

**MENZIES INC**  
**ABN 55 784 349 165**

**FINANCIAL REPORT**  
**FOR THE YEAR ENDING**  
**30 JUNE 2012**

## **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 30<sup>th</sup> June 2012.

#### *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	Deceased February 2012
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	Resigned October 2011
Ms Georgia Symmons	Head of Diversity and Inclusion at Australia Post	Member since 2011
Mr Greg Alderson	Business Manager The Peninsula School	Appointed December 2011

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 (deficit) for the year before the revaluation of assets amounted to (\$295,444) (2011 Surplus \$283,953).

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

.....  
September 2012

.....  
September 2012

**MENZIES INC**

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2012**

	Note	2012	2011
		\$	\$
<b>REVENUE</b>			
Government Grants and Services Income		3,413,637	3,279,352
Philanthropic Grants		111,783	159,442
Donations		93,228	139,905
Net Investment Income		73,392	23,472
Interest Received		22,610	20,924
Other Revenue		376,202	258,321
<b>TOTAL REVENUE</b>		<b>4,090,852</b>	<b>3,881,416</b>
<b>EXPENDITURE</b>			
Employee Benefit Expense		2,769,900	2,670,786
Depreciation and Amortisation		75,699	81,047
Finance Costs		15,850	3,738
Gain / (Loss) on the disposal of Investments		142,572	-
Agency Costs		440,657	60,728
Other expenses from ordinary activities		941,618	781,164
<b>TOTAL EXPENDITURE</b>		<b>4,386,296</b>	<b>3,597,463</b>
<b>SURPLUS / (DEFICIT) BEFORE INCOME TAX</b>		<b>(295,444)</b>	<b>283,953</b>
Income Tax		-	-
<b>SURPLUS / (DEFICIT) AFTER INCOME TAX</b>		<b>(295,444)</b>	<b>283,953</b>
<b>OTHER COMPREHENSIVE INCOME / (EXPENSE)</b>			
Net gain(loss) on revaluation of financial assets		5,482	137,750
Net gain(loss) on revaluation Land & Buildings		-	(326,840)
<b>TOTAL COMPREHENSIVE INCOME / (LOSS)</b>		<b>(289,962)</b>	<b>94,863</b>

The accompanying notes form part of these financial statements

**MENZIES INC**

**BALANCE SHEET  
FOR THE YEAR ENDED 30 JUNE 2012**

	Note	2012 \$	2011 \$
<b>CURRENT ASSETS</b>			
Cash and Cash Equivalents	3	718,499	563,597
Trade and Other Receivables	4	121,757	49,124
Financial Assets	5	322,328	867,058
Other Current Assets	6	25,547	21,049
<b>TOTAL CURRENT ASSETS</b>		<u>1,188,131</u>	<u>1,500,828</u>
<b>NON-CURRENT ASSETS</b>			
Property, Plant and Equipment	7	4,874,396	4,836,578
<b>TOTAL NON-CURRENT ASSETS</b>		<u>4,874,396</u>	<u>4,836,578</u>
<b>TOTAL ASSETS</b>		<u>6,062,527</u>	<u>6,337,406</u>
<b>CURRENT LIABILITIES</b>			
Trade and Other Creditors	8	230,555	124,107
Short-term Provisions payable	9	82,681	120,688
Grants and Income Received in Advance	10	105,850	96,240
<b>TOTAL CURRENT LIABILITIES</b>		<u>419,086</u>	<u>341,035</u>
<b>NON-CURRENT LIABILITIES</b>			
Financial Liabilities	8	132,942	175,645
Long-term Provisions Payable	9	127,473	147,738
<b>TOTAL NON-CURRENT LIABILITIES</b>		<u>260,415</u>	<u>323,383</u>
<b>TOTAL LIABILITIES</b>		<u>679,501</u>	<u>664,418</u>
<b>NET ASSETS (LIABILITIES)</b>		<u>5,383,026</u>	<u>5,672,988</u>
<b>EQUITY</b>			
Reserves – Revaluation of Freehold Property		3,213,137	3,213,137
Reserves – Financial Assets		(48,128)	(53,610)
Retained Earnings		2,218,017	2,513,461
<b>TOTAL EQUITY</b>		<u>5,383,026</u>	<u>5,672,988</u>

