



MENZIES INC

ABN 55 784 349 165

**FINANCIAL REPORT
FOR THE YEAR ENDING
30 JUNE 2011**

MENZIES INC

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MENZIES INC

COMMITTEE'S REPORT

Your committee members present this report of Menzies Incorporated for the financial year ended 30th June 2011.

COMMITTEE MEMBERS

The names of committee members throughout the year and to the date of this report were:

<u>Name</u>	<u>Title</u>	<u>Member</u>
Mr Denis Hildebrand President	Pharmacist	Member since 1985
Mr Phil Jones Vice President	Hotel Proprietor, Frankston International Hotel	Member since 2002
Mr Greg Lacey	Principal Lyndhurst Primary School	Member since 2008
Mr Russell Campbell	Business owner, Brumby's Bakery Frankston	Member since 2000
Mr Alan Splatt	Partner, Taylor Splatt & Partners Lawyers	Member since 2007
Mr Steve Pallas	CEO , Selectus	Member since 2008
Mr Kevin Johnson	Director, CMJ Solutions	Member since 2010
Mr Sean Limpens Treasurer	Principal, BCV Accounting	Member since 2010
Ms Georgia Symmons	Head of Diversity and Inclusion at Australia Post	Member since 2011
Mr Stuart Shaw	General Manager Village Baxter	Resigned 2010
Mr Roy Watts	Director DKR Australia Pty Ltd.	Resigned 2010
Mr Wayne Lovie	Principal Aldercourt Primary School	Resigned 2010

Each committee member has been in office since the start of the financial year to the date of this report unless otherwise stated.

MENZIES INC

COMMITTEE'S REPORT (CONTINUED)

PRINCIPAL ACTIVITIES

The principal activity of the entity during the financial year continued to be the provision of a broad range of programs and services designed to equip young people who can no longer live with their natural parents with the life skills they need to lead independent fulfilled lives.

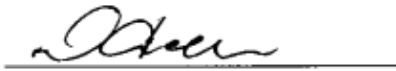
SIGNIFICANT CHANGES

No significant changes occurred in the nature of this activity during the year.


OPERATING RESULT

The surplus (deficit) for the year before the revaluation of assets amounted to \$283,953 (2010 Surplus \$65,222).

Signed in accordance with a resolution of the members of the Committee.

A handwritten signature in cursive script, appearing to read 'A. H. ...', written above a horizontal line.

September 2011

A handwritten signature in cursive script, appearing to read 'J. H. ...', written above a horizontal line.

September 2011

MENZIES INC

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2011**

	Note	2011	2010
		\$	\$
REVENUE			
Government Grants and Services Income		3,279,352	3,148,877
Philanthropic Grants		159,442	221,328
Donations		139,905	4,430
Net Investment Income		23,472	43,758
Interest Received		20,924	10,591
Other Revenue		258,321	99,120
TOTAL REVENUE		3,881,416	3,528,104
EXPENDITURE			
Employee Benefit Expense		2,670,786	2,513,566
Depreciation and Amortisation		81,047	95,692
Finance Costs		3,738	3,597
Other expenses from ordinary activities		841,892	850,027
TOTAL EXPENDITURE		3,597,463	3,462,882
SURPLUS / (DEFICIT) BEFORE INCOME TAX		283,953	65,222
Income Tax		-	-
SURPLUS / (DEFICIT) AFTER INCOME TAX		283,953	65,222
OTHER COMPREHENSIVE INCOME / (EXPENSE)			
Net gain(loss) on revaluation of financial assets		48,764	88,986
Net gain(loss) on revaluation Land & Buildings		-	(326,840)
TOTAL COMPREHENSIVE INCOME / (LOSS)		332,717	(172,632)

