

INSTITUTE OF STRATA TITLE MANAGEMENT LIMITED

(A.B.N. 74 001 767 997)

FINANCIAL REPORT

30 JUNE 2007

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INSTITUTE OF STRATA TITLE MANAGEMENT LIMITED

Directors' Report

The Directors present their report together with the annual financial report of the Institute of Strata Title Management Limited for the year ended 30 June 2007 and the auditor's report thereon.

Directors

The Directors of the company in office during the financial year and until the date of this report are:

Name	Occupation	Date Appointed
D Morris (President)	Company Director	5/10/2001
G Vumbaca (Senior Vice-President)	Company Director	22/10/2005
B Coles (Vice-President)	Company Director	8/09/2000
P Ridgeway	Strata Manager	15/10/2004
D Linders	Company Director	15/10/2004
G Ettridge	General Manager	8/09/2000
A Smith	Company Director	7/11/2003
C Grace	Solicitor	15/10/2004
F Andreone	Solicitor	22/10/2005
B Chau	Strata Manager	22/10/2005

Directors' meetings and executive committee meetings

The Board of Directors met on ten occasions, the attendance at the board meetings was as follows:

Name	Meetings Eligible to Attend	Meetings Attended	E/C Meeting Eligible to attend	E/C Meetings Attended
D Morris	10	9	1	1
G Vumbaca	10	10	1	1
B Coles	10	6		
P Ridgeway	4	1		
D Linders	10	9	1	1
G Ettridge	8	7		
A Smith	10	9		
C Grace	4	3		
F Andreone	10	8	1	1
B Chau	10	6		
B Wheeler	10	10	1	1
P Keating	7	5		
D Ferguson	7	6		

INSTITUTE OF STRATA TITLE MANAGEMENT LIMITED*Directors' Report (continued)***Principal Activities of the Company**

The principal continuing activities of the Institute include:-

- (a) The promotion of a high standard of expertise and integrity in the management of group title properties and provision of services to group title properties.
- (b) The promotion of education, discourse and instruction about any matter relating to the management of group title properties.
- (c) The promotion of ethical standards of conduct in dealings by members of the Institute with their clients or the general public.
- (d) The provision of assistance and information about management of group title properties to its members and to members of the general public.
- (e) The enhancement of recognition by the public of the Institute and of its members in their management of and provision of services to group title properties, including representation of the views of the Institute and its members to government and other bodies.
- (f) The performance of any regulatory, educational or supervisory function of the Institute according to the requirements of government.
- (g) The promotion of professional relationships with persons practicing group title management or providing other services to group title properties in other states and territories of Australia and other countries.
- (h) The performance of all such other things as are necessary, incidental or conducive to the attainment of these objects.

Number of Members

The number of members at 30 June 2007 was 970 (2006 – 1,117), which was broken up as follows:

Life	4	3
Corporate	166	156
Licensed Manager Chapter	304	305
Associate Chapter	136	138
Supplier Chapter	212	218
Associates of the Institute	136	282
Group Title Scheme	<u>12</u>	<u>15</u>
Total	<u>970</u>	<u>1,117</u>

Results

	2007	2006
	\$	\$
Operating (Loss)/Profit for the year after income tax	\$(<u>35,234</u>)	<u>\$36,813</u>

Dividends

No dividend was paid or declared during the year ended 30 June, 2007.

Review of Operations

A review of operations for the year is set out in the General Manager's Report.

INSTITUTE OF STRATA TITLE MANAGEMENT LIMITED**Directors' Report (continued)****State of Affairs**

In the opinion of the Directors there was an increased turnover of the company during the financial year under review due to increased conference and courses. Membership has increased in \$ terms by 33% but declined in numeric terms by 73% due to a decline in Associate members.

Events subsequent to balance date

At the date of this report there is no matter or circumstance which has arisen since 30 June 2007 that has significantly affected or may significantly affect:

- (a) the company's operations;
- (b) the results of those operations; or
- (c) the company's state of affairs,

in financial years subsequent to 30 June 2007.

