

**AUSTRALIAN INVESTORS ASSOCIATION**  
ABN 75 052 411 999



**ANNUAL & FINANCIAL REPORTS**

FOR THE YEAR ENDED 30 JUNE 2006

# President's Report

## Introduction

It is my pleasure to present to members the Annual Report of the Australian Investors' Association for the year ended 30<sup>th</sup> June, 2006.

2005-2006 saw the successful move of the Association's Annual Investors' Conference to July, and the financial results of that move are reflected in the accounts. We now intend to hold future conferences in July in accordance with the wishes of members who responded to our survey a couple of years ago.

## Membership

Membership of the Association has remained stable during the year, closing at 2137. The failure to attract new members remained a cause of concern for your Council during the year and it has wrestled with ways in which recruitment might increase. Without a greater membership base it is difficult to undertake many of the advocacy tasks considered necessary for the advancement of the individual investor. Members will have received the "Find 500" card in the mail and it is hoped many of you will spread the word about the AIA with the aid of this card.

Council decided to suspend the Three Month Trial Membership during the year and has replaced this with an attractive offer for those non-members who wish to attend one of our half day workshops or seminars.

## Activities

Our activities fall broadly into two categories: Education and Advocacy. Full details of our Educational Activities for 2005-2006 are provided with this report.

Your Association continues to represent investors' interests to regulators and legislators. We have been represented on ASIC's Consumer Advisory Panel, and on Treasury's implementation committee for financial services reform. I repeat my call of this time last year: Members who are able to assist in identifying and preparing material for submission to the authorities are invited to contact the Secretariat. There is a limit to what can be done by your councilors on their own, any assistance members are able to give in areas of identification of, and suggested remedies for, investor traps are appreciated.

## Finance

I commend the accompanying financial statements to you. As a non-profit organization we rely heavily on the outcome of the National Conference to provide member services and develop the Association. As noted above, Council, supported by a survey response, took the view that our major fund-raising event, the National Conference, should be held early in the financial year and this year's results reflect that positioning.

## Concluding remarks

### The future

We must continue to increase our membership. I ask every member to act as a recruiter for the AIA and get the new members rolling in. It would be great if we could continue to increase the number of 40-60 year old members - we have a lot to offer them.

If you haven't visited your record in our database, please do so and update your details: Remember no information is made available to outside parties.

### Our Volunteers

Details of your Council members and meetings held are given in the accompanying Directors' Report. Members are fortunate to have the range of skills and experience offered by councillors available to them. I thank all the councillors for their support and contribution to the Association over the past year.

Volunteers are the lifeblood of our Association just as they are for most non-profit bodies. I thank all our volunteers for their help in keeping the AIA running in their local area. We need you and your efforts are appreciated.

### Our Staff

The Association has again been well served by its staff. The ladies at McCalls have settled in to their administration role and are doing a great job for us. Likewise our Events and Publications Coordinator, Silvana Eccles, continues to look after our events and sourcing of material for our publications.

Thank you to all.

R. Andrew  
President

## **Honorary Treasurer's Report 2006**

The AIA recorded a substantial after tax surplus for the year ended 30<sup>th</sup> June 2006 of \$60219.

Please read the following Financial Statement because it is important for you to be aware of the financial health of your association. I am pleased to report that the AIA is in good financial health.

What is most pleasing about the financial position of the association is that the new systems and procedures that were implemented last year are working well and while under continual review no major changes have been necessary.

In the nine years that I have been involved as a Councilor and Treasurer the range of services that the AIA offers to members has expanded dramatically and this has been achieved while keeping the cost of membership to less than two tanks of petrol.

The AIA has achieved all of its financial goals set 12 months ago and the only disappointment is that we have not managed to find the quantum leap in membership that the good work the AIA does deserves. I find it frustrating that the growth achieved by the major commercial players in the financial services industry is so much greater than that of the AIA, undoubtedly because of the hundreds of millions of dollars they spend on advertising. We spend little on advertising for new members because that is all we can afford, however there is no better form of advertising than word of mouth and thus I beg you to tell everyone you know about the AIA. The more you do the sooner we will be able to spread the word without needing to ask you to do so.

