

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

**FINANCIAL REPORT**  
**FOR THE YEAR ENDING**  
**30 JUNE 2014**

## **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 2014.

#### 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 Phil Jones               | Hotel Proprietor, Frankston International Hotel | Member since 2002<br>Resigned November 2013 |
| Mr Greg Lacey               | Principal,<br>Lyndhurst Primary School          | Member since 2008                           |
| Mr Denis Hildebrand         | Pharmacist                                      | Member since 1985                           |
| Mr Alan Splatt              | Partner, Taylor Splatt & Partners Lawyers       | Member since 2007                           |
| Mr Kevin Johnson            | Director, CMJ Solutions                         | Member since 2010                           |
| Ms Georgia Symmons          | Director of the Addo Group                      | Member since 2011                           |
| Mr Mike Tonroe<br>Treasurer | Chartered Accountant                            | Member since 2013                           |
| Mrs Anne Ridgway            | HR Consultant                                   | Member since 2012                           |
| Mr Vernon Broome            | Retired General Manager & Master Mariner        | Appointed May 2013<br>Resigned August 2013  |

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**

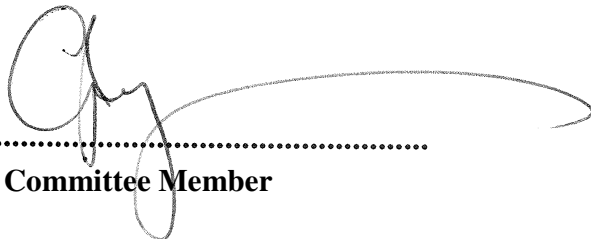
During the 2013/14 year, the Committee decided to cease being a service provider to the Department of Human Services.

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

**OPERATING RESULT**

The Loss for the year before the revaluation of assets amounted to \$228,065.  
(2013 Profit: \$182,126).

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



.....  
**Committee Member**



.....  
**Committee Member**

**Date: 27 August 2014**

**MENZIES INC**

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2014**

|   | Note | 2014             | 2013             |
|---|------|------------------|------------------|
|   |      | \$               | \$               |
| <b>REVENUE</b>  |      |                  |                  |
| Government Grants and Services Income                                 |      | 3,227,129        | 3,241,773        |
| Philanthropic Grants  |      | (2,836)          | 58,570           |
| Donations   |      | 27,069           | 50,761           |
| Net Investment Income   |      | 36,164           | 69,839           |
| Interest Received   |      | 23,952           | 27,098           |
| Other Revenue   |      | 156,174          | 541,686          |
| <b>TOTAL REVENUE</b>  |      | <b>3,467,652</b> | <b>3,989,727</b> |
| <b>EXPENDITURE</b>  |      |                  |                  |
| Employee Benefit Expense  |      | 2,719,057        | 2,818,134        |
| Depreciation and Amortisation   |      | 90,557           | 104,813          |
| Finance Costs   |      | 10,320           | 14,035           |
| Loss on the disposal of Investments                                   |      | 52,582           | -                |
| Agency Costs  |      | 76,564           | 54,798           |
| Other expenses from ordinary activities                               |      | 746,637          | 815,821          |
| <b>TOTAL EXPENDITURE</b>  |      | <b>3,695,717</b> | <b>3,807,601</b> |
| <b>PROFIT / (LOSS) BEFORE INCOME TAX</b>                              |      | <b>(228,065)</b> | <b>182,126</b>   |
| Income Tax  |      | -                | -                |
| <b>PROFIT / (LOSS) AFTER INCOME TAX</b>                               |      | <b>(228,065)</b> | <b>182,126</b>   |
| <b>OTHER COMPREHENSIVE INCOME / (LOSS)</b>                            |      |                  |                  |
| <b>Items that may be reclassified subsequently to profit or loss:</b> |      |                  |                  |
| Net gain / (loss) on revaluation of financial assets                  |      | 69,656           | 72,827           |
| Net gain / (loss) on revaluation Land & Buildings                     |      | -                | (52,471)         |
| <b>TOTAL COMPREHENSIVE INCOME / (LOSS)</b>                            |      | <b>(158,409)</b> | <b>202,482</b>   |

