

The Sir Robert Menzies Memorial Foundation Limited

(A Company Limited by Guarantee)

ABN 43 008 543 897

Annual report – 31 December 2007

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The Sir Robert Menzies Memorial Foundation Limited
(A Company Limited by Guarantee)
Directors' report

Your directors present their report on The Sir Robert Menzies Memorial Foundation Limited ("the Foundation") for the year ended 31 December 2007.

Directors

The following persons were directors of the Foundation during the whole of the financial year and up to the date of this report:

The Hon Sir Daryl Dawson, AC, KBE, CB (Chairman)
Mr BJ Doyle (Deputy Chairman and Secretary)
Mr B Jamieson (Treasurer)
Mr CPH Kiefel
Professor S Maddocks
Mr JL McLachlan
Ms EC Menzies
Mr RA Illingworth
The Hon Sir Guy Green, AC, KBE
Dr D-A B Walsh

Dr MJ Estcourt was appointed as a Director on 15 December 2007 and continues in office at the date of this report.

Ms BG Gibson was a Director from the beginning of the financial year until her resignation on 19 November 2007.

Assoc Prof DAF Morgan was a Director from the beginning of the financial year until his resignation on 19 November 2007.

Ms FM Williams was a Director from the beginning of the financial year until her resignation on 10 December 2007.

Principal activities

The Foundation's principal activities are the development and support of "Menzies" medical, scientific and educational institutions, scholarships, fellowships and lectureships. No change in the nature of the Foundation's activities occurred during the year.

Dividends

No dividends are paid. The Foundation is prohibited by its Memorandum and Articles of Association from making any distribution to its members.

Review of operations

The surplus from ordinary activities of the Foundation for the year was \$1,261,220 (2006: \$2,053,685). A detailed review of operations is included in a separate report by the Chairman of the Foundation. The operating expenses were in line with the budget approved by the Board at the commencement of the year.

Significant changes in the state of affairs

There have been no significant changes in the Foundation's state of affairs.

Matters subsequent to the end of the financial year

The directors are not aware of any matter or circumstance which has arisen since the end of the year that has significantly affected or may significantly affect:

- (i) the Foundation's operations in future financial years; or
- (ii) the results of those operations in future financial years; or
- (iii) the Foundation's state of affairs in future financial years.

Likely developments and expected results of operations

The Foundation will continue with its principal activities as indicated under "Principal Activities" above, these being, in the opinion of the Board, appropriate forms of national memorial to Sir Robert Menzies.

The Sir Robert Menzies Memorial Foundation Limited
(A Company Limited by Guarantee)
Directors' report (continued)

Directors' benefits

No director of the Foundation has received or become entitled to receive a benefit by reason of a contract made by the Foundation or a related body corporate with the director or with a firm of which the director is a member, or with an entity in which the director has a substantial financial interest.

Meetings of Directors

The number of meetings of the Foundation's board of directors held during the year ended 31 December 2007, and the number of meetings attended by each director were:

	Board of Directors Meetings	
	Number Held	Number Attended
The Hon Sir Daryl Dawson	3	3
Brian J Doyle	3	2
Belinda G Gibson	3	3
Charles PH Kiefel	3	-
Simon Maddocks	3	3
James L McLachlan	3	2
David AF Morgan	3	2
Edwina C Menzies	3	2
Ross A Illingworth	3	1
Brian Jamieson	3	3
Deborah-Anne B Walsh	3	3
Frances M Williams	3	2
The Hon Sir Guy Green	3	3
Marie J Estcourt	-	-

	Investment and Finance Committee Meetings	
	Number Held	Number Attended
John P Coghlan	6	6
Charles PH Kiefel	6	5
Ross A Illingworth	6	5
Brian Jamieson	6	4
The Hon Sir Daryl Dawson	1	1

Information on directors

Information on directors' qualifications and experience is outlined in the annual report.

Environmental regulation

The company complies with all significant environmental regulations.