The AIA budget for the year ended 30<sup>th</sup> June 2007 includes funding for all of our existing services and some new projects including an innovative plan to provide telephone seminars which we think will be of particular interest to regional and country members and also a valuable way of metropolitan members getting even more value from their membership. It is our aim to continually expand the number and range of our independent education activities as the largest provider of independent financial and investment education in the Southern Hemisphere.

At the time of writing I am not aware of any matters of significance that would have a material adverse effect on the financial health of the AIA.

I commend the Financial Statements to you.

David Child  
Honorary Treasurer and Company Secretary

## **EDUCATIONAL ACTIVITIES OF THE AIA 2005-2006**

One of the main goals of the Australian Investors Association is MEMBER EDUCATION, expressed in our Action Plan as:

*To provide opportunities for members to enhance their knowledge and understanding about investing.*

The strategies that the AIA uses to achieve this goal include:

- a national conference of 3 days on the Gold Coast each year
- one-day and half-day seminars in Melbourne, Sydney, Brisbane, Perth and Adelaide
- information meetings in a number of cities throughout Australia
- local discussion groups in many locations throughout Australia
- special interest group bulletins distributed by e-mail
- AIA website [www.investors.asn.au](http://www.investors.asn.au).

During this financial year a teleconference presentation was trialled. The first presentation held in June 2006 was on ESTATE PLANNING. Two more trials will be held and ways to enhance this service, particularly for those members who live in rural areas or find accessing information meetings difficult, are being considered.

Each of these activities is expanded on below.

### **National Conference**

The national conference is held annually on the Gold Coast. Numbers have increased yearly since the first conference in 1998 and attract approximately 250-300 delegates. It is a three day conference starting the evening prior with a keynote address and welcome reception and concluding at the end of the third day. In 2005 the conference moved from June to July.

The 2005 conference offered six streams catering to novice, intermediate, and experienced investors. The top rated speaker of the conference was Eddy Groves, Managing Director of ABC Childcare, who delivered an insightful and passionate presentation on ABC and what to look for when selecting companies to invest in.

### **Seminars**

Half-day and full-day seminars provide an opportunity for members to focus in-depth on a topic of particular interest. Invited speakers include well-recognised representatives within their fields from the public, private sector and academic sector as well as AIA members. A table showing the seminars held in 2005-2006 follows.

### Conference and Seminars

| <b>Date</b>     | <b>Event</b>        | <b>Topic</b>  | <b>Location</b> | <b>Attended</b> |
|-----------------|---------------------|---|-----------------|-----------------|
| 17-20 July 2005 | National Conference | Investing – Your Choice – Your Future                     | Gold Coast      | 234             |
| 27 Aug 2005     | Half-day Seminar    | Practical Approach to Buffett Style Analysis & Investment | Brisbane        | 142             |
| 23 Sep 2005     | Seminar             | Share Investing   | Sydney          | 121             |
| 30 Sep 2005     | Seminar             | Share Investing   | Perth           | 58              |
| 15 Oct 2005     | Seminar             | Strategies for Long Term Wealth Accumulation              | Brisbane        | 73              |
| 22 Oct 2005     | Seminar             | Strategies for Long Term Wealth Accumulation              | Adelaide        | 51              |
| 22 Oct 2005     | Half-day Seminar    | Fundamental & Technical Analysis                          | Melbourne       | 65              |
| 18 Nov 2005     | Seminar             | The Big Picture   | Sydney          | 107             |
| 19 Nov 2005     | Seminar             | Taking Charge of Your Money                               | Brisbane        | 84              |
| 26 Nov 2005     | Half-day Seminar    | Practical Approach to Buffett Style Analysis & Investment | Perth           | 101             |
| 4 March 2006    | Half-day Seminar    | Practical Approach to Buffett Style Analysis & Investment | Melbourne       | 133             |
| 1 April 2006    | Half-day Seminar    | Practical Approach to Buffett Style Analysis & Investment | Adelaide        | 91              |
| 7 April 2006    | Seminar             | Two Seminars In One                                       | Sydney          | 122             |
| 13 May 2006     | Seminar             | Successful Strategies for Sharemarket Investing           | Brisbane        | 101             |
| 27 May 2006     | Half-day Seminar    | Active Retirement   | Perth           | 89              |
| 27 May 2006     | Seminar             | Review & Outlook of Major Sectors                         | Melbourne       | 86              |
| 19 June 2006    | Teleconference      | Estate Planning   | Own Home        | 35              |