Likely Developments and Expected Results of Operations

Disclosure of information regarding likely developments in the operations of the company in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the company. Accordingly, this information has not been disclosed in this report.

Directors' Benefits

Since 30 June 2006 no director of the company has received or become entitled to receive a benefit because of a contract made by the company or a related body corporate with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest except for the following

- (a) Mr F Andreone whose firm Andreones Pty Ltd received \$10,431 + GST during the year for provision of legal services and trainers for courses, and
- (b) Mr D Morris received \$6,813 for travel cost reimbursement to attend board meetings.

Directors' Indemnity

The company has paid premiums totalling \$8,006 (2006 \$10,339) during the year for Directors and Officers liability insurance. The insurance is in respect of legal liability for damages and legal costs to a maximum of \$10 million any one claim and \$20 million in the aggregate arising from claims made by reason of any omissions or acts (other than dishonesty) by them, whilst acting in their individual or collective capacity as Directors or Officers of the company.

Staffing

The Directors wish to express their thanks to Bruce Wheeler (General Manager), Wendy Potter (Education Manager), Anne Stevens (Administration Manager) and Marianna Blangiardo (Members Services Manager) for their valued contribution.

Auditors

Foster Raffan continue to act as auditors in accordance with Section 327 of the Corporations Act, 2001.

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

.....
 Director – D Morris
 Chatswood, 30 August, 2007.

.....
 Director – G Vumbaca

Independence Declaration by the Auditor

to the directors of the Institute of Strata Title Management Limited under section 307c of the Corporations Act 2001. We declare that, to the best of our knowledge and belief, during the year that ended 30 June 2007 there have been:

- (i) no contraventions of the auditor independence requirement as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

FOSTER RAFFAN
Chartered Accountants

G D Wood, FCA
Partner

North Sydney, 30 August 2007.

Independent Audit Report to the Members

Scope

We have audited the financial report of the Institute of Strata Title Management Limited for the year ended 30 June, 2007 as set out on pages 5 to 11. The company's directors are responsible for the financial report. We have conducted an independent audit of the financial report in order to express an opinion on it to the members of the company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Australian Standards and statutory requirements so as to present a view which is consistent with our understanding of the company's financial position and performance as represented by the results of its operations and its cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In our opinion, the financial report of the Institute of Strata Title Management Limited is in accordance with:-

- (a) the Corporations Act, 2001 including:-
 - (i) giving a true and fair view of the company's financial position as at 30 June 2007 and of its performance for the financial year ended on that date; and
 - (ii) complying with Accounting Standards and the Corporations Regulations; and
- (b) other mandatory professional reporting requirements.

FOSTER RAFFAN
Chartered Accountants

G D Wood, FCA
Partner

North Sydney, 30 August 2007.

INSTITUTE OF STRATA TITLE MANAGEMENT LIMITED*Directors' Declaration*

In accordance with a resolution of the directors of the Institute of Strata Title Management Limited in the opinion of the directors:

- (a) the financial report of the company is in accordance with the Corporations Act, 2001 including:-
 - (i) giving a true and fair view of the company's financial position as at 30 June, 2007 and of its performance for the year ended on that date, and
 - (ii) complies with Accounting Standards and Corporation Regulations, 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.

On behalf of the Board.