Insurance of officers

A premium of \$3,602 was paid during the year in respect of liability insurance for officers of the Foundation.

Auditor

PricewaterhouseCoopers continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of the directors.

The Hon Sir Daryl Dawson
Chairman

Melbourne 19 March 2008

Brian Jamieson
Director

Melbourne 19 March 2008

The Sir Robert Menzies Memorial Foundation Limited
(A Company Limited by Guarantee)
Directors' report (continued)



PricewaterhouseCoopers
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Auditors' Independence Statement

As lead auditor for the audit of The Sir Robert Menzies Memorial Foundation Limited for the year ended 31 December 2007, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of The Sir Robert Menzies Memorial Foundation Limited during the period.

PricewaterhouseCoopers

S L Jeraj
Partner

Melbourne
19 March 2008

The Sir Robert Menzies Memorial Foundation Limited

Financial report – 31 December 2007

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This financial report covers The Sir Robert Menzies Memorial Foundation Limited as an individual entity. The financial report is presented in the Australian currency.

The Sir Robert Menzies Memorial Foundation Limited is a company limited by guarantee, incorporated and domiciled in Australia. Its registered office and principal place of business is:

The Sir Robert Menzies Memorial Foundation Limited
210 Clarendon Street
East Melbourne VIC 3002

A description of the nature of the company's operations and its principal activities is included in the directors' report on pages 1-2, which is not part of this financial report.

The financial report was authorised for issue by the directors on 19 March 2008. The company has the power to amend and reissue the financial report.

The Sir Robert Menzies Memorial Foundation Limited
(A Company Limited by Guarantee)
Income statement
For the year ended 31 December 2007

	Notes	2007 \$	2006 \$
Revenue from continuing activities	2	2,711,547	3,222,329
Expenses from continuing activities			
Menzies Health Research Centres		(425,675)	(375,000)
Scholarships and fellowships		(363,134)	(228,298)
Other Memorial Activities		(215,050)	(92,573)
Salaries and salary on-costs		(248,255)	(219,650)
Other expenses from ordinary activities		(198,267)	(253,123)
Surplus from ordinary activities		1,261,166	2,053,685
Net surplus		1,261,166	2,053,685
Total increase in accumulated funds		1,261,166	2,053,685

The above income statement should be read in conjunction with the accompanying notes.

The Sir Robert Menzies Memorial Foundation Limited
(A Company Limited by Guarantee)
Balance sheet
For the year ended 31 December 2007

	Notes	2007 \$	2006 \$
Current assets			
Cash and cash equivalents	4	2,714,254	166,407
Receivables	5	84,167	38,029
Investments	6	19,193,847	20,526,017
Other	7	10,659	10,812
Total current assets		<u>22,002,927</u>	<u>20,741,265</u>
Total assets		<u>22,002,927</u>	<u>20,741,265</u>
Current liabilities			
Payables	8	9,392	24,043
Provisions	9	108,782	94,435
Total current liabilities		<u>118,174</u>	<u>118,478</u>
Non-current liabilities			
Provisions	10	5,180	4,380
Total non-current liabilities		<u>5,180</u>	<u>4,380</u>
Total liabilities		<u>123,354</u>	<u>122,858</u>
Net assets		<u>21,879,573</u>	<u>20,618,407</u>
Accumulated Funds		<u>21,879,573</u>	<u>20,618,407</u>

The above balance sheet should be read in conjunction with the accompanying notes.

