



FINANCIAL REPORT

FOR THE YEAR ENDING
30 JUNE 2007

Menzies Incorporated

408 Nepean Highway

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**INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2007**

	Note	2007 \$	2006 \$
REVENUE FROM ORDINARY ACTIVITIES			
Government Grants and Benefits		2,294,491	2,189,568
Philanthropic Grants		84,835	109,621
Other revenue		45,161	21,455
		<u>2,424,487</u>	<u>2,320,644</u>
EXPENDITURE			
Employee Entitlements		2,439,937	2,596,098
Repairs and Maintenance		95,018	139,609
Other expenses from ordinary activities		865,583	487,503
		<u>3,400,538</u>	<u>3,223,210</u>
Surplus (Deficiency) from Grant and Funded Operations		-976,051	-902,566
Depreciation Expense		94,156	103,668
Surplus (Deficiency) from ordinary activities		<u>-1,070,207</u>	<u>-1,006,234</u>
INVESTMENT INCOME AND FUNDRAISING			
Interest Received		94,261	34,949
Net investment income & Donations		148,839	126,473
Gain / (Loss) on Disposal of Capital Assets		-9,413	1,120,353
		<u>233,687</u>	<u>1,281,775</u>
SURPLUS (DEFICIENCY) FOR YEAR		<u>-836,520</u>	<u>275,541</u>

Audit Opinion

In my opinion, the financial report of Menzies Inc. presents a true and fair view in accordance with applicable Australian Accounting Standards and other mandatory professional reporting requirements in Australia, the financial position of Menzies Inc as at 30th June 2007 and the results of its operations for the year then ended.

Name of Firm: **E Townsend & Co**
Chartered Accountant

Eric Townsend

Address: 35 Mereweather Ave
Frankston VIC 3199

Dated this **day of October 2007**

**STATEMENT OF CHANGES
IN EQUITY FOR THE YEAR ENDED 30 JUNE 2007**

	Retained Earnings	Total
	\$	\$
Balance at 1st July 2005	7,961,487	7,961,487
Plus revaluation of investments	134,415	134,415
Less revaluation of Land & Buildings sold	-1,329,687	-1,329,687
Less revaluation of Land & Buildings held	-435,000	-435,000
Plus surplus after tax	275,540	275,540
Balance at 30th June 2006	6,606,755	6,606,755
Plus revaluation of investments	141,305	141,305
Plus revaluation of Land & Buildings	1,095,460	1,095,460
Less Deficiency after tax	-836,520	-836,520
Balance of equity at 30th June 2007	7,007,000	7,007,000

STATEMENT BY MEMBERS OF THE COMMITTEE

The committee have determined that the association is not a reporting entity.

The committee have determined that this special purpose financial report should be prepared in accordance with accounting policies outlined in Note 1 to the financial statements.

In the opinion of the committee, the financial report:

1. Presents fairly the financial position of Menzies Inc. as at 30 June 2007 and its performance for the year ended on that date.
2. At the date of this statement, there are reasonable grounds to believe that Menzies Inc. will be able to pay its debts as and when they fall due.

This statement is made in accordance with a resolution of the committee and is signed for and on behalf of Committee by:

President:
D J Hildebrand

Honorary Treasurer:
M Pollard

Chief Executive Officer:
H Reid

Dated this day of October 2007

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

1. Statement of Significant Accounting Policies

The financial report is a special purpose financial report that has been prepared in order to satisfy the financial reporting requirements of the Associations Incorporation Act (Victoria). The committee has determined that the association is not a reporting entity.

The regulator of incorporated associations in Victoria (Consumer Affairs Victoria) has provided relief from the introduction of Australian Equivalents to International Reporting Standards (AIFRS) for all Victorian associations and as such these accounts have been prepared on the basis of the previously existing accounting standards as detailed in the Associations Incorporation Act 1981 as detailed below:

AASB 101:	Presentation of Financial Statements
AASB 107:	Cash Flow Statements
AASB 108:	Accounting Policies, Changes in Accounting Estimates and Errors
AASB 110:	Events after the Balance Sheet Date
AASB 117:	Leases
AASB 118:	Revenue
AASB 1004:	Contributions
AASB 1031:	Materiality
AASB 1041:	Revaluation of Non-Current Assets
AASB 1048:	Interpretation and Application of Standards

No other Australian Accounting Standards or other authoritative pronouncements of the Australian Accounting Standards Board have been applied.

The financial report has been prepared on an accruals basis and is based on historic costs and does not take into account changing money values, or except where specifically stated, current valuations of non-current assets.

The following specific accounting policies, which are consistent with the previous period unless otherwise stated, have been adopted in the preparation of this financial report.

I. Income Tax

Menzies Inc is a public benevolent institution and is exempt from income taxation on its surplus for the year. The accounts are prepared on an income and expenditure basis to include income earned, but not received, and expenditure incurred but not paid, in a manner similar to prior years.