The accompanying notes form part of these financial statements

MENZIES INC

**BALANCE SHEET
FOR THE YEAR ENDED 30 JUNE 2011**

		2011	2010
	Note	\$	\$
CURRENT ASSETS			
Cash and Cash Equivalents	3	563,597	387,406
Trade and Other Receivables	4	49,124	210,175
Financial Assets	5	867,058	816,707
Other Current Assets	6	21,049	23,772
TOTAL CURRENT ASSETS		1,500,828	1,438,060
NON-CURRENT ASSETS			
Property, Plant and Equipment	7	4,836,578	4,592,011
TOTAL NON-CURRENT ASSETS		4,836,578	4,592,011
TOTAL ASSETS		6,337,406	6,030,071
CURRENT LIABILITIES			
Trade and Other Creditors	8	124,107	124,608
Short-term Provisions payable	9	120,688	135,253
Grants and Income Received in Advance	10	96,240	222,202
TOTAL CURRENT LIABILITIES		341,035	482,063
NON-CURRENT LIABILITIES			
Financial Liabilities	8	175,645	41,164
Long-term Provisions Payable	9	147,738	166,573
TOTAL NON-CURRENT LIABILITIES		323,383	207,737
TOTAL LIABILITIES		664,418	689,800
NET ASSETS (LIABILITIES)		5,672,988	5,340,271
EQUITY			
Reserves – Revaluation of Freehold Property		3,213,137	3,213,137
Reserves – Financial Assets		(53,610)	(102,374)
Retained Earnings		2,513,461	2,229,508
TOTAL EQUITY		5,672,988	5,340,271

The accompanying notes form part of these financial statements

MENZIES INC

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2011**

		2011	2010
		\$	\$
Retained Earnings			
Opening Balance		2,229,508	2,164,286
Net Income		283,953	65,222
Closing Balance		<u>2,513,461</u>	<u>2,229,508</u>
Reserves – Financial Assets			
Opening Balance		(102,374)	(191,360)
Profit (loss) on revaluation of financial assets		48,764	88,986
Closing Balance		<u>(53,610)</u>	<u>(102,374)</u>
Reserves – Revaluation of Freehold Property			
Opening Balance		3,213,137	3,539,977
Profit (loss) on revaluation of financial assets		-	(326,840)
Closing Balance		<u>3,213,137</u>	<u>3,213,137</u>
Total Equity		<u><u>5,672,988</u></u>	<u><u>5,340,271</u></u>

The accompanying notes form part of these financial statements

MENZIES INC

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30TH JUNE 2011**

	2011	2010
	\$	\$
CASH FLOW FROM OPERATING ACTIVITIES		
Receipts from supporters and funding agencies	4,350,927	4,053,319
Investment Income	44,396	54,348
Payments to suppliers and employees	(4,035,545)	(3,989,209)
Net cash generated by (used in) operating activities	359,778	118,458
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment for Investments purchased	(1,587)	(4,343)
Payments for Property, Plant & Equipment	(376,642)	(89,498)
Proceeds from Disposal of Property, Plant & Equipment	53,864	10,247
Net cash generated by (used in) investing activities	(324,365)	(83,594)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase Finance Leasing	140,778	14,723
Net cash generated by (used in) financing activities	140,778	14,723
Net Increase (decrease) in cash held	176,191	49,587
Cash at the beginning of the financial year	387,406	337,820
Cash at the end of the financial year	563,597	387,406

The accompanying notes form part of these financial statements

MENZIES INC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2010

The financial statements cover Menzies Incorporated (Menzies) as an individual entity. It is an association incorporated in Victoria under the Associations Incorporation Act 1981. It is a not-for-profit public benevolent institution; as such it is exempt from income tax.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with Accounting Standards, including Australian Accounting Interpretations and the Associations Incorporation Act 1981

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.

Reporting basis and conventions

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

a) Revenue

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

Grants are recognised at fair value where there is reasonable assurance that the grant will be received and all grant conditions will be met. Grants relating to expense items are recognised as income over the periods necessary to match the grant to the costs they are compensating. Grants relating to assets are credited to deferred income at fair value and are credited to income over the expected useful life of the asset on a straight-line basis.