### **Information Meetings**

Organised by local member committees, information meetings provide members with the opportunity to hear from invited guest speakers on a wide range of topics including sectors of the stock market; stock analysis; superannuation; resources for investors; trading options; derivatives; how property fits into your portfolio etc. These meetings usually go for two hours and a small fee is charged to cover venue costs.

| <b>Information Meetings</b>     | <b>How Often</b>   | <b>When Meet</b>                     |
|---------------------------------|--------------------|--------------------------------------|
| Adelaide Information Meetings   | Monthly            | Monday Evening                       |
| Brisbane Information Meetings   | Monthly            | Wednesday Afternoon/Thursday evening |
| Canberra Information Meetings   | Monthly            | Monday Evening                       |
| Gold Coast Information Meetings | Quarterly          | Wednesday Morning                    |
| Melbourne Information Meetings  | Bi-Monthly         | Wednesday Evening                    |
| Perth Information Meetings      | Bi-Monthly         | Tuesday Evening                      |
| Sydney Information Meetings     | Three Times Yearly | Wednesday Evening                    |
| Sydney North Shore Meetings     | Monthly            | Monday Evening                       |
| Sydney South Meetings           | Monthly            | Wednesday Evening                    |

### **Local Discussion Groups**

These are informal gatherings of members in a local area. The groups determine how frequently they meet, where they meet and whether to invite a guest speaker. Following is a list of local discussion groups. For contact details please either call the AIA Secretary on 1300 555 061 or visit the AIA website at [www.investors.asn.au](http://www.investors.asn.au).

| <b>Local Discussion Group</b>      | <b>Coordinator</b> |
|------------------------------------|--------------------|
| NSW – Central Coast                | Carmen Morgan      |
| NSW – Parramatta                   | Hugo Hoogvliet     |
| NSW – Wollongong                   | Renato Compagnin   |
| QLD – Brisbane SW Equities         | Alison Harrington  |
| QLD – Brisbane South Equities      | Ron Gibson         |
| QLD – Brisbane Managed Investments | Scott McKenzie     |
| QLD – Sunshine Coast               | Rob Coles          |
| QLD – Townsville                   | Trevor Gibson      |
| VIC – Melbourne Bayside            | Kevin McDonald     |
| VIC – Melbourne Eastside           | Colin Dowzer       |
| VIC – Melbourne South/Frankston    | Bill Shirley       |
| WA – Perth Equities                | John Venn          |

### **Special Interest Group Bulletins**

The AIA produces five Special Interest Group (SIG) Bulletins. The Derivatives; Managed Investments; Property, and Self Managed Super Funds Bulletins are distributed bi-monthly with the Equities Bulletin distributed eight times a year, in the months when the *Investors' Voice* is not. The SIGs enable contributors to write in detail about the subject and, of

course, members are encouraged to share their experience and knowledge, both successful and not so successful. In addition, an **Info Email** which alerts members to a wide range of websites is distributed monthly, excluding December.

### **Investors' Voice**

Produced quarterly this 12 page publication is a combination of articles sourced from professionals within the financial services industry and contributions by members. The back page always lists current AIA events. Other regular features include the popular ME & MY PORTFOLIO written by an AIA member, the President's and Editor's Messages.

### **Website**

The AIA website, [www.investors.asn.au](http://www.investors.asn.au), is constantly evolving and most papers from seminars and conferences are posted to the website in the members' area three months after the event. All SIG bulletins and *Investors' Voice* newsletters distributed to date as are also posted to the website. Other resources include book and software reviews; member discounts and a list of useful links. To help find information the website features a search tool. Visit the AIA website - it has a wealth of information.