II. Property, Plant and Equipment

Minor assets that are used in the various homes and which may have been partly funded by Government grant or subsidy are regarded as expenses of operating the homes. These items have been included as expenses generally under the heading of repairs and maintenance. Significant building works or acquisitions are capitalized at historical cost unless otherwise stated.

Refurbishment and minor works are written off as expenses of operating the homes.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

8 Provisions	2007	2006
Current		
Provision for Holiday Pay	63,848	138,604
Provision for Long Service Leave	0	48,276
	63,848	186,880
Non-current		
Provision for Long Service Leave	32,645	38,173
	32,645	38,173
9 Grants in Advance		
Prepaid Grants Income	178,500	168,443
Deferred Income	37,484	32,096
	215,984	200,539
10 Reserves		
Asset Revaluation Reserves		
Freehold Property	3,539,977	2,444,517
Share Portfolio	666,485	525,180
Closing Balance	4,206,462	2,969,697
11 Capital Commitments		
Menzies Inc continues development of its Sages Cottage and Children's Farm therapeutic Model.		
The directors, based on an independent evaluation, revalued the property to an amount of \$1,350,000 as at 30 th June 2007. At this time no specific commitment has been made for further capital expenditure on the property.		
12 Auspiced Grants Contingent Liability		
The association has a contingent Liability for funds received for the core of life program which operates from the Peninsula Hospital which has been auspiced by Menzies Inc. At present the program is operating on budget and therefore no actual liability exists		

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

VI. Revaluation of Investments

Each class of investment is carried at fair value and is revalued at each 30 June. Increments in value are credited direct to asset revaluation Reserve while decrements in value are shown as expenses in the statement of financial performance except when they are reversals of previous increments.

VII. Goods and Services Tax (GST)

Menzies Inc is registered for 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 Tax 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 the expense.

Receivables and payables in the balance sheet are shown as inclusive of GST. Sales of Properties owned and used by Menzies Inc. in the provision of its Residential Care Service are treated as input taxed. No GST is charged on disposal and no input credit is claimed relative to the costs of disposal.

VIII. Comparative Figures

Where necessary, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

2 Receivables	2007	2006
Trade Debtors	153,389	132,108
Less Provision for doubtful debts	0	-2,750
	<u>153,389</u>	<u>129,358</u>
Other Debtors		6,914
Settlement Proceeds		1,387,145
GST Suspense		2,622
	<u>153,389</u>	<u>1,526,039</u>
3 Investments		
Current		
Shares in listed companies – Market Value	493,371	421,167
Managed Investments – Market Value	732,100	661,472
Mortgage Advances		300,000
	<u>1,225,471</u>	<u>1,382,639</u>
4 Inventories		
Current		
Stock on hand	4,724	25,968
	<u>4,724</u>	<u>25,968</u>
5 Other Assets		
Current		
Prepayments	15,542	22,863
Deposit	200	
	<u>15,742</u>	<u>22,863</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

6 Property, Plant and Equipment	2007	2006
Freehold Land and Buildings at Directors' Valuation at 30 June 2007	4,525,000	3,405,000
Total Land and Buildings	4,525,000	3,405,000
Motor Vehicles	240,761	299,030
Less: Accumulated depreciation	-111,049	-106,137
Total Motor Vehicles	129,712	193,893
Furniture & Fittings	606,179	539,719
Less: Accumulated depreciation	-307,776	242,689
Total Furniture & Equipment	298,403	297,030
Total Property, Plant and Equipment	4,953,115	3,894,923
Property valuation based on committee's valuation		
7 Creditors and Borrowings		
Current		
Trade Creditors	49,201	13,053
Other Creditors	97,533	62,177
GST Payable	30,131	32,364
Auspiced Grant Income	140,000	-
	316,865	107,594

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

II. Property, Plant and Equipment (cont'd)

No provision has been made for depreciation of buildings as the committee has adopted the practice of revaluing its properties on an annual basis. Depreciation of cutlery, crockery, linen etc. is accounted for by charging the cost of replacement against income when they occur. Depreciation is provided for on the acquisitions of furniture and equipment and on motor vehicles.

Land and buildings were revalued at 30 June 2007 by the Committee, based on estimates of value obtained from suitable qualified valuers. Menzies' share and investment portfolio has been revalued to Market Value as at 20 June 2007. The committee believes that the stated values more accurately present the financial position of Menzies Inc.

Costs of development of the "Sages Farm" property including acquisition costs subsequent capital expenditures and direct salary and wages costs have been capitalized up to 30 June 2005 in order to reflect the actual cost of establishing the project. Subsequent minor costs have been treated as operating costs and charged to the income account. Future Development Capital Costs will be capitalized.

III. Employee Entitlements

Provision for long service leave has been made in respect of those employees who have served in excess of 5 years. Provision for annual Leave has been provided for in respect of all employees on a pro-rata basis and reflects leave due to 30 June 2007.