All revenue is stated net of the amount of Goods and Services Tax (GST)

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

MENZIES INC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2011

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.

b) Goods and Services Tax (GST)

Revenues, expenses and fixed assets are recognized 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 inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

c) Comparative Figures

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

d) Critical Accounting Estimates and Judgments

The directors evaluate estimates and judgments 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 internally.

e) Key estimates – Impairment

The entity assesses impairment at each reporting date by evaluating conditions specific to the entity that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number a key estimates.

No impairment has been recognised in respect of this financial year.

MENZIES INC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2011

f) Income Taxation

The entity is endorsed by the Taxation Office as a Public Benevolent Institution. Therefore no income tax is payable by the entity.

g) Property, Plant and Equipment

Buildings, Motor Vehicles, Office Furniture and Equipment and Plant and Equipment

Buildings, Motor Vehicles, Office Furniture and Equipment and Plant and Equipment are carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses. All assets are depreciated over the estimated useful lives of the assets to the entity.

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.

Land and Buildings were revalued at end of June 2010 by a qualified valuer. The committee revalues land and buildings every three years.

Depreciation

The depreciable amount of Buildings (but not freehold land), Motor Vehicles, Office Furniture and Equipment and Plant and Equipment are depreciated on a written down value (WDV) or a straight line basis over their useful lives to the entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

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

<u>Class of Asset</u>	<u>Depreciation Rate</u>	<u>Method</u>
Furniture, Fittings & Equipment	7.55% to 37.5%	Straight Line and WDV
Motor Vehicles	18.75% to 22.5%	WDV
Buildings	2.5%	Straight Line

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

MENZIES INC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2011

An asset'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. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

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 entity, are classified as finance leases.

Finance leases are capitalized by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortized on a straight-line basis over the life of the lease term.

h) Financial Instruments

Recognition

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.

MENZIES INC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2011

Financial assets at fair value through profit and loss

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: Financial Instruments: Recognition and Measurement. Derivatives are also categorized as held for trading unless they are designated as hedges. Realized and unrealized 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.

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 stated at amortized cost using the effective interest rate method.

Held-to-maturity investments

These investments have fixed maturities, and it is the entity's intention to hold these investments to maturity. Any held-to-maturity investments held by the entity are stated at amortized 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.

Financial liabilities

Non-derivative financial liabilities are recognised at amortized cost, comprising original debt less principal payments and amortization.

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

At each reporting date, the entity 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 impairment has arisen. Impairment losses are recognised in the income statement.

MENZIES INC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2011

As a not-for-profit entity the value in use of an asset may be equivalent to the depreciated replacement cost of that asset when the future economic benefits of the asset is not primarily dependent on the asset's ability to generate net cash inflows and where the entity would, if deprived of the asset, replace its remaining future economic benefits

i) Provisions

Provisions are recognised when the entity 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.

j) Employee Benefits

Provision is made for the entity's liability for employee benefits arising from services rendered by employees to balance date. 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, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

k) 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.

l) Unspent Grant Funds

Unspent Grant Funds available as revenue or liable to be returned to the grant provider in the following year are recognised as a current liability in the balance sheet. They are not treated as an operating surplus or profit.

MENZIES INC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2011**

	2011	2010
	\$	\$
NOTE 2 - REVENUE AND EXPENSE ITEMS		
Auditor's remuneration for		
Audit or review of financial statements	6,850	6,000
	6,850	6,000
Key Expenses		
Bad and doubtful debts	-	-
Operating Lease Minimum Lease Payment	-	-
	-	-
NOTE 3 - CASH AND CASH EQUIVALENTS		
Reconciliation of cash		
Cash at the end of the financial period as shown in the cash flow statement is reconciled to the related items in the statement of financial position as follows:		
Cash on Hand	1,548	1,855
Cash at Bank	193,052	131,999
On-Line Investment A/C	368,997	253,552
	563,597	387,406
NOTE 4 - TRADE AND OTHER RECEIVABLES		
Trade Debtors	21,510	10,225
Sundry Debtors	27,614	199,950
	49,124	210,175
Provision for impairment of receivables		
Current trade debtors are generally on 30 day terms. These receivables are assessed for recoverability and a provision for impairment is recognised when there is objective evidence that an individual trade receivable is impaired. These amounts (if any) have been included in other expense items. There is no Provision for Doubtful Debts at 30 June 2011. (2010: None)		