The accompanying notes form part of these financial statements

**MENZIES INC**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2012**

	<b>2012</b>	<b>2011</b>
	\$	\$
<b>Retained Earnings</b>		
Opening Balance	2,513,461	2,229,508
Net Income	(295,444)	283,953
Closing Balance	<u>2,218,017</u>	<u>2,513,461</u>
<b>Reserves – Financial Assets</b>		
Opening Balance	(53,610)	(191,360)
Profit (loss) on revaluation of financial assets	5,482	137,750
Closing Balance	<u>(48,128)</u>	<u>(53,610)</u>
<b>Reserves – Revaluation of Freehold Property</b>		
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>
<b>Total Equity</b>	<u><u>5,383,026</u></u>	<u><u>5,672,988</u></u>

The accompanying notes form part of these financial statements

**MENZIES INC**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30TH JUNE 2012**

	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Receipts from supporters and funding agencies	4,294,113	4,350,927
Investment Income	96,002	44,396
Payments to suppliers and employees	<u>(4,644,966)</u>	<u>(4,035,545)</u>
<b>Net cash generated by (used in) operating activities</b>	<b>(254,851)</b>	<b>359,778</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payment for Investments (purchased) / Disposed	550,212	(1,587)
Payments for Property, Plant & Equipment	(164,545)	(376,642)
Proceeds from Disposal of Property, Plant & Equipment	<u>53,864</u>	<u>53,864</u>
<b>Net cash generated by (used in) investing activities</b>	<b>439,531</b>	<b>(324,365)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase / (Decrease) Finance Leasing	<u>(29,778)</u>	<u>140,778</u>
<b>Net cash generated by (used in) financing activities</b>	<b>(29,778)</b>	<b>140,778</b>
Net Increase (decrease) in cash held	154,902	176,191
Cash at the beginning of the financial year	<u>563,597</u>	<u>387,406</u>
<b>Cash at the end of the financial year</b>	<b><u>718,499</u></b>	<b><u>563,597</u></b>

The accompanying notes form part of these financial statements



## MENZIES INC

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2012

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#### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### Basis of Preparation

Menzies Inc has elected to early adopt the Australian Accounting Standards – Reduced Disclosure Requirements as set out in AASB 1053: Application of Tiers of Australian Accounting Standards and AASB 2010–2: Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements. As a consequence, the association has also adopted AASB 2011–2: Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project – Reduced Disclosure Requirements and AASB 2011–6: Amendments to Australian Accounting Standards – Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation – Reduced Disclosure Requirements. This is because the reduced disclosure requirements in AASB 2011–2 and AASB 2011–6 relate to Australian Accounting Standards that mandatorily apply to annual reporting periods beginning on or after 1 July 2011.

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements of the Australian Accounting Standards Board and the Associations Incorporation Act 1981. The association is a not-for-profit entity for financial reporting purposes under Australian Accounting Standards.

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 the financial statements are presented below and have been consistently applied unless stated otherwise.

The financial statements, except for the cash flow information, 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. The amounts presented in the financial statements have been rounded to the nearest dollar.

**MENZIES INC**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30TH JUNE 2012**

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**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 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 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 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.

**MENZIES INC**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30TH JUNE 2012**

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***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.

***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) 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.

***h) 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.

MENZIES INC

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30TH JUNE 2012

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*i) 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.

*j) 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.

*k) 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.

*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.

**MENZIES INC**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30TH JUNE 2012**

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*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.