***The latest AIA activities are always shown on the back page of the Investors' Voice newsletter and on the AIA website [www.investors.asn.au](http://www.investors.asn.au). Members are always notified of events in their area by either email or post.***

### **Australian Investors Association Ltd**

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Australian Investors' Association Limited

Financial report and auditors' report for the year ended

30 June 2006

## Contents

|   | <b>Page</b> |
|---|-------------|
| <b>Directors' report</b>  | <b>3</b>    |
| <b>Income Statement</b>   | <b>6</b>    |
| <b>Balance Sheet</b>  | <b>7</b>    |
| <b>Statement of Changes in Equity</b>   | <b>8</b>    |
| <b>Cash Flow Statement</b>  | <b>9</b>    |
| <b>Notes to the Financial Year</b>  | <b>10</b>   |
| <b>Directors' declaration</b>   | <b>20</b>   |
| <b>Auditor's Independence Declaration</b>   | <b>21</b>   |
| <b>Independent audit report to the members of Australian Investors' Association</b> | <b>22</b>   |

## Directors' report

Your directors present their report on the company for the financial year ended 30 June 2006.

### Directors

The names of the directors in office at any time during or since the end of the year are:

|               |              |  |
|---------------|--------------|--|
| Mr R Andrew   | Mr B McBryde | Mr B Turnbull (appointed 06-10-05)     |
| Mr S McKenzie | Mr J Venn    | Mr R Gibson (appointed 06-10-05)       |
| Mr D Child    | Mr A Vorbach | Mr J Forsyth (appointed 06-10-05)      |
| Mr W Shirley  | Mr D Combe   | Ms L Falkiner Rose (resigned 31-12-05) |

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

### Principal Activities

The principal activities of the company during the financial year were to further the interests of investors.

No significant change in the nature of these activities occurred during the financial year.

### Operating Results

The operating profit of the company for the financial year after providing for income tax amounted to \$ 60,219 (2005: Operating loss \$40,329).

### Dividends paid or recommended

No dividends were paid during the year and no recommendation is made as to the payment of dividends.

### Review of operations

A review of the operations of the company during the financial year and the results of those operations are as follows:

No significant changes to the company's state of affairs occurred during the financial year.

### After Balance Date Events

No matters of circumstances have arisen since the end of the financial year which significantly affect or may significantly affect the operations of the company, the results of those operations, or the state of affairs of the company in future financial years.

### Future Developments

The directors have no plans to deviate or add to the existing operations of the company.

## Directors' report continued

### Environmental Issues

The company's operations are not regulated by a significant environmental regulation under a law of the Commonwealth or of the State.

### Information on Directors

| <i>Name</i>                 | <i>No. of<br/>Meetings<br/>Attended</i> | <i>No of meetings<br/>held during<br/>Directorship</i> | <i>Occupation</i>                        |
|-----------------------------|---|--|--|
| Mr Robert Andrew            | 4                                       | 4  | Retired, President                       |
| Mr David Child              | 4                                       | 4  | Honorary Treasurer,<br>Company Secretary |
| Mr William Shirley          | 3                                       | 4  | Retired, Vice President                  |
| Mr Scott McKenzie           | 4                                       | 4  | Financial Planner                        |
| Mr Bruce McBryde            | 4                                       | 4  | Retired                                  |
| Mr John Venn                | 3                                       | 4  | Retired                                  |
| Mr Adrian Vorbach           | 3                                       | 4  | Retired                                  |
| Mr David Combe              | 3                                       | 4  | Company Director &<br>Consultant         |
| Mr Brian Turnbull           | 2                                       | 3  | Retired                                  |
| Mr Ronald Gibson            | 2                                       | 3  | Retired                                  |
| Mr Jolyon Forsyth           | 2                                       | 3  | Consultant                               |
| Ms Leslie Falkiner Rose (a) | 1                                       | 1  | Writer                                   |

During the financial year, 4 meetings of directors were held. The number of meetings attended and the number of meetings held during the directorships are stated above.

No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is or has been an officer or auditor of the economic entity.

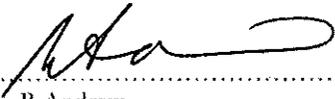
No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The company was not a party to any such proceedings during the year.

**Auditor's Independence Declaration**

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 21.