MENZIES INC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2011**

	2011	2010
	\$	\$
NOTE 5 - FINANCIAL ASSETS		
Shares in listed companies – Fair Value	384,772	341,964
Managed Investments – Fair Value	482,286	474,743
	867,058	816,707
NOTE 6 - OTHER CURRENT ASSETS		
Prepayments	21,049	23,772
	21,049	23,772
NOTE 7 - PROPERTY, PLANT AND EQUIPMENT		
Land & Buildings at Independent Valuation June 2010	4,295,000	4,295,000
Sages Capital Improvements - At Cost	83,076	-
McMurtry Refurbishment - At Cost	22,441	-
Total Land & Buildings	4,400,517	4,295,000
Motor Vehicles	320,870	297,293
Less: Accumulated depreciation	(78,971)	(188,284)
Total Motor Vehicles	241,899	109,009
Furniture and Fittings & Equipment – at cost	771,835	706,705
Less: Accumulated depreciation	(577,673)	(518,703)
Total Furniture and Fittings & Equipment	194,162	188,002
Total Property, Plant and Equipment	4,836,578	4,592,011

MENZIES INC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2011**

Movements in Carrying Amounts:							
Movement in the carrying amounts for each class of property, plant and equipment							
	Land & Buildings at valuation	Building at cost	Sages capital improvements	Motor Vehicles	Furniture and Fittings	Total	
Carrying amount at 30th June 2009	4,525,000	10,909	78,069	124,110	197,249	4,935,337	
2010							
Revaluation	(230,000)	(10,909)	(85,930)	-	-	(326,839)	
Additions at cost	-	-	7,861	19,618	62,019	89,498	
Disposals	-	-	-	(10,347)	-	(10,347)	
Depreciation Expense	-	-	-	(24,372)	(71,266)	(95,638)	
Carrying amount at 30th June 2010	4,295,000	-	-	109,009	188,002	4,592,011	
2011							
Revaluation	-	-	-	-	-	-	
Additions at cost	-	105,517	-	205,995	65,130	376,642	
Disposals	-	-	-	(51,029)	-	(51,029)	
Depreciation Expense	-	-	-	(22,076)	(58,970)	(81,046)	
Carrying amount at 30th June 2011	4,295,000	105,517	-	241,899	194,162	4,836,578	

MENZIES INC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2011**

	2011	2010
	\$	\$
NOTE 8 - TRADE AND OTHER CREDITORS		
Current		
Trade Creditors	23,964	17,049
Other Creditors	80,813	94,526
Finance Leases	19,330	13,033
	124,107	124,608
Non Current		
Finance Leases	175,645	41,164
	175,645	41,164
NOTE 9 - PROVISIONS		
Current		
Provision for Annual Leave	120,688	135,253
	120,688	135,253
Non-current		
Provision for Long Service Leave	147,738	166,573
	147,738	166,573
NOTE 10 - GRANTS & INCOME IN ADVANCE		
Income in Advance	36,240	51,202
Prepaid Grants Income	60,000	75,000
Prepaid Donation	-	96,000
	96,240	222,202

MENZIES INC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2011**

	2011	2010
	\$	\$
NOTE 11 - CAPITAL AND LEASING COMMITMENTS		
Operating Lease Commitments		
Non-cancellable operating leases contracted for but not capitalized in the financial statements:		
Payable – minimum lease payments		
- no longer than 1 year	13,033	13,033
- longer than 1 year but not longer than 5 years	46,100	46,100
- greater than 5 years	46,100	59,133
	105,233	118,266
NOTE 12 - CONTINGENT LIABILITIES & CONTINGENT ASSETS		
No contingent Liabilities or Assets exist at 30 June 2011. (2010: None)		
NOTE 13 - EVENTS AFTER THE BALANCE SHEET DATE		
There have been no material non-adjusting events after the reporting date, nor has any information been received about conditions at reporting date that have not been included in this report.		
NOTE 14 - CASH FLOW INFORMATION		
Reconciliation of cash flow from operations to surplus (deficit) for the year		
Net Profit /(Loss) after tax	283,953	65,222
Non-cash flows in profit after tax		
Depreciation	81,047	95,638
Loss on the Disposal of Fixed Assets	(2,836)	101
Increase / (Decrease) in provisions	(33,400)	19,975
Decrease/ (Increase) in Trade and other receivables	163,774	(199,750)
Increase / (Decrease) in Trade and other payables	(6,798)	(42,608)
Increase / (Decrease) in Grants and Income in Advance	(125,962)	179,880
Net Cash flow from operating activity	359,778	118,458