.....
Director – D Morris

.....
Director – G Vumbaca

Chatswood 30 August, 2007

INSTITUTE OF STRATA TITLE MANAGEMENT LIMITED*Income Statement for the year ended 30 June 2007*

	Notes	2007 \$	2006 \$
Revenue			
Education		198,023	112,542
General administration		642,677	488,200
Members services		<u>669,014</u>	<u>518,420</u>
		<u>1,509,714</u>	<u>1,119,162</u>
Less			
Expenses			
Education		110,066	273,551
General administration		731,864	788,666
Members services		<u>703,018</u>	<u>20,132</u>
		<u>1,544,948</u>	<u>1,082,349</u>
Operating (loss)/profit before income tax (page 4)		(35,234)	36,813
Income tax expense	2	<u>-</u>	<u>-</u>
Operating (loss)/profit after income tax		(35,234)	36,813
Retained profits – 1 July 2006		<u>636,997</u>	<u>600,184</u>
Retained profits – 30 June 2007		<u><u>\$601,763</u></u>	<u><u>\$636,997</u></u>

The Profit & Loss Statement should be read in conjunction with the accompanying notes.

INSTITUTE OF STRATA TITLE MANAGEMENT LIMITED*Balance Sheet – 30 June 2007*

	Notes	2007 \$	2006 \$
CURRENT ASSETS			
Cash	3	672,178	751,686
Receivables	4	123,132	90,350
Inventories	5	5,233	4,259
Total Current Assets		<u>800,543</u>	<u>846,295</u>
NON-CURRENT ASSETS			
Fixed assets	6	27,139	33,945
Investment	7	21,600	21,600
Total Non-Current Assets		<u>48,739</u>	<u>55,545</u>
TOTAL ASSETS		<u>849,282</u>	<u>901,840</u>
CURRENT LIABILITIES			
Creditors	8	224,788	228,416
Provision	9	22,731	36,427
Total Current Liabilities		<u>247,519</u>	<u>264,843</u>
TOTAL LIABILITIES		<u>247,519</u>	<u>264,843</u>
NET ASSETS		<u>\$601,763</u>	<u>\$636,997</u>
MEMBERS' EQUITY			
Retained profits		<u>\$601,763</u>	<u>\$636,997</u>

The Balance Sheet should be read in conjunction with the accompanying notes.

INSTITUTE OF STRATA TITLE MANAGEMENT LIMITED*Statement of Cash Flows for the year ended 30 June 2007*

	Notes	2007 \$	2006 \$
Cash flows from operating activities			
Receipts from members and sponsors		1,265,123	1,135,299
Payments to suppliers and employees		(1,384,179)	(1,065,280)
Government grants		5,263	300
		<u>(113,793)</u>	<u>70,319</u>
Interest received		<u>39,927</u>	<u>35,427</u>
Net cash (outflow)/inflow from operating activities	13	(73,865)	105,746
Cash flows from investing activities			
Purchase of fixed assets		(5,642)	(29,732)
Purchase of shares		<u>-</u>	<u>(21,600)</u>
		<u>(5,642)</u>	<u>(51,332)</u>
Net (decrease)/increase in cash held		(79,508)	54,414
Cash - 1 July 2006		<u>751,686</u>	<u>697,272</u>
Cash - 30 June 2007	3	<u><u>\$672,178</u></u>	<u><u>\$751,686</u></u>

The Statement of Cash Flows should be read in conjunction with the accompanying notes.

INSTITUTE OF STRATA TITLE MANAGEMENT LIMITED*Notes to the Financial Report 30 June 2007***1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial report has have been prepared in accordance with the relevant Accounting Standards and the disclosure requirements of Australian Accounting Standard 1034.

The financial report is prepared in accordance with the historical cost convention. The accounting policies adopted are consistent with those of the previous year.

(a) Membership Income

Membership fees received from new members are brought to account on receipt. The membership fees paid in advance represent the period 1 July to 31 December 2007.

(b) Income Tax

Income tax is payable only on income by the company from non-members after deduction of related expenditure. The income tax payable on any assessable income for the year is calculated at the current rate of tax.

(c) Depreciation

Depreciation is calculated on a straight line basis so as to write off the net cost of each item of equipment over its expected useful life. Leasehold improvements and furniture and fittings are depreciated over 4 years (25%) and office equipment over 5 years (20%).