The Sir Robert Menzies Memorial Foundation Limited
Statement of changes in equity
For the year ended 31 December 2007

	2007	2006
	\$	\$
Accumulated Funds at the beginning of the financial year	20,618,407	18,564,722
Net surplus	1,261,166	2,053,685
Accumulated funds at the end of the financial year	<u>21,879,573</u>	<u>20,618,407</u>

The Sir Robert Menzies Memorial Foundation Limited
(A Company Limited by Guarantee)
Statement of cash flows
For the year ended 31 December 2007

	Notes	2007 \$	2006 \$
Cash flows from operating activities			
Receipts from trade and other debtors (inclusive of goods and services tax)		38,814	228,260
Payments to creditors, employees, fellowships and similar (inclusive of goods and services tax)		(1,345,959)	(1,177,798)
Dividends received		797,940	701,394
Net cash outflow from operating activities	21	(509,205)	(248,144)
Cash flows from investing activities			
Funds invested		(1,583,190)	(4,142,665)
Funds withdrawn from investments		4,640,242	4,191,515
Net cash inflow/(outflow) from operating activities		3,057,052	48,850
Net increase/(decrease) in cash held			
Cash at the beginning of the financial year		166,407	(199,294)
Cash at the end of the financial year	4	2,714,254	166,407

The above statement of cash flows should be read in conjunction with the accompanying notes.

The Sir Robert Menzies Memorial Foundation Limited
(A Company Limited by Guarantee)
Notes to the financial statements
31 December 2007

Note 1. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

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

Compliance with IFRS

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial statements and notes of The Sir Robert Menzies Memorial Foundation comply with International Financial Reporting Standards (IFRSs).

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss, certain classes of property, plant and equipment and investment property.

(a) Income taxes

The Foundation is exempt from taxation under Section 50-5 of the Income Tax Assessment Act 1997. Under legislative changes which came to effect on 1 July 2000 the Foundation is entitled to a refund of dividend imputation credits which arise on the Foundation's investments.

(b) Investments

Classification

The Foundation classifies its investments as financial assets at fair value through profit and loss. These assets are principally held for trading and are categorised in this category if acquired for the purpose of selling in the short term.

Recognition and derecognition

Investments are initially recognised at fair value and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Foundation has transferred substantially all the risks and rewards of ownership.

Subsequent measurement

Gains or losses arising from changes in the fair value of investments are presented in the income statement in the period in which they arise. Dividend income from investments is recognised when the Foundation's right to receive payments is established.

The fair values of quoted investments are based on current bid prices.

The Sir Robert Menzies Memorial Foundation Limited
(A Company Limited by Guarantee)
Notes to the financial statements
31 December 2007

Note 1. Summary of significant accounting policies (continued)

(c) Revenue recognition

Operating revenue includes interest income, dividends, donations, profit on sale of investments, unrealised gains/losses on recognition of investments at market value and rental income from Clarendon Terrace. Amounts disclosed as revenue are net of taxes paid.

Government and other grants are recognised when received from government or other institutions.

Donations and contributions are brought to account on a cash received basis, whereas all other revenue and expense items are accounted for on an accrual basis.

(d) Employee benefits

(i) Wages and salaries and annual leave

Liabilities for wages and salaries and annual leave are recognised, and are measured as the amount unpaid at the reporting date at current pay rates in respect of employees' services up to that date.

(ii) Long service leave

A liability for long service leave is recognised, and is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using interest rates on national government guaranteed securities with terms to maturity that match, as closely as possible, the estimated future cash outflows.

(e) Cash and cash equivalents

For cash flow statement presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

(f) Trade and other payables.

These amounts represent liabilities of goods and services provided to the company prior to the end of the financial year and which are unpaid. These amounts are unsecured and are usually paid within 30 days of recognition.

(g) Receivables

All trade debtors are recognised at the amounts receivable as they are due for settlement no more than 30 days from the date of recognition.

Collectibility of trade debtors is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful debts is raised when some doubt as to collection exists.

(h) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

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 taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financial activities which are recoverable from, or payable to the taxation authority, are presented as an operating cash flow.

(i) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2007 reporting periods. The Foundation has assessed that the application of these standards (when required) would not have a significant impact on the financial statements of the Foundation.