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

MENZIES INC

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30TH JUNE 2012

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

*l) 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 2012

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#### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

**MENZIES INC**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30TH JUNE 2012**

	<b>2012</b>	<b>2011</b>
	\$	\$
<b>NOTE 2 - REVENUE AND EXPENSE ITEMS</b>		
<b>Auditor's remuneration for</b>		
Audit or review of financial statements	11,000	6,850
	<u>11,000</u>	<u>6,850</u>

**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	1,593	1,548
Cash at Bank	15,573	193,052
Term Deposits	468,436	-
On-Line Investment A/C	232,897	368,997
	<u>718,499</u>	<u>563,597</u>

**NOTE 4 - TRADE AND OTHER RECEIVABLES**

Trade Debtors	73,856	21,510
Sundry Debtors	47,901	27,614
	<u>121,757</u>	<u>49,124</u>

**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 2012. (2011: None)



MENZIES INC

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30TH JUNE 2012**

	2012	2011
	\$	\$
<b>NOTE 5 - FINANCIAL ASSETS</b>		
Shares in listed companies – Fair Value	322,328	384,772
Managed Investments – Fair Value	-	482,286
	<u>322,328</u>	<u>867,058</u>
<b>NOTE 6 - OTHER CURRENT ASSETS</b>		
Prepayments	25,547	21,049
	<u>25,547</u>	<u>21,049</u>
<b>NOTE 7 - PROPERTY, PLANT AND EQUIPMENT</b>		
Land & Buildings at Independent Valuation June 2010	4,295,000	4,295,000
Sages Capital Improvements - At Cost	136,107	83,076
McMurtry Refurbishment - At Cost	22,441	22,441
<b>Total Land &amp; Buildings</b>	<u>4,453,548</u>	<u>4,400,517</u>
Motor Vehicles	320,870	320,870
Less: Accumulated depreciation	(93,714)	(78,971)
<b>Total Motor Vehicles</b>	<u>227,156</u>	<u>241,899</u>
Furniture and Fittings and Equipment – at cost	832,321	771,835
Less: Accumulated depreciation	(638,629)	(577,673)
<b>Total Furniture and Fittings &amp; Equipment</b>	<u>193,692</u>	<u>194,162</u>
<b>Total Property, Plant and Equipment</b>	<u>4,874,396</u>	<u>4,836,578</u>

MENZIES INC

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30TH JUNE 2012

**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
<b>Carrying amount at 30<sup>th</sup> June 2010</b>	<b>4,295,000</b>	-	-	<b>109,009</b>	<b>188,002</b>	<b>4,592,011</b>
<b>2011</b>						
Revaluation	-	-	-	-	-	-
Additions at cost	-	22,441	83,076	205,995	65,130	376,642
Disposals	-	-	-	(51,029)	-	(51,029)
Depreciation Expense	-	-	-	(22,076)	(58,970)	(81,046)
<b>Carrying amount at 30<sup>th</sup> June 2011</b>	<b>4,295,000</b>	<b>22,441</b>	<b>83,076</b>	<b>241,899</b>	<b>194,162</b>	<b>4,836,578</b>
<b>2012</b>						
Revaluation	-	-	-	-	-	-
Additions at cost	-	-	53,031	-	60,486	113,517
Disposals	-	-	-	-	-	-
Depreciation Expense	-	-	-	(14,743)	(60,956)	(75,699)
<b>Carrying amount at 30<sup>th</sup> June 2012</b>	<b>4,295,000</b>	<b>22,441</b>	<b>136,107</b>	<b>227,156</b>	<b>193,692</b>	<b>4,874,396</b>

**MENZIES INC**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30TH JUNE 2012**

	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
<b>NOTE 8 - TRADE AND OTHER CREDITORS</b>		
<b>Current</b>		
Trade Creditors	34,480	23,964
Other Creditors	163,820	80,813
Finance Leases	32,255	19,330
	<u><b>230,555</b></u>	<u><b>124,107</b></u>
<b>Non Current</b>		
Finance Leases	132,942	175,645
	<u><b>132,942</b></u>	<u><b>175,645</b></u>
<b>NOTE 9 - PROVISIONS</b>		
<b>Current</b>		
Provision for Annual Leave	82,681	120,688
	<u><b>82,681</b></u>	<u><b>120,688</b></u>
<b>Non-current</b>		
Provision for Long Service Leave	127,473	147,738
	<u><b>127,473</b></u>	<u><b>147,738</b></u>
<b>NOTE 10 - GRANTS &amp; INCOME IN ADVANCE</b>		
Income in Advance	45,850	36,240
Prepaid Grants Income	60,000	60,000
	<u><b>105,850</b></u>	<u><b>96,240</b></u>