Signed in accordance with a resolution of the Board of Directors:

Director,  .....  
R Andrew

Director,  .....  
D Child

Dated this  day of September 2006

## Income Statement

For the year ended 30 June 2006

|   | Note | 2006<br>\$ | 2005<br>\$ |
|---|------|------------|------------|
| Revenue from ordinary activities  | 3    | 441,539    | 234,834    |
| Marketing expenses  |      | (1,462)    | (7,592)    |
| Administrative expenses   |      | (142,586)  | (137,561)  |
| Other expenses from ordinary activities   |      | (232,400)  | (126,628)  |
| Profit/(Loss) before income tax   |      | 65,091     | (36,947)   |
| Income tax expense relating to ordinary activities  | 5    | (4,872)    | (3,382)    |
| Net profit/(loss) from ordinary activities after income tax expense attributable to members |      | 60,219     | (40,329)   |
| Total change in equity other than those resulting from transactions with owners as owners   |      | 60,219     | (40,329)   |

The accompanying notes form part of these financial statements

## Balance Sheet

As at 30 June 2006

|                                  | Note | 2006<br>\$     | 2005<br>\$     |
|----------------------------------|------|----------------|----------------|
| <b>ASSETS</b>                    |      |                |                |
| <b>CURRENT ASSETS</b>            |      |                |                |
| Cash and cash equivalents        | 7    | 398,558        | 346,886        |
| Trade and other receivables      | 8    | 24             | 7,968          |
| Other current assets             | 9    | 76,450         | 50,929         |
| <b>TOTAL CURRENT ASSETS</b>      |      | <u>475,032</u> | <u>405,783</u> |
| <b>TOTAL ASSETS</b>              |      | <u>475,032</u> | <u>405,783</u> |
| <b>CURRENT LIABILITIES</b>       |      |                |                |
| Trade and other payables         | 10   | 341,641        | 335,172        |
| Current tax liabilities          | 11   | 4,653          | 2,092          |
| <b>TOTAL CURRENT LIABILITIES</b> |      | <u>346,294</u> | <u>337,264</u> |
| <b>TOTAL LIABILITIES</b>         |      | <u>346,294</u> | <u>337,264</u> |
| <b>NET ASSETS</b>                |      | <u>128,738</u> | <u>68,519</u>  |
| <b>EQUITY</b>                    |      |                |                |
| Retained earnings                |      | 128,738        | 68,519         |
| <b>TOTAL EQUITY</b>              |      | <u>128,738</u> | <u>68,519</u>  |

The accompanying notes form part of these financial statements

## Statement of Changes in Equity

### For the year ended 30 June 2006

|  | Note | Retained<br>earnings | Total    |
|--|------|----------------------|----------|
|  |      | \$                   | \$       |
| <b>Balance at 1 July 2004</b>                      | 2    | 108,848              | 108,848  |
| Loss attributable to members of parent<br>entity   |      | (40,329)             | (40,329) |
| <b>Balance at 30 June 2005</b>                     |      | 68,519               | 68,519   |
| Profit attributable to members of parent<br>entity |      | 60,219               | 60,219   |
| <b>Balance at 30 June 2006</b>                     |      | 128,738              | 128,738  |

The accompanying notes form part of these financial statements

## Cash Flow Statement

For the year ended 30 June 2006

|   | Note | 2006<br>\$     | 2005<br>\$     |
|---|------|----------------|----------------|
| <b>CASH FLOW FROM OPERATING ACTIVITIES</b>          |      |                |                |
| Receipts from customers                             |      | 475,875        | 233,118        |
| Payments to suppliers and employees                 |      | (443,003)      | (65,842)       |
| Interest received                                   |      | 16,239         | 11,273         |
| Income tax paid                                     |      | 2,560          | 1,033          |
| Net cash provided by (used in) operating activities | 15b  | <u>51,671</u>  | <u>179,582</u> |
| <b>NET INCREASE/(DECREASE) IN CASH HELD</b>         |      |                |                |
| Cash at beginning of year                           |      | 346,886        | 167,304        |
| Cash at end of year                                 | 7    | <u>398,557</u> | <u>346,886</u> |

The accompanying notes form part of these financial statements

## Notes to the Financial Statements

### For the year ended 30 June 2006

#### 1 Statement of Significant Accounting Policies

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

Australian Investors' Association Ltd is a company limited by shares, incorporated and domiciled in Australia.

The financial report of Australian Investors' Association Ltd, as an individual entity complies with all Australian equivalents to International Financial Reporting Standards (AIFRS) in their entirety.