The Sir Robert Menzies Memorial Foundation Limited
(A Company Limited by Guarantee)
Notes to the financial statements
31 December 2007 (continued)

	2007	2006
	\$	\$
Note 2. Revenue		
Revenue from continuing activities		
Net Investments Income	2,956,770	1,396,884
Marked-to-market adjustment of investments at year end (net)	(664,838)	1,544,781
Rent	33,120	33,120
Donations	11,550	15,100
Publication sales	53	435
Room hire	1,090	1,819
Miscellaneous Income	565	11,084
Imputation tax credit refund	361,198	208,450
Interest	12,039	10,656
	<hr/>	<hr/>
Revenue from ordinary activities	2,711,547	3,222,329

Note 3. Surplus from ordinary activities

Surplus from ordinary activities includes the following specific net losses and expenses

Net Loss

Net loss on disposal and withdrawal of investments (2007 gain of \$846,430 included in net investments income in note 2 above)	-	140,112
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Expenses

Increase in provisions for employee benefits	15,147	13,092
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Note 4. Current assets – Cash assets

Cash on hand	300	300
Cash at bank	513,954	166,107
Commercial bills - investment	2,200,000	-
	<hr/>	<hr/>
	2,714,254	166,407

Note 5. Current assets – Receivables

Trade debtors	3,218	50
Investment income receivable	4,822	2,514
Other receivables	76,127	35,465
	<hr/>	<hr/>
	84,167	38,029

The Sir Robert Menzies Memorial Foundation Limited
(A Company Limited by Guarantee)
Notes to the financial statements
31 December 2007 (continued)

Note 6. Current assets – Investments

The existing investments consist of the Wholesale Active Balanced Fund, run by BT Financial Group; investments managed by Goldman Sachs JB Were Asset Management and an Independent Australian Shares portfolio run by the Foundation based on the recommendations of independent advisers.

	2007	2006
	\$	\$
Marketable securities (market value)		
The aggregate market values of tradeable investments and those listed on a prescribed stock exchange are:		
Shares in listed companies	4,920,511	4,526,453
Units in managed share funds	5,510,622	5,858,022
Units in fixed interest securities funds	2,139,884	2,293,099
Units held in property trusts	521,682	733,135
Units held in wholesale active balanced fund	6,101,148	7,115,308
Total investments (at market value)	19,193,847	20,526,017

Marketable securities (at cost)

The aggregate cost of tradeable investments and those listed on a prescribed stock exchange are:

Shares in listed companies	3,432,590	3,369,937
Units in managed share funds	4,315,945	4,623,250
Units in fixed interest securities funds	2,157,294	2,273,371
Units held in property trusts	458,149	454,647
Units held in wholesale active balanced fund	5,309,041	5,619,148
Total investments (at cost)	15,673,019	16,340,353

Note 7. Current assets – Other

Prepayments	10,659	10,812
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Note 8. Current liabilities – Payables

Trade creditors and accruals	9,392	24,043
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Note 9. Current liabilities – Provisions

Employee benefits	108,782	94,435
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The Sir Robert Menzies Memorial Foundation Limited
(A Company Limited by Guarantee)
Notes to the financial statements
31 December 2007 (continued)

Note 10. Non-current liabilities – Provisions

	2007	2006
	\$	\$
Employee benefits	5,180	4,380

Note 11. Remuneration of directors

No directors or related entities have received or become entitled to receive remuneration in connection with the management of affairs of the Foundation for the 2007 and 2006 financial year.

Note 12. Non-current assets – Property, plant and equipment

Premises occupied by the Foundation since 1980 are leased for 45 years from the National Trust. The Foundation has no residual right to the freehold property. However, the Foundation has the first right of refusal of purchase if the Trust decides to sell.

The leasehold improvements have been valued at \$3,350,000. The valuation is based on an independent insurance valuation by Jeffrey Tempany on behalf of Edward Rushton Pty Limited dated August 2006. This valuation was on the basis of Reinstatement with New Value for insurance purposes and is performed periodically every two years.