The accompanying notes form part of these financial statements

**MENZIES INC**

**STATEMENT OF FINANCIAL POSITION  
FOR THE YEAR ENDED 30 JUNE 2014**

|   | Note | 2014<br>\$       | 2013<br>\$       |
|---|------|------------------|------------------|
| <b>CURRENT ASSETS</b>                       |      |                  |                  |
| Cash and Cash Equivalents                   | 3    | 749,928          | 979,476          |
| Trade and Other Receivables                 | 4    | 20,918           | 20,533           |
| Financial Assets                            | 5    | 526,367          | 445,623          |
| Other Current Assets                        | 6    | 19,334           | 21,482           |
| <b>TOTAL CURRENT ASSETS</b>                 |      | <b>1,316,547</b> | <b>1,467,114</b> |
| <b>NON-CURRENT ASSETS</b>                   |      |                  |                  |
| Property, Plant and Equipment               | 7    | 4,649,582        | 4,786,557        |
| <b>TOTAL NON-CURRENT ASSETS</b>             |      | <b>4,649,582</b> | <b>4,786,557</b> |
| <b>TOTAL ASSETS</b>                         |      | <b>5,966,129</b> | <b>6,253,671</b> |
| <b>CURRENT LIABILITIES</b>                  |      |                  |                  |
| Trade and Other Creditors                   | 8    | 204,131          | 238,903          |
| Provisions                                  | 9    | 167,248          | 126,787          |
| Grants and Income Received in Advance       | 10   | 60,000           | 69,916           |
| <b>TOTAL CURRENT LIABILITIES</b>            |      | <b>431,379</b>   | <b>435,606</b>   |
| <b>NON-CURRENT LIABILITIES</b>              |      |                  |                  |
| Financial Liabilities                       | 8    | 66,237           | 119,016          |
| Provisions                                  | 9    | -                | 72,127           |
| <b>TOTAL NON-CURRENT LIABILITIES</b>        |      | <b>66,237</b>    | <b>191,143</b>   |
| <b>TOTAL LIABILITIES</b>                    |      | <b>497,616</b>   | <b>626,749</b>   |
| <b>NET ASSETS (LIABILITIES)</b>             |      | <b>5,468,513</b> | <b>5,626,922</b> |
| <b>EQUITY</b>                               |      |                  |                  |
| Reserves – Revaluation of Freehold Property |      | 3,160,666        | 3,160,666        |
| Reserves – Financial Assets                 |      | 109,952          | 40,296           |
| Retained Earnings                           |      | 2,197,895        | 2,425,960        |
| <b>TOTAL EQUITY</b>                         |      | <b>5,468,513</b> | <b>5,626,922</b> |

The accompanying notes form part of these financial statements

**MENZIES INC**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2014**

|   | <b>2014</b>             | <b>2013</b>             |
|---|-------------------------|-------------------------|
|   | \$                      | \$                      |
| <b>Retained Earnings</b>                            |                         |                         |
| Opening Balance                                     | 2,425,960               | 2,243,834               |
| Net Income  | (228,065)               | 182,126                 |
| Closing Balance                                     | <u>2,197,895</u>        | <u>2,425,960</u>        |
| <b>Reserves – Financial Assets</b>                  |                         |                         |
| Opening Balance                                     | 40,296                  | (32,531)                |
| Profit / (loss) on revaluation of financial assets  | 69,656                  | 72,827                  |
| Closing Balance                                     | <u>109,952</u>          | <u>40,296</u>           |
| <b>Reserves – Revaluation of Freehold Property</b>  |                         |                         |
| Opening Balance                                     | 3,160,666               | 3,213,137               |
| Profit / (loss) on revaluation of Freehold Property | -                       | (52,471)                |
| Closing Balance                                     | <u>3,160,666</u>        | <u>3,160,666</u>        |
| <b>Total Equity</b>                                 | <u><u>5,468,513</u></u> | <u><u>5,626,922</u></u> |