The following is a summary of the material accounting policies adopted by the entity in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

#### Basis of Preparation

##### *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*

Australian Investors' Association Ltd as an individual entity has prepared financial statements in accordance with the Australian equivalents to International Financial Reporting Standards (AIFRS) from 1 July 2005.

In accordance with the requirements of AASB 1: First-time Adoption of Australian Equivalents to International Financial Reporting Standards, adjustments to the entity accounts resulting from the introduction of AIFRS have been applied retrospectively to 2005 comparative figures excluding cases where optional exemptions available under AASB 1 have been applied. These accounts are the first financial statements of Australian Investors' Association Ltd to be prepared in accordance with Australian equivalents to AIFRS.

##### *Reporting Basis and Conventions*

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, and financial assets and financial liabilities for which the fair value basis of accounting has been applied.

## Notes to the Financial Statements

### For the year ended 30 June 2006

#### 1 Statement of Significant Accounting Policies continued

##### Accounting Policies

###### Income Tax

The charge for current income tax expenses is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantively enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation, and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law

###### 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.

###### Revenue

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

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

## Notes to the Financial Statements

### For the year ended 30 June 2006

#### 1 Statement of Significant Accounting Policies continued

##### **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. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

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

##### **Comparative Figures**

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

#### 2 First-time Adoption Of Australian Equivalents to International Financial Reporting Standards

No changes have been required to comparative figures as a result of the first time adoption of Australian Equivalents to International Financial Reporting.

## Notes to the Financial Statements

### For the year ended 30 June 2006

|  | Note | 2006<br>\$     | 2005<br>\$     |
|--|------|----------------|----------------|
| <b>3 Revenue</b>   |      |                |                |
| <b>Operating activities</b>  |      |                |                |
| — National conference registration   |      |                | -              |
| — Subscriptions income   |      | 139,603        | 125,518        |
| — Conference registration  |      | 128,770        | 27,683         |
| — Information meeting income   |      | 5,527          | 68,989         |
| — National conference sponsorship fees   |      | 45,500         | -              |
| — Expo/Conference book sales   |      | 6,206          | 98             |
| — Seminar income   |      | 98,462         | -              |
| — Sundry income  |      | 1,232          | -              |
| — Interest received  | 3a   | 16,239         | 11,273         |
| — Council Reimbursement  |      | -              | 1,273          |
| <b>Total Revenue</b>   |      | <u>441,539</u> | <u>234,834</u> |
| <br>   |      |                |                |
| 3a Interest revenue from:  |      |                |                |
| — Other persons  |      | 16,239         | 11,273         |
| <b>Total interest revenue</b>  |      | <u>16,239</u>  | <u>11,273</u>  |
| <br>   |      |                |                |
| <b>4 Profit from Ordinary Activities</b>   |      |                |                |
| Profit from ordinary activities before income tax expense has been determined after: |      |                |                |
| <b>a. Expenses</b>   |      |                |                |
| Depreciation of non-current assets:  |      |                |                |
| — Plant and equipment  |      | -              | 1,441          |

## Notes to the Financial Statements

### For the year ended 30 June 2006

|   | 2006<br>\$     | 2005<br>\$     |
|---|----------------|----------------|
| <b>5 Income Tax Expense</b>   |                |                |
| a. The components of tax expense comprise:  |                |                |
| Current tax   | <u>4,872</u>   | <u>3,382</u>   |
| b. The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax as follows: |                |                |
| Prima facie tax payable on profit from ordinary activities before income tax at 30% (2005: 30%)                         | 19,536         | (11,084)       |
| Less:   |                |                |
| Tax effect of:  |                |                |
| — Exempt income   | 14,664         | 14,466         |
| Income tax expense attributable to profit from ordinary activities  | <u>4,872</u>   | <u>3,382</u>   |
| <b>6 Auditors' Remuneration</b>   |                |                |
| Remuneration of the auditor:  |                |                |
| — auditing or reviewing the financial report  | 8,500          | 3,900          |
| — taxation services   | 2,860          | 1,800          |
| <b>7 Cash and Cash Equivalents</b>  |                |                |
| Cash at bank  | <u>398,557</u> | <u>346,886</u> |
|   | <u>398,557</u> | <u>346,886</u> |