MENZIES INC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2011**

	2011	2010
	\$	\$
NOTE 15 - ECONOMIC DEPENDENCE		
<p>The entity is economically dependent on Commonwealth and State Government departments for grant funding. If funds are not spent in accordance with grant conditions the departments can suspend future grants or reclaim all or part of the grant(s). The entity is dependent on the continued receipt of grants.</p>		
NOTE 16 - FINANCIAL RISK MANAGEMENT		
<p>The entity's financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments, shares in listed companies, managed investments, accounts receivable and payable, loans and borrowings and mortgages.</p>		
<p>The totals for each category of financial instruments, measured in accordance with AASB 139 is as follows:</p>		
Financial assets		
Cash and cash equivalents	563,597	387,406
Loans and Receivables	49,124	210,175
Available for sale financial assets	867,058	816,707
Total financial assets	1,479,779	1,414,288
Financial liabilities		
Trade and other payables	299,752	165,772
Grants unspent and in advance	96,240	222,202
Total financial liabilities	395,992	387,974
Financial risk management policies		
<p>The committees' overall risk management strategy is to assist the entity in meeting its financial targets, whilst minimising potential adverse effects on financial performance. Risk management policies are approved and reviewed by the Committee on a regular basis. These include credit risk policies and future cash flow requirements.</p>		
<p>The entity does not have any derivative instruments at the end of the reporting period.</p>		

MENZIES INC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2011**

	2011	2010
	\$	\$
Specific Financial Risk Exposures and Management		
The main risks the entity is exposed to through its financial instruments are interest rate risk, liquidity risk and credit risk.		
(a) Credit risk		
Credit risk is the risk that parties that owe money do not pay it.		
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 entity does not have any significant concentration of credit risk exposure to any single, or group, of counter-parties under financial instruments entered into by the entity. A profile of credit risk appears above under the Note on 'Trade and Other Receivables'.		
(b) Liquidity risk		
Liquidity risk arises due to the possibility that the entity might encounter difficulty in settling its own debts or other liabilities. The entity manages this risk by managing credit risk on amounts owed to it, monitoring forecast cash flows and ensuring that adequate unutilized borrowing facilities are maintained.		
Financial assets pledged as collateral		
No financial assets have been pledged as security for any financial liability.		
(c) Interest rate risk		
Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows.		
At 30 June 2011, 100% of the association's debt is fixed.		

MENZIES INC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2011**

	2011	2010
	\$	\$
(d) Price risk		
Price risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices of securities held.		
The association is exposed to securities price risk on available-for-sale investments. Such risk is managed through diversification of investments across industries and geographic locations.		
The association's investments are held in diversified management fund portfolios.		
Sensitivity analysis		
The following table illustrates sensitivities to the association's exposures to changes in interest rates and equity prices. The table indicates the impact on how profit and equity values reported at the end of the reporting period would have been affected by changes in the relevant risk variable that management considers to be reasonably possible. These sensitivities assume that the movement in a particular variable is independent of other variables.		
	Profit	Equity
	\$	\$
Year ended 30 June 2011		
+/- 2% in interest rates	9,500	9,500
+/- 10% in available-for-sale investments	87,000	87,000
Year ended 30 June 2010		
+/- 2% in interest rates	5,000	5,000
+/- 10% in available-for-sale investments	82,000	82,000
No sensitivity analysis has been performed on foreign exchange risk as the association has no significant exposure to currency risk.		
NOTE 17 - KEY MANAGEMENT PERSONNEL COMPENSATION		
The total of remuneration paid to key management personnel (KMP) of the entity during the year is as follows:		
Short-term employee benefits	469,904	355,641
Post-employment benefits	39,120	29,402
	509,024	385,043