2. INCOME TAX

	2007	2006
	\$	\$

The aggregate amount of income tax attributable to the financial year differs from the amount prima facie payable on operating profit. The difference is reconciled as follows:

Operating (loss)/profit before income tax	(35,234)	<u>36,813</u>
Income tax (credit)/expense @ 30%	(10,570)	11,044
Tax effect of permanent differences:-		
Adjustment for mutual income net of expenses	(26,485)	<u>(16,555)</u>
Prima facie income tax (credit)	(37,055)	(5,511)
Timing differences during the year:-		
Other items - provisions	(4,208)	3,029
Tax losses carried forward	41,263	<u>2,482</u>
Income tax payable	-	-
Tax losses carried forward	<u>89,130</u>	<u>47,867</u>

INSTITUTE OF STRATA TITLE MANAGEMENT LIMITED

Notes to the Financial Report 30 June 2007 (continued)

	2007 \$	2006 \$
3. CASH		
Cash on hand	500	500
Macquarie Bank Limited		
- Cash Management	344,673	344,986
- Term Deposit (Sept @ 5.83%)	307,171	290,635
- Secure Deposit	-	106,128
- Imprest account	9,535	598
- Education account	10,299	8,839
	<u>672,178</u>	<u>751,686</u>
4. CURRENT ASSETS - Receivables		
Trade debtors	39,506	57,471
Less: Provision for doubtful debts	(1,317)	(1,650)
	<u>38,189</u>	<u>55,821</u>
Bonds	15,030	14,529
Prepayments – Conventions 07 & 08	69,913	20,000
	<u>123,132</u>	<u>90,350</u>
5. CURRENT ASSETS - Inventories		
Minute books - at cost	4,813	3,369
CD Roms – at cost	100	890
Distance Learning Modules – at cost	320	-
	<u>5,233</u>	<u>4,259</u>
6. NON-CURRENT ASSETS – Fixed assets		
Leasehold improvements – at cost	5,650	5,650
Less: Accumulated depreciation	(2,826)	(1,413)
	<u>2,824</u>	<u>4,237</u>
Furniture & fittings - at cost	100,493	99,417
Less: Accumulated depreciation	(89,447)	(81,920)
	<u>11,046</u>	<u>17,497</u>
Office equipment – at cost	19,829	15,263
Less: Accumulated depreciation	(6,560)	(3,052)
	<u>13,269</u>	<u>12,211</u>
Net written down value	<u>27,139</u>	<u>33,945</u>
7. Investment		
18 shares in Meta Publishing Pty Ltd (ACN 079 809 993)		
- an exempt proprietary company – at cost	<u>21,600</u>	<u>21,600</u>

INSTITUTE OF STRATA TITLE MANAGEMENT LIMITED*Notes to the Financial Report 30 June 2007 (continued)*

	2007 \$	2006 \$
8. CURRENT LIABILITIES - Creditors		
Trade creditors	39,081	20,354
Accruals	13,494	6,248
Income in advance		
- Membership (note 1(a))	145,612	163,753
- Conference	-	6,955
- Education	26,601	31,106
	<u>224,788</u>	<u>228,416</u>
9. CURRENT LIABILITIES – Provision		
Employee entitlements	<u>22,731</u>	<u>36,427</u>
10. LIMITED LIABILITY		
The company is limited by guarantee. In the event of the company being wound up, the liabilities of each member (both during the time of membership and for one year thereafter) is limited to \$50.		
11. REMUNERATION OF DIRECTORS		
The directors do not receive any remuneration for their work as officers of the company. Directors are reimbursed for sundry expenses incurred on behalf of the company.		
12. REMUNERATION OF AUDITORS		
Amounts received by the auditor of the company for:		
Audit of the financial report	2,500	2,200
Other services	2,450	2,800
	<u>4,950</u>	<u>5,000</u>
13. RECONCILIATION OF NET CASH INFLOW FROM OPERATING ACTIVITIES TO OPERATING RESULT		
Net cash (outflow)/inflow from operating activities	(73,866)	105,746
Depreciation	(12,448)	(11,945)
Change in assets and liabilities		
Increase/(Decrease) in receivables	32,782	(36,724)
Increase/(Decrease) in inventory	974	462
(Increase)/Decrease in trade creditors and provision	(12,277)	(10,385)
(Increase)/Decrease in income received in advance	29,601	(10,341)
	<u>(35,234)</u>	<u>36,813</u>
Operating (loss)/profit after income tax	<u>(35,234)</u>	<u>36,813</u>

