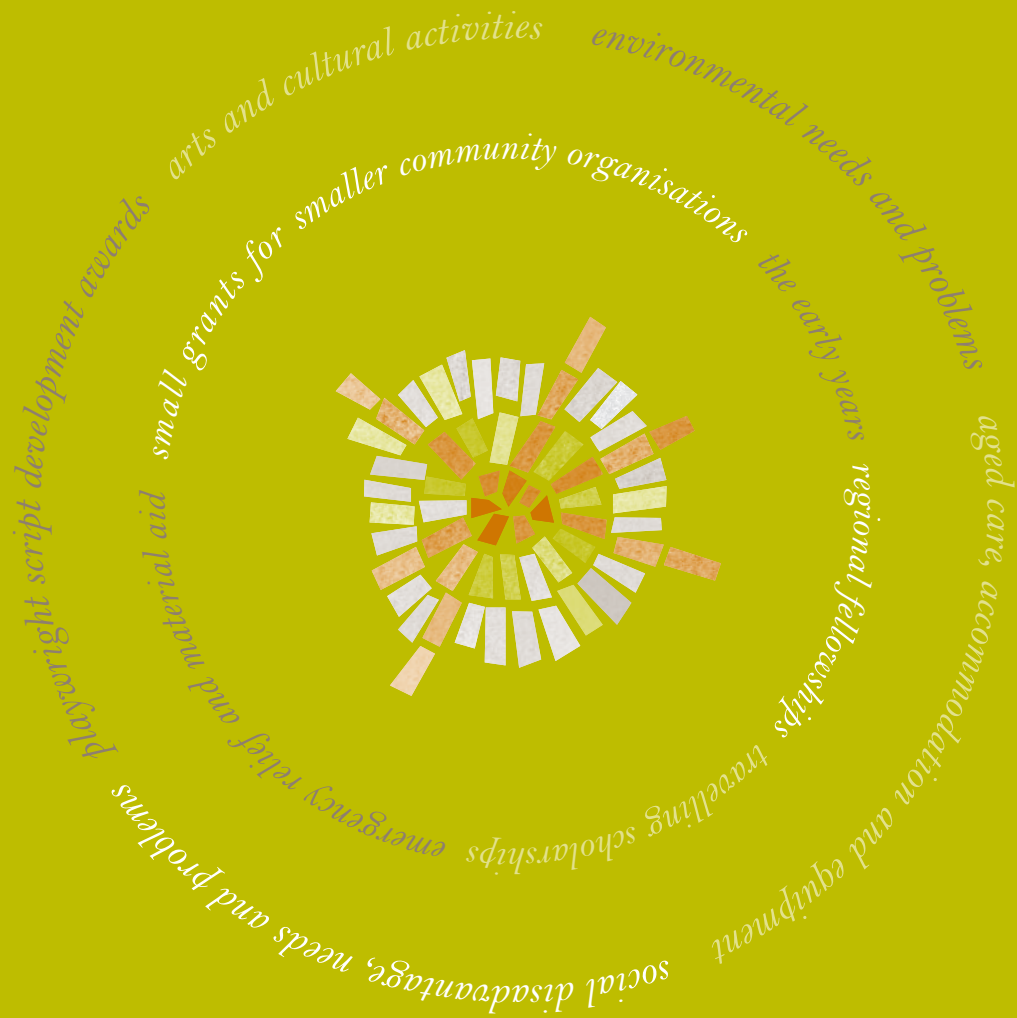
# ACKNOWLEDGEMENTS

## Professional services

Accountants:	William Buck (Vic) Pty Ltd
Auditors:	PricewaterhouseCoopers
Investment advisers and brokers:	Challenger Financial Services Group Limited (from 31 March 2005) HSBC Asset Management (Australia) Ltd (to 30 March 2005) UBS Private Clients Australia Limited Goldman Sachs JBWere Limited
Hillview Quarries Pty Ltd:	Vince Latham, General Manager
Membership Association:	Philanthropy Australia
Web site design, hosting and administration:	garnish garden VICNET
Design and layout of this report:	Jenny Bullock, The Designery
Photo Credits:	Thank you to all the organisations who made the time and effort to source photos and graphics for our feature articles.  The photo of the Boga-Swan Bush Band on page 29 was provided courtesy of The Guardian, Swan Hill.

To make an application to The R. E. Ross Trust, copies of the guidelines can be obtained at [www.rosstrust.org.au](http://www.rosstrust.org.au) or by contacting our offices (see over).The R E Ross Trust.





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