The accompanying notes form part of these financial statements

**MENZIES INC**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30TH JUNE 2014**

|   | <b>2014</b>      | <b>2013</b>     |
|---|------------------|-----------------|
|   | \$               | \$              |
| <b>CASH FLOW FROM OPERATING ACTIVITIES</b>                  |                  |                 |
| Receipts from supporters and funding agencies               | 3,733,241        | 4,405,170       |
| Investment Income   | 49,267           | 47,148          |
| Payments to suppliers and employees                         | (3,959,127)      | (4,084,604)     |
| <b>Net cash generated by (used in) operating activities</b> | <b>(176,619)</b> | <b>367,714</b>  |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                 |                  |                 |
| Payment for Investments (purchased) / Disposed              | (11,088)         | (7,872)         |
| Payments for Property, Plant & Equipment                    | (14,964)         | (69,445)        |
| Proceeds from Disposal of Property, Plant & Equipment       | 8,800            | -               |
| <b>Net cash generated by (used in) investing activities</b> | <b>(17,252)</b>  | <b>(77,317)</b> |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                 |                  |                 |
| Increase / (Decrease) Finance Leasing                       | (35,677)         | (29,420)        |
| <b>Net cash generated by (used in) financing activities</b> | <b>(35,677)</b>  | <b>(29,420)</b> |
| Net Increase (decrease) in cash held                        | (229,548)        | 260,977         |
| Cash at the beginning of the financial year                 | 979,476          | 718,499         |
| <b>Cash at the end of the financial year</b>                | <b>749,928</b>   | <b>979,476</b>  |

The accompanying notes form part of these financial statements



## MENZIES INC

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2014

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#### 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 Australian Accounting Standards – Reduced Disclosure Requirements of the Australian Accounting Standards Board (AASB) and the Associations Incorporation Reform Act 2012. 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.

##### *a) Revenue*

Non-reciprocal grant revenue is recognised in profit or loss when the association obtains control of the grant, it is probable that the economic benefits gained from the grant will flow to the association and the amount of the grant can be measured reliably

If conditions are attached to the grant which must be satisfied before it is eligible to receive the contribution, the recognition of the grant as revenue will be deferred until those conditions are satisfied.

When grant revenue is received whereby the association incurs an obligation to deliver economic value directly back to the contributor, this is considered a reciprocal transaction and the grant revenue is recognised in the statement of financial position as a liability until the service has been delivered to the contributor, otherwise the grant is recognised as income on receipt.

The association receives non-reciprocal contributions of assets from the government and other parties for zero or a nominal value. These assets are recognised at fair value on the date of acquisition in the statement of financial position, with a corresponding amount of income recognised in profit or loss

## MENZIES INC

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2014

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#### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### Accounting Policies

###### *a) Revenue (Continued)*

Donations and bequests are recognised as revenue when received

Interest revenue is recognised using the effective interest method, which for floating rate financial assets is the rate inherent in the instrument. Dividend revenue is recognised when the right to receive a dividend has been established.

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

All revenue is stated net of the amount of goods and services tax

###### *b) 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.

###### *c) Goods and Services Tax (GST)*

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

## MENZIES INC

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2014

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#### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### *d) Investments*

Investments, including term deposits, are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investment.

After initial recognition, investments in Managed Funds are recorded at their market value with dividend income and distributions, being recognised in the Income Statement when received.

Unrealised gains and losses arising from normal market movements of the investments in available for sale securities are taken to the Financial Assets Reserve. In the event of a permanent impairment any loss is charged to the Income Statement. When available-for-sale investments are sold, the total realised gains or losses, including those previously recognised through reserves, are included in the Income Statement.

Interest on term deposits is brought to account in the period in which it is earned.

##### *e) Accounts Payable and Other Payables*

Accounts payable and other payables represent the liabilities outstanding at the end of the reporting period for goods and services received by the association during the reporting period that remain unpaid. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

##### *f) Accounts Receivable and Other Debtors*

Accounts receivable and other debtors include amounts due from members as well as amounts receivable from customers for goods sold in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Accounts receivable are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Refer to Note 1(e) for further discussion on the determination of impairment losses.