**MENZIES INC**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30TH JUNE 2012**

	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
<b>NOTE 11 - CAPITAL AND LEASING COMMITMENTS</b>		
<b>Operating Lease Commitments</b>		
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	33,067	46,100
	<b>92,200</b>	<b>105,233</b>
	<b>92,200</b>	<b>105,233</b>

**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	(295,444)	283,953
Non-cash flows in profit after tax		
Depreciation	75,699	81,047
Loss on the Disposal of Fixed Assets	(2,836)	(2,836)
Increase / (Decrease) in provisions	(58,272)	(33,400)
Decrease/ (Increase) in Trade and other receivables	(77,131)	163,774
Increase / (Decrease) in Trade and other payables	93,523	(6,798)
Increase /( Decrease) in Grants and Income in Advance	9,610	(125,962)
<b>Net Cash flow from operating activity</b>	<b>(254,851)</b>	<b>359,778</b>
	<b>(254,851)</b>	<b>359,778</b>

**MENZIES INC**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30TH JUNE 2012**

	<b>2012</b>	<b>2011</b>
	\$	\$

**NOTE 15 - ECONOMIC DEPENDENCE**

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.

**NOTE 16 - FINANCIAL RISK MANAGEMENT**

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.

The totals for each category of financial instruments, measured in accordance with AASB 139 is as follows:

<b>Financial assets</b>		
Cash and cash equivalents	250,063	563,597
Loans and Receivables	121,757	49,124
Available for sale financial assets	322,328	867,058
<b>Total financial assets</b>	<u><u>694,148</u></u>	<u><u>1,479,779</u></u>
<b>Financial liabilities</b>		
Trade and other payables	363,417	299,752
Grants unspent and in advance	105,850	96,240
<b>Total financial liabilities</b>	<u><u>469,267</u></u>	<u><u>395,992</u></u>

**Financial risk management policies**

The committees' overall risk management strategy is to assist the entity in meeting its financial targets, whilst minimising potential adverse effects or 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.

The entity does not have any derivative instruments at the end of the reporting period.

MENZIES INC

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30TH JUNE 2012

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	2012	2011
	\$	\$

**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 counterparties 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 2012, the association had no debt. (2011: None)

**MENZIES INC**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30TH JUNE 2012**

	<b>2012</b>	<b>2011</b>
	\$	\$

**(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.

	<b>Profit</b>	<b>Equity</b>
	\$	\$
<b>Year ended 30 June 2012</b>		
+/- 2% in interest rates	12,800	12,800
+/- 10% in available-for-sale investments	32,000	32,000
<b>Year ended 30 June 2011</b>		
+/- 2% in interest rates	9,500	9,500
+/- 10% in available-for-sale investments	87,000	87,000

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	483,241	469,904
Post-employment benefits	42,802	39,120
	<b>526,043</b>	<b>509,024</b>

**MENZIES INC**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30TH JUNE 2012**

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**2012**  
\$

**2011**  
\$

**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.



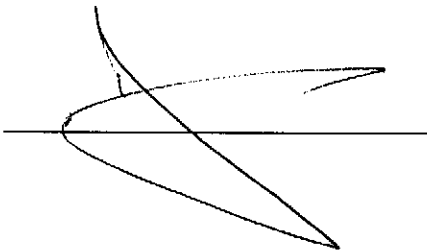
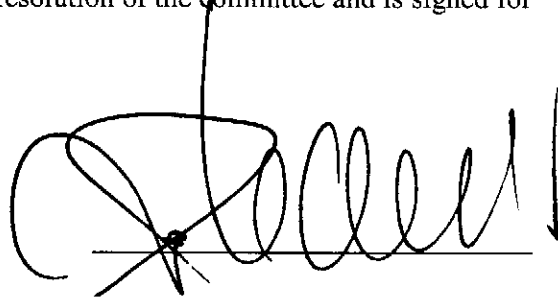
**MENZIES INC**

**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 30<sup>th</sup> June 2012 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 black ink, consisting of several overlapping loops and a long horizontal stroke at the bottom, positioned above a horizontal line.A handwritten signature in black ink, featuring a large, prominent loop at the beginning followed by a series of smaller, connected loops, positioned above a horizontal line.

Dated this            day of September 2012