## Notes to the Financial Statements

### For the year ended 30 June 2006

|                                      | Note | 2006<br>\$     | 2005<br>\$     |
|--------------------------------------|------|----------------|----------------|
| <b>8 Trade and Other Receivables</b> |      |                |                |
| <b>CURRENT</b>                       |      |                |                |
| Trade receivables                    |      | 24             | 7,968          |
|                                      |      | <u>24</u>      | <u>7,968</u>   |
| <b>9 Other Assets</b>                |      |                |                |
| <b>CURRENT</b>                       |      |                |                |
| Prepayments                          |      | 30,140         | 50,929         |
| Deposits and bonds                   |      | 46,310         | -              |
|                                      |      | <u>76,450</u>  | <u>50,929</u>  |
| <b>10 Trade and Other Payables</b>   |      |                |                |
| <b>CURRENT</b>                       |      |                |                |
| Trade payables                       |      | 18,575         | 10,956         |
| Sundry Payables and accrued expenses |      | 11,341         | -              |
| Income received in advance           |      | 172,696        | 171,312        |
| Subscriptions in advance             |      | 113,508        | 129,708        |
| Other creditors                      |      | 10,950         | 13,950         |
| GST payable                          |      | 14,571         | 9,246          |
|                                      |      | <u>341,641</u> | <u>335,172</u> |

## Notes to the Financial Statements

### For the year ended 30 June 2006

|                           | Note | 2006<br>\$ | 2005<br>\$ |
|---------------------------|------|------------|------------|
| <b>11 Tax Liabilities</b> |      |            |            |
| <b>CURRENT</b>            |      |            |            |
| Income Tax                |      | 4,653      | 2,092      |
|                           |      | 4,653      | 2,092      |

#### 12 Segment Reporting

The Australian Investors' Association Limited provides education services to members throughout Australia through newsletters, the website, information meetings and conferences. Revenue is derived by the company through members' subscriptions, entry fees and the sale of investment publication to members. No reportable business or geographic segments.

#### 13 Members Guarantee

The company is limited by guarantee. If the Company is wound up, the Articles of Association state that each member is required to contribute a maximum of \$2 towards meeting any outstanding obligations of the company. At the 30 June 2006, the number of members was 2,136 (30 June 2005: 2,128).

#### 14 Financial Instruments

##### (a) Financial Risk Management

The entity's financial instruments consist mainly of deposits with bank, local money market instruments, short-term investments, accounts receivable and payable.

The entity does not have any derivative instruments at 30 June 2006.

##### i. Financial Risks

The main risks the company is exposed to through its financial instruments are interest rate risk, liquidity risk and credit risk.

## Notes to the Financial Statements

### For the year ended 30 June 2006

#### 14 Financial Instruments (cont)

##### (a) Financial Risk Management (cont)

###### Interest rate risk

The entity does not have debts

###### Liquidity risk

The entity manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained.

###### Credit risk

The entity does not have any material credit risk exposure to any single receivable or group of receivable under the financial instruments entered into by the entity.

###### Price risk

The entity is not exposed to any material commodity risk.

##### b. Interest Rate Risk

The economic entity's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on those financial assets and financial liabilities, is as follows:

|                               | Weighted Average<br>Effective Interest<br>Rate |           | Floating Interest<br>Rate |                |
|-------------------------------|--|-----------|---------------------------|----------------|
|                               | 2006<br>%                                      | 2005<br>% | 2006<br>\$                | 2005<br>\$     |
| <b>Financial Assets:</b>      |  |           |                           |                |
| Cash and cash equivalents     | 5.00   | 5.00      | 398,557                   | 346,886        |
| <b>Total Financial Assets</b> |  |           | <u>398,557</u>            | <u>346,886</u> |

## Notes to the Financial Statements

### For the year ended 30 June 2006

#### 14 Financial Instruments (cont)

##### c. Net Fair Values

For other assets and other liabilities, the net fair value approximates their carrying value. No financial assets and financial liabilities are readily traded on organised markets in standardised form other than listed investments. Financial assets, where the carrying amount exceeds net fair values, have not been written down as the economic entity intends to hold these assets to maturity.

The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the statement of financial position and in the notes to the financial statements.