## MENZIES INC

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2014

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#### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**g) *Comparative Figures***

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

**h) *Critical Accounting Estimates and Judgments***

The Committee evaluates 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.

**i) *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 of key estimates.

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

**j) *Income Taxation***

The entity has self-assessed itself as a non-profit under subdivision 50B of the Income Tax Assessment Act 1997 and therefore believes it has an exemption from income tax. The entity has therefore not adopted tax effect accounting.

**k) *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 2014**

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***l) 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.

***m) 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.

***n) Financial Instruments***

**Initial recognition and measurement**

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the association commits itself to either purchase or sell the asset (ie trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified “at fair value through profit or loss” in which case transaction costs are recognised immediately as expenses in profit or loss.

## MENZIES INC

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2014

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#### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### FINANCIAL INSTRUMENTS (CONTINUED)

###### Classification and subsequent measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method, or cost. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

*Amortised cost* is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the *effective interest method*.

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying amount with a consequential recognition of an income or expense item in profit or loss.

*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.

- *Financial assets at fair value through profit or loss*

Financial assets are classified at "fair value through profit or loss" when they are held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying amount being included in profit or loss.

## MENZIES INC

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2014

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#### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### FINANCIAL INSTRUMENTS (CONTINUED)

- *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 subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

- *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the association's intention to hold these investments to maturity. They are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

- *Available-for-sale investments*

Available-for-sale investments are non-derivative financial assets that are either not capable of being classified into other categories of financial assets due to their nature or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

They are subsequently measured at fair value with any remeasurements other than impairment losses and foreign exchange gains and losses recognised in other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss.

Available-for-sale financial assets are classified as non-current assets when they are expected to be sold within 12 months after the end of the reporting period. All other available-for-sale financial assets are classified as current assets.

- *Financial liabilities*

Non-derivative financial liabilities are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

## MENZIES INC

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2014

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#### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### FINANCIAL INSTRUMENTS (CONTINUED)

###### **Impairment**

At the end of each reporting period, the association assesses whether there is objective evidence that a financial asset has been impaired. A financial asset (or a group of financial assets) is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a "loss event") having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

In the case of available-for-sale financial assets, a significant or prolonged decline in the market value of the instrument is considered to constitute a loss event. Impairment losses are recognised in profit or loss immediately. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified into profit or loss at this point.

In the case of financial assets carried at amortised cost, loss events may include: indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

When the terms of financial assets that would otherwise have been past due or impaired have been renegotiated, the association recognises the impairment for such financial assets by taking into account the original terms as if the terms have not been renegotiated so that the loss events that have occurred are duly considered.

###### **Derecognition**

Financial assets are derecognised when the contractual right to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised when the related obligations are discharged or cancelled, or have expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.



## MENZIES INC

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2014

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#### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### *o) 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 2014 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:

| Class of Asset                  | Depreciation Rate | Method                |
|---------------------------------|-------------------|-----------------------|
| 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 2014

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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 2014

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|   | 2014         | 2013          |
|---|--------------|---------------|
|   | \$           | \$            |
| <b>NOTE 2 - REVENUE AND EXPENSE ITEMS</b> |              |               |
| <b>Auditor's remuneration for</b>         |              |               |
| Audit or review of financial statements   | 9,855        | 16,200        |
|   | <u>9,855</u> | <u>16,200</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           | 754            | 1,071          |
| Cash at Bank           | 73,103         | 325,662        |
| Term Deposits          | 676,013        | 489,681        |
| On-Line Investment A/C | 58             | 163,062        |
|                        | <u>749,928</u> | <u>979,476</u> |

**NOTE 4 - TRADE AND OTHER RECEIVABLES**

|                |               |               |
|----------------|---------------|---------------|
| Trade Debtors  | 9,562         | 4,783         |
| Sundry Debtors | 11,356        | 15,750        |
|                | <u>20,918</u> | <u>20,533</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 2013. (2012: None)