Note 13. Remuneration of auditors

	2007	2006
	\$	\$
Remuneration for audit of the financial reports of the Foundation:		
Audit of the company - PricewaterhouseCoopers Australia firm	20,000	19,000
Remuneration for other services - PricewaterhouseCoopers Australia firm	-	-
	20,000	19,000

The Sir Robert Menzies Memorial Foundation Limited
(A Company Limited by Guarantee)
Notes to the financial statements
31 December 2007 (continued)

Note 14. Commitments for expenditure

	2007	2006
	\$	\$
Expenditure commitments which have not been provided for in the financial report include:		
Payable no later than one year:		
Grants: Institutions	450,000	425,000
Scholarships and other educational	344,000	330,000
	794,000	755,000
Payable later than one year, not later than two years:		
Grants: Institutions		-
Scholarships and other educational	150,000	100,000
	150,000	100,000
	944,000	855,000

The above represents the Foundation's formal commitment to institutions and scholarship holders as approved by the Board at its 16 November 2007 meeting. The Board's intention is currently to provide the scholarships on an ongoing basis and continue grants to the Menzies School of Health Research, Menzies Research Institute and Menzies Centre for Health Policy. However, the above information excludes any future costs associated with the scholarships and grants to the Menzies School of Health Research, the Menzies Research Institute and the Menzies Centre for Health Policy which may subsequently be committed.

Note 15. Employee benefits

Provision for employee benefits		
Current (note 9)	108,782	94,435
Non-Current (note 10)	5,180	4,380
	113,962	98,815

Aggregate employee benefits include benefits measured at present values of future amounts expected to be paid based on a 3% per annum projected weighted average increase in salary rates. Present values are calculated using a weighted average rate of 6.25% based on government guaranteed securities with similar maturity terms.

The Sir Robert Menzies Memorial Foundation Limited
(A Company Limited by Guarantee)
Notes to the financial statements
31 December 2007 (continued)

Note 16. Segment information

The Foundation operates as a charitable organisation primarily within Australia and derives its revenue principally from donations and investment income.

Note 17. Share capital

The company is limited by guarantee which means the Foundation was formed on the principle of having the liability of its members limited by the Memorandum of Association to the respective amounts that the members undertake to contribute to the property of the company if it is wound up.

Note 18. Dividends

No dividends have been paid or declared during the year and no dividends are proposed. The Foundation is prohibited by its Memorandum and Articles of Association from making any distribution to its members.

Note 19. Superannuation plans

The Foundation contributes to various superannuation plans for its employees and they are entitled to benefits on retirement, disability or death. All superannuation funds are defined contribution funds. The contributions are made subject to an award and are legally enforceable. Employees contribute to the plan at various percentages of their wages and salaries.

Note 20. Related parties

Directors

The names of persons who were directors of the Foundation at any time during the financial year are as follows:
The Hon Sir Daryl Dawson, Mr BJ Doyle, Mr B Jamieson, Mr CPH Kiefel, Associate Professor DAF Morgan, Ms BG Gibson, Professor S Maddocks, Mr JL McLachlan, Ms EC Menzies, Mr RA Illingworth, the Hon Sir Guy Green, Dr D-AB Walsh, Ms FM Williams and Dr MJ Estcourt.

Remuneration of Directors

Information on remuneration of directors is disclosed in note 11.

Transactions with Directors and Director-related Entities

There were no transactions with directors or director related entities during the financial year.

The Sir Robert Menzies Memorial Foundation Limited
(A Company Limited by Guarantee)
Notes to the financial statements
31 December 2007 (continued)

	2007 \$	2006 \$
Note 21. Reconciliation of surplus from ordinary activities to net cash flow from operating activities		
Surplus from ordinary activities	1,261,166	2,053,685
Loss on sale of investments	(846,430)	140,112
Fair value gain on investments	664,838	(1,678,846)
Reinvested funds	(1,547,092)	(909,970)
Changes in operating assets and liabilities:		
(Increase)/decrease in receivables	(46,138)	130,975
(Increase)/decrease in prepayments	153	15,774
Increase/(decrease) in employee benefits	15,147	13,092
Increase/(decrease) in trade and other creditors	(10,849)	(12,966)
Net cash inflows (outflows)/inflows from operating activities	<u>(509,205)</u>	<u>(248,144)</u>

Note 22. Financial risk management

The Foundation's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Foundation's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Foundation.