## Notes to the Financial Statements

### For the year ended 30 June 2006

|  | 2006<br>\$    | 2005<br>\$     |
|--|---------------|----------------|
| <b>15 Cash Flow Information</b>  |               |                |
| <b>a. Reconciliation of Cash</b>   |               |                |
| Cash at the end of the financial year as shown in the cashflow statement is reconciled to the related items in the statement of financial position as follows: |               |                |
| Cash at bank   | 398,557       | 346,886        |
| <b>b. Reconciliation of Cash Flow from Operations with Profit from Ordinary Activities after Income Tax</b>  |               |                |
| Profit/(loss) from ordinary activities after income tax  | 60,219        | (40,329)       |
| Non-cash flows in profit from ordinary activities  |               |                |
| Depreciation   | -             | 1,441          |
| Write down to recoverable amount   | -             | 19,579         |
| Changes in assets and liabilities  |               |                |
| (Increase)/decrease in prepayments   | (25,521)      | (42,510)       |
| (Increase)/decrease in receivables   | 7,944         | 9,558          |
| Increase/(decrease) in accounts payables   | 21,284        | 16,554         |
| Increase/(decrease) in subscription in advance   | (16,200)      | 42,943         |
| Increase/(decrease) in income in advance   | 1,384         | 171,313        |
| Increase/(decrease) in income tax  | 2,561         | 1,033          |
| Cash Flows In/Out from Operations  | <u>51,671</u> | <u>179,582</u> |

### 16 Company Details

The registered office of the company is:

24 Chermside Street  
NEWSTEAD QLD 4006

## Directors' declaration

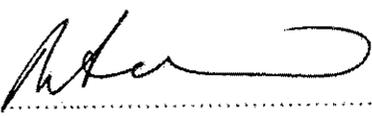
The directors of the company declare that in their opinion:

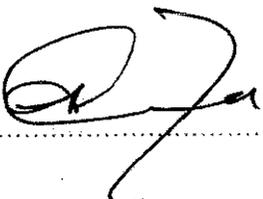
1. The financial statements and notes, as set out in pages 6 to 19 are in accordance with the *Corporations Act 2001*:

- a. complying with Accounting Standards and the *Corporations Regulations 2001*; and
- b. give a true and fair view of the financial position as at 30 June 2006 and of the performance for the year ended on that date of the company and economic entity.

2. 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 Board of Directors:

Director:   
.....  
R Andrew

Director:   
.....  
D Child

Dated this <sup>5<sup>th</sup></sup> day of September 2006

Grant Thornton Queensland Partnership  
ABN 13 131 589 059  
Chartered Accountants, Business Advisers and Consultants

## AUDITOR'S INDEPENDENCE DECLARATION

TO THE DIRECTORS OF AUSTRALIAN INVESTORS ASSOCIATION LTD

In accordance with the requirements of section 307C of the Corporations Act 2001, as auditor of Australian Investors Association Ltd for the year ended 30 June 2006, I declare that, to the best of my knowledge and belief, there have been:

- (i) no contraventions of the auditors independence requirements 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.

GRANT THORNTON QUEENSLAND PARTNERSHIP

Chartered Accountants

*Grant Thornton Queensland Partnership*  
*L. R. Jones*

L. R. JONES

Date

Brisbane 5 September 2006

Grant Thornton Queensland Partnership  
ABN 13 131 589 059  
Chartered Accountants, Business Advisers and Consultants

## Independent audit report to the members of Australian Investors' Association Ltd

### Scope

#### The financial report and directors' responsibility

The financial report comprises the income statement, balance sheet, statement of changes in equity, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for Australian Investors' Association Ltd (the company) for the year ended 30 June 2006.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

#### Audit Approach

We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgment, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, including compliance with Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report; and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

#### Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

## Independent audit report to the members of Australian Investors' Association Ltd (continued)

### Audit Opinion

In our opinion, the financial report of Australian Investors association Ltd 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 2006 and of its performance for the year ended on that date; and
  - ii. complying with Accounting Standards in Australia and the Corporation Regulations 2001; and
- b. other mandatory professional reporting requirements.

GRANT THORNTON QUEENSLAND PARTNERSHIP

*Grant Thornton Queensland Partnership*

*L. R. Jones*

L.R.JONES

Partner

Brisbane 5 September 2006