**MENZIES INC**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30TH JUNE 2014**

|   | <b>2014</b>             | <b>2013</b>             |
|---|-------------------------|-------------------------|
|   | \$                      | \$                      |
| <b>NOTE 5 - FINANCIAL ASSETS</b>                    |                         |                         |
| Shares in listed companies – Fair Value             | 526,357                 | 445,623                 |
| DRP Balance   | 10                      | -                       |
| Managed Investments – Fair Value                    | -                       | -                       |
|   | <u><b>526,367</b></u>   | <u><b>445,623</b></u>   |
| <b>NOTE 6 - OTHER CURRENT ASSETS</b>                |                         |                         |
| Prepayments   | <u>19,334</u>           | <u>21,482</u>           |
|   | <u><b>19,334</b></u>    | <u><b>21,482</b></u>    |
| <b>NOTE 7 - PROPERTY, PLANT AND EQUIPMENT</b>       |                         |                         |
| Land & Buildings at Independent Valuation           | 4,395,000               | 4,395,000               |
| Sages Capital Improvements - At Cost                | -                       | -                       |
| McMurtry Refurbishment - At Cost                    | -                       | -                       |
| <b>Total Land &amp; Buildings</b>                   | <u><b>4,395,000</b></u> | <u><b>4,395,000</b></u> |
| Motor Vehicles                                      | 253,810                 | 320,870                 |
| Less: Accumulated depreciation                      | (112,680)               | (137,492)               |
| <b>Total Motor Vehicles</b>                         | <u><b>141,130</b></u>   | <u><b>183,378</b></u>   |
| Furniture and Fittings and Equipment – at cost      | 763,119                 | 907,843                 |
| Less: Accumulated depreciation                      | (649,667)               | (699,664)               |
| <b>Total Furniture and Fittings &amp; Equipment</b> | <u><b>113,452</b></u>   | <u><b>208,179</b></u>   |
| <b>Total Property, Plant and Equipment</b>          | <u><b>4,649,582</b></u> | <u><b>4,786,557</b></u> |

MENZIES INC

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30TH JUNE 2014

Movements in Carrying Amounts:

Movement in the carrying amounts for each class of property, plant and equipment

|   | Land & Buildings<br>at valuation | Building<br>at cost | Sages capital<br>improvements | Motor<br>Vehicles | Furniture<br>and Fittings | Total            |
|---|----------------------------------|---------------------|-------------------------------|-------------------|---------------------------|------------------|
| <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> |
| <b>2013</b>   |                                  |                     |                               |                   |                           |                  |
| Revaluation   | 83,637                           | (22,441)            | (136,107)                     | -                 | 22,441                    | (52,470)         |
| Additions at cost                                   | 16,363                           | -                   | -                             | -                 | 53,081                    | 69,444           |
| Disposals   | -                                | -                   | -                             | -                 | -                         | -                |
| Depreciation Expense                                | -                                | -                   | -                             | (43,778)          | (61,035)                  | (104,813)        |
| <b>Carrying amount at 30<sup>th</sup> June 2013</b> | <b>4,395,000</b>                 | <b>-</b>            | <b>-</b>                      | <b>183,378</b>    | <b>208,179</b>            | <b>4,786,557</b> |
| <b>2014</b>   |                                  |                     |                               |                   |                           |                  |
| Revaluation   | -                                | -                   | -                             | -                 | -                         | -                |
| Additions at cost                                   | -                                | -                   | -                             | -                 | 14,964                    | 14,964           |
| Disposals   | -                                | -                   | -                             | (8,701)           | (52,681)                  | (61,382)         |
| Depreciation Expense                                | -                                | -                   | -                             | (33,547)          | (57,010)                  | (90,557)         |
| <b>Carrying amount at 30<sup>th</sup> June 2014</b> | <b>4,395,000</b>                 | <b>-</b>            | <b>-</b>                      | <b>141,130</b>    | <b>113,452</b>            | <b>4,649,582</b> |