MENZIES INC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2011**

	2011	2010
	\$	\$
NOTE 18 - RELATED PARTY TRANSACTIONS		
Transactions between related parties are on normal commercial terms and conditions no more favorable than those available to the other parties unless otherwise stated.		
During or since the end of the previous financial year, no Committee Member/Executive of the Entity has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the Committee Member/Executives shown in the accounts, or the fixed salary of a full-time employee of the Entity), by reason of a contract made by the Entity with the Committee Member/Executive or with a firm of which he/she is a member or with an entity in which he/she has a substantial financial interest.		
None of the Committee of Management received a salary from the association		
NOTE 19 - ERROR IN ACCOUNTING		
During 2011, an error in the accounting treatment for investments was identified. In the 2010 financial statements, the unrealised revaluation reserve for investment's indicated an unrealised gain of approximately \$290k. Upon examination, it was determined that the investments reserve should actually have be an approximate \$100k unrealised loss. This error was retrospectively corrected by restating the prior period comparative figures per accounting standards. As these adjustments were for periods prior to 30 June 2010, due to unrealised gains and losses being recorded through the income statement, the adjustment of approximately \$390k was adjusted to opening retained earnings.		
NOTE 20 - ASSOCIATION DETAILS		
The registered office of the association is:		
408 Nepean Highway		
Frankston Vic 3199		
The principal place of business is at the registered office.		

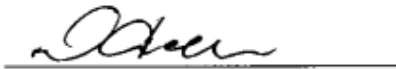
MENZIES INC

STATEMENT BY MEMBERS OF THE COMMITTEE

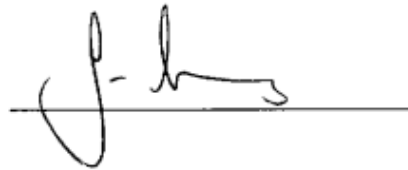
In the opinion of the Committee, the financial report as set out on pages 2 to 24:

- 1 Presents fairly the financial position of Menzies Incorporated as at 30th June 2011 and its performance for the year ended on that date in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) of the Australian Accounting Standards Board.
- 2 At the date of this statement there are reasonable grounds to believe that Menzies Incorporated 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 the committee by: -



A handwritten signature in cursive script, appearing to read 'John', written above a horizontal line.



A handwritten signature in cursive script, appearing to read 'John', written above a horizontal line.

Dated this 19 day of September 2011

**INDEPENDENT AUDIT REPORT TO THE MEMBERS OF
MENZIES INCORPORATED**

Report on the Financial Report

I have audited the accompanying Financial Report, being a general purpose financial report, of Menzies Inc, which comprises the Balance Sheet as at 30 June 2011 and the Statement of Comprehensive Income, 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 Statement by Members of the Committee.

Committee's Responsibility for the Financial Report

The Committee of the Association is responsible for the preparation and fair presentation of the Financial Report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Associations Incorporation Act of Victoria. 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

My responsibility is to express an opinion on the Financial Report based on my audit. I conducted my audit in accordance with Australian Auditing Standards. These Auditing Standards require that I 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 judgment, 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 entity'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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Committee, as well as evaluating the overall presentation of the Financial Report.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

MENZIES INC

Auditor's Opinion

The Financial Report of Menzies Inc. is in accordance with the Associations Incorporation Act of Victoria including:

- i. giving a true and fair view of the Association's financial position as at 30 June 2011 and of their performance for the year ended on that date; and
- ii. Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Associations Incorporation Act of Victoria.

Dated at Frankston on the 23rd of September 2011



DAVID J. OSBORNE
Certified Practising Accountant
Registered Company Auditor No 10244
C/- Shepard Webster & O'Neill Pty Ltd
434 Nepean Highway, Frankston 3199
Telephone 03 9781-2633



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