Risk management is predominately carried out by the Investment and Finance Committee under policies approved by the Board of Directors.

(a) Market risk

(i) Foreign exchange risk

The Foundation has no significant exposure to foreign exchange risk.

(ii) Price risk

The Foundation is exposed to equity securities price risk. This arises from investments held by the Foundation. To manage its price risk arising from investments in equity securities, the Foundation diversifies its portfolio. The majority of the Foundation's investments are equity investments which are publicly traded. The table below summaries the impact of increases/decreases in equities prices on the Foundation's surplus for the year and on accumulated funds. The analysis is based on the assumption that equity prices had increased/decreased by 9% (2006 – 7.5%) with all other variables held constant.

	Impact on surplus		Impact on accumulated funds	
	2007 \$	2006 \$	2007 \$	2006 \$
Investments	<u>1,727,446</u>	1,539,451	<u>1,727,446</u>	1,539,451

The Sir Robert Menzies Memorial Foundation Limited
(A Company Limited by Guarantee)
Notes to the financial statements
31 December 2007 (continued)

(a) Market risk (continued)

(iii) Cash flow and fair value interest rate risk

The Foundation has no significant exposure to interest rate risk.

(b) Credit risk

Credit risk arises from cash and cash equivalents. The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets disclosed on the face of the balance sheet.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities. The Foundation manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Financing arrangements

The Foundation did not have access to borrowing facilities at reporting date.

Maturities of financial liabilities

The table below analyses the Foundations financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cashflows.

	Less than 6 months	Between 6 and 12 months	Between 1 and 2 years	Between 2 and 5 years	Carrying amount of liabilities
	\$	\$	\$	\$	\$
As at 31 December 2007					
Non-interest bearing	118,174	-	5,180	-	123,354
As at 31 December 2006					
Non-interest bearing	118,478	-	-	4,380	122,858

(d) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments in active markets is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Foundation is the current bid price.

The carrying value of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to Foundation for similar financial instruments.

The Sir Robert Menzies Memorial Foundation Limited
(A Company Limited by Guarantee)
For the year ended 31 December 2007

In the directors' opinion:

- (a) the financial statements and notes set out on pages 4 to 16 are in accordance with the *Corporations Regulations 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the company's financial position as at 31 December 2007 and of its performance, as represented by the results of its operations and its cash flows, for the financial year ended on that date; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.

The Hon Sir Daryl Dawson
Chairman

Brian Jamieson
Director

**Independent auditor's report to the members of
The Sir Robert Menzies Memorial Foundation Limited**
(A Company Limited by Guarantee)

Report on the financial report

We have audited the accompanying financial report of The Sir Robert Menzies Memorial Foundation Limited (the foundation), which comprises the balance sheet as at 31 December 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Directors' responsibility for the financial report

The directors of the foundation are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. 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. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

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. These Auditing 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 judgement, 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 directors, as well as evaluating the overall presentation of the financial report.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

**Independent auditor's report to the members of
The Sir Robert Menzies Memorial Foundation Limited**
(A Company Limited by Guarantee)

Auditor's responsibility (cont'd)

For further explanation of an audit, visit our website
<http://www.pwc.com/au/financialstatementaudit>.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion

In our opinion:

- (a) the financial report of The Sir Robert Menzies Memorial Foundation Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the foundation's financial position as at 31 December 2007 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

PricewaterhouseCoopers

S L Jeraj
Partner

Melbourne
19 March 2008