**MENZIES INC**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30TH JUNE 2014**

|   | <b>2014</b>           | <b>2013</b>           |
|---|-----------------------|-----------------------|
|   | \$                    | \$                    |
| <b>NOTE 8 - TRADE AND OTHER CREDITORS</b>       |                       |                       |
| <b>Current</b>                                  |                       |                       |
| Trade Creditors                                 | 27,656                | 20,956                |
| Other Creditors                                 | 142,612               | 201,186               |
| Finance Leases                                  | 33,863                | 16,761                |
|   | <u><b>204,131</b></u> | <u><b>238,903</b></u> |
| <b>Non Current</b>                              |                       |                       |
| Finance Leases                                  | 66,237                | 119,016               |
|   | <u><b>66,237</b></u>  | <u><b>119,016</b></u> |
| <b>NOTE 9 - PROVISIONS</b>                      |                       |                       |
| <b>Current</b>                                  |                       |                       |
| Provision for Annual Leave                      | 27,257                | 95,527                |
| Provision for Redundancy                        | 103,522               | -                     |
| Provision for Long Service Leave                | 36,469                | 31,260                |
|   | <u><b>167,248</b></u> | <u><b>126,787</b></u> |
| <b>Non-current</b>                              |                       |                       |
| Provision for Long Service Leave                | -                     | 72,127                |
|   | <u><b>-</b></u>       | <u><b>72,127</b></u>  |
| <b>NOTE 10 - GRANTS &amp; INCOME IN ADVANCE</b> |                       |                       |
| Income in Advance                               | -                     | 9,916                 |
| Prepaid Grants Income                           | 60,000                | 60,000                |
|   | <u><b>60,000</b></u>  | <u><b>69,916</b></u>  |

**MENZIES INC**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30TH JUNE 2014**

|  | <b>2014</b> | <b>2013</b> |
|--|-------------|-------------|
|  | \$          | \$          |

**NOTE 11 - CAPITAL AND LEASING COMMITMENTS**

**Operating Lease Commitments**

There have been no operating lease commitments during the year. (2013: None)

**NOTE 12 - CONTINGENT LIABILITIES & CONTINGENT ASSETS**

No contingent Liabilities or Assets exist at 30 June 2014. (2013: None)

**NOTE 13 - EVENTS AFTER THE BALANCE SHEET DATE**

During the 2013/14 year, the Committee decided to cease being a service provider to the Department of Human Services.

There have been no other 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                          | (228,065)        | 180,437        |
| Non-cash flows in profit after tax                    |                  |                |
| Depreciation  | 90,557           | 104,813        |
| Loss on the Disposal of Fixed Assets                  | 52,582           | -              |
| Increase / (Decrease) in provisions                   | (31,666)         | (11,240)       |
| Decrease/ (Increase) in Trade and other receivables   | 1,763            | 105,796        |
| Increase / (Decrease) in Trade and other payables     | (51,874)         | 23,842         |
| Increase /( Decrease) in Grants and Income in Advance | (9,916)          | (35,934)       |
| <b>Net Cash flow from operating activity</b>          | <b>(176,619)</b> | <b>367,714</b> |

MENZIES INC

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30TH JUNE 2014

---

|  | 2014 | 2013 |
|--|------|------|
|  | \$   | \$   |

**NOTE 15 - ECONOMIC DEPENDENCE**

The entity was economically dependent on 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).

**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:

**Financial assets**

|                                     |                |                |
|-------------------------------------|----------------|----------------|
| Cash and cash equivalents           | 73,915         | 489,795        |
| Loans and Receivables               | 20,928         | 20,533         |
| Available for sale financial assets | 526,357        | 445,623        |
| <b>Total financial assets</b>       | <b>621,200</b> | <b>955,951</b> |

**Financial liabilities**

|                                    |                |                |
|------------------------------------|----------------|----------------|
| Trade and other payables           | 270,368        | 357,839        |
| Grants unspent and in advance      | 60,000         | 69,916         |
| <b>Total financial liabilities</b> | <b>330,368</b> | <b>427,755</b> |

**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 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.

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 2014

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#### **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 2014, the association had no debt. (2013: None)