INSTITUTE OF STRATA TITLE MANAGEMENT LIMITED**Profit & Loss Statement for the year ended 30 June 2007**

	2007	2006
	\$	\$
Income		
General Administration:		
Benchmarking	26,750	-
Government grants	5,263	300
Interest	39,927	35,427
Membership fees	437,373	335,758
Minute books/CD Roms	-	29,495
Minute books	23,138	-
Sponsorship	107,307	74,841
Sundry	2,828	5,015
Website	91	7,364
General Administration Total	642,677	488,200
Education:		
Courses	-	112,542
Course general	54,304	-
Courses via CD Rom	28,267	-
Courses via CPD Roadshow	112,581	-
Courses via distance Learning	1,807	-
Education via Distance Learning	1,064	-
Education Total	198,023	112,542
Member Services:		
Conference	342,428	369,357
Members Golf day	34,889	-
Members networking events	45,787	7,747
Newsletter advertising	49,757	34,739
Strata & community Living magazine	140,563	79,573
Trades & services directory	55,590	27,004
Members Services Total	669,014	518,420
Total Income	<u>1,509,714</u>	<u>1,119,162</u>

INSTITUTE OF STRATA TITLE MANAGEMENT LIMITED**Profit & Loss Statement for the year ended 30 June 2007 (Continued)**

	2007 \$	2006 \$
Less: Expenses		
General Administration:		
Auditors remuneration (note 12)	4,950	5,000
Bad debts	(750)	1,400
Bank charges	3,393	4,873
Board meetings	23,643	13,721
Cleaning	2,827	2,799
Computer	2,892	10,414
Costs of newsletter, magazine, minute books etc	-	73,436
Depreciation	12,448	11,945
Donations	-	2,750
Entertainment	4,449	2,429
Equipment rental	4,840	5,308
Insurance	12,471	19,894
Legal	50,891	58,580
Maintenance	487	1,668
Office supplies	13,311	1,650
Postage/Courier	5,000	19,683
Printing	8,298	56,917
Recruitment	32,507	-
Rent / Electricity	66,893	70,882
Sponsorship – Griffith University	6,818	308
Subscriptions	-	29,489
Subscriptions – NCTI	60,764	-
Sundry	817	13,511
Superannuation	31,305	24,432
Telephone	4,584	17,437
Travel	-	11,077
Wages & salaries	360,921	321,406
Website	18,109	7,657
General Administration Total	731,864	788,666
Education:		
Courses	-	119,647
Course general	28,918	-
Courses via CD Rom	3,696	-
Courses via CPD Road show	54,282	-
Courses via distance Learning	356	-
Education via Distance Learning	22,814	-
Events	-	153,904
Education Total	110,066	273,551

INSTITUTE OF STRATA TITLE MANAGEMENT LIMITED**Profit & Loss Statement for the year ended 30 June 2007 (Continued)**

	2007 \$	2006 \$
Member Services:		
Benchmarking	26,750	-
Conference	337,583	-
Members Golf day	29,410	-
Members Networking events	33,889	-
Minute Books	16,496	-
Newsletter Expenses	59,852	-
Strata & community Living	129,253	-
Sydney Property Expo	22,301	-
Trades & services directory	47,484	20,132
Members Services Total	<u>703,018</u>	<u>20,132</u>
	1,544,948	1,082,349
Operating (Loss)/Profit for the year (page 6)	<u>(35,234)</u>	<u>36,813</u>