IV. Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that are transferred to the association, are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual values. Leased assets are depreciated over their estimated useful lives. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

V. Revenue Recognition

Menzies Inc is in receipt of Grant Income from Government and various philanthropic sources. Menzies Inc endeavours to match its expenditures with the receipt of grants as far as practical. To this extent, grant income received for specified projects or periods which has not been expended or is not yet due to be expended at balance date has been treated as income in advance and not brought to account as income in the period of receipt. Such amounts are held to be brought to account and matched to expenditure in subsequent periods.

Specific capital expenditure grants received are treated as deferred grant income and are brought to accounts as income over the expected useful life of the assets acquired.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

13 Cash Flow Information			
Reconciliation of cash on hand at end period		2007	2006
Cash on Hand		8,529	6,848
Cash on Deposit		-	-
Cash at Bank		19,072	280,664
On-Line Investment A/C		1,256,301	-
		<u>1,283,902</u>	<u>287,512</u>
Reconciliation of Net Cash used in operating activity to net Profit/(Loss) after Tax			
Net Profit /(Loss) after tax		-836,520	275,541
Less (Gain) (Loss) on disposal of assets		-9,413	1,120,353
Non-cash flows in profit after tax			
Depreciation		94,158	103,668
Increase / (Decrease) in provisions		-125,810	99,412
Increase / (Decrease) in other		0	4,945
(Decrease)/ Increase in receivables		-17,245	-48,840
Increase / (Decrease) in payables		209,271	6,883
(Increase) / Decrease in Inventory		21,244	-23,280
Decrease /(Increase) in prepayments		7,121	-
Increase /(Decrease) in Grants in Advance		15,445	-
Net Cash flow from operating activity		<u>-622,923</u>	<u>-702,024</u>

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 30TH JUNE 2007**

	2007	2006
	\$	\$
<u>CASH FLOW FROM OPERATING ACTIVITIES</u>		
Cash Receipts from:		
- Government Agencies	2,270,460	2,203,601
- Philanthropic Income	84,835	125,621
- Other Income	45,161	37,841
Payments to suppliers and employees	-3,266,479	-3,224,324
Active Operations	-866,023	-857,261
Passive Operations		
Interest Income	94,261	35,332
Investment Income & Donations	148,839	119,905
Net cash provided by (used in) operating activities Note 13	-622,923	-702,024
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Payments for Property, Plant & Equipment	-100,667	-127,132
Proceeds from Disposal of Property, Plant & Equipment	1,421,509	132,981
Net cash provided by (used in) investing activities	1,320,842	5,849
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Proceeds from Sale of Investments	300,000	700,000
Payment for Investments purchased	-1,526	-25,609
Net cash provided by (used in) financing activities	298,474	674,391
Net Increase (decrease) in cash held	996,393	-21,784
Cash at the beginning of the financial year	287,512	309,296
Cash at the end of the financial year Note 13	1,283,902	287,512

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MENZIES INC

Scope

The Financial Report and Committee's Responsibility

The special purpose financial report comprises the balance sheet, income statement, cash flow statement, statement of changes in equity, accompanying notes to the financial statements, and the statement by members of the committee for Menzies Inc. for the year ended 30th June 2007.

The committee of the association is responsible for the preparation and true and fair presentation of the financial report in accordance with the Associations Incorporations Act VIC. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit Approach

I conducted an independent audit in order to express an opinion to the members of the association. My audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgment, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

I performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Associations Incorporations Act VIC, including compliance with Australian Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with my understanding of the association's financial position.

I formed my audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the committee.

While I considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, my audit was not designed to provide assurance on internal controls.

Independence

In conducting my audit, I followed applicable independence requirements of Australian professional ethical pronouncements.

BALANCE SHEET FOR THE YEAR ENDED 30 JUNE 2007

	Note	2007 \$	2006 \$
CURRENT ASSETS			
Cash and cash equivalents	13	1,283,902	287,509
Receivables	2	153,389	1,526,039
Investments	3	1,225,471	1,382,639
Inventories	4	4,724	25,968
Other current assets	5	15,742	22,863
TOTAL CURRENT ASSETS		2,683,228	3,245,018
NON-CURRENT ASSETS			
Property, plant and equipment	6	4,953,115	3,894,923
TOTAL NON-CURRENT ASSETS		4,953,115	3,894,923
TOTAL ASSETS		7,636,343	7,139,941
CURRENT LIABILITIES			
Creditors and Borrowings	7	316,865	107,594
Provisions	8	63,848	186,880
Grants Received in Advance	9	215,984	200,539
TOTAL CURRENT LIABILITIES		596,697	495,013
NON-CURRENT LIABILITIES			
Provisions	8	32,645	38,173
TOTAL NON-CURRENT LIABILITIES		32,645	38,173
TOTAL LIABILITIES		629,342	533,186
NET ASSETS (LIABILITIES)		7,007,000	6,606,755
EQUITY			
Reserves	10	4,206,462	2,969,697
Retained Earnings		2,800,538	3,637,058
TOTAL EQUITY		7,007,000	6,606,755