**MENZIES INC**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30TH JUNE 2014**

---

|  | <b>2014</b> | <b>2013</b> |
|--|-------------|-------------|
|  | <b>\$</b>   | <b>\$</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>\$</b>     | <b>\$</b>     |
| <b>Year ended 30 June 2014</b>            |               |               |
| +/- 2% in interest rates                  | 17,300        | 17,300        |
| +/- 10% in available-for-sale investments | 53,000        | 53,000        |
| <b>Year ended 30 June 2013</b>            |               |               |
| +/- 2% in interest rates                  | 17,000        | 17,000        |
| +/- 10% in available-for-sale investments | 45,000        | 45,000        |

No sensitivity analysis has been performed on foreign exchange risk as the association has no significant exposure to currency risk.

**MENZIES INC**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30TH JUNE 2014**

---

|   | <b>2014</b>           | <b>2013</b>           |
|---|-----------------------|-----------------------|
|   | <b>\$</b>             | <b>\$</b>             |
| <b>NOTE 17 - KEY MANAGEMENT PERSONNEL COMPENSATION</b>  |                       |                       |
| The total of remuneration paid to key management personnel (KMP) of the entity during the year is as follows: |                       |                       |
| Short-term employee benefits  | 322,144               | 389,827               |
| Post-employment benefits  | 29,291                | 33,025                |
|   | <u><u>351,435</u></u> | <u><u>422,852</u></u> |

**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 - 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.

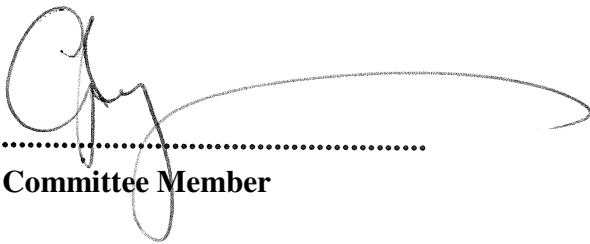
**MENZIES INC**

**STATEMENT BY MEMBERS OF THE COMMITTEE**

In the opinion of the Committee, the financial report as set out on pages 3 to 27:

- 1 Give a true and fair view of the financial position of Menzies Inc during and at the end of the financial year of the association ending on 30 June, 2014.
- 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 the committee by: -



.....  
**Committee Member**



.....  
**Committee Member**

**Date: 27 August 2014**



# SHEPARD WEBSTER & O'NEILL AUDIT PTY LTD

Certified Practising Accountant

Authorised Audit Company

Liability limited by a scheme approved under Professional Standards Legislation

ABN: 89 154 680 190

## INDEPENDENT AUDIT REPORT

**MENZIES INC**

**ABN 55 784 349 165**

### **Report on the Financial Report**

We have audited the accompanying financial report of Menzies Inc, which comprises the statement of financial position as at 30 June 2014, the statement of profit or loss and other comprehensive income, the statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the certification by members of the committee on the annual statements giving a true and fair view of the financial position of the association.

### *Committee's Responsibility for the Financial Report*

The committee of the association is responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards – Reduced Disclosure Requirements and the Associations Incorporation Reform Act 2012 and for such internal control as the committee determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's 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 association's preparation of the financial report that gives a true and fair view 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.

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



**INDEPENDENT AUDIT REPORT  
MENZIES INC  
ABN 55 784 349 165**

***Auditor's Opinion***

The financial report of Menzies Inc is in accordance with the *Associations Incorporation Reform Act 2012* including:

- i. giving a true and fair view of the association's financial position as at 30 June 2014 and of their performance for the year ended on that date; and
- ii. complying with Australian Accounting Standards – Reduced Disclosure Requirements

Dated at Frankston on the 27<sup>th</sup> day of August 2014

*Shepard Webster & O'Neill Audit Pty Ltd*

SHEPARD WEBSTER & O'NEILL AUDIT PTY LTD

Certified Practising Accountant

Authorised Audit Company No 415478

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**DAVID A SZEPPFALUSY  
DIRECTOR**