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# Independent Audit Report
## For The Owners of Strata Plan 50785

We have audited the plan's financial statements, being a special purpose financial report for the year ended 28 February 2014 comprising a Balance Sheet, Income & Expenditure Statements for the plan's Administrative and Sinking Fund, and Notes to the accounts.

The managing agents are responsible for the preparation and presentation of the financial statements and the information contained therein and has determined that the accounting policies used and described in the Notes to financial statements are appropriate to meet the needs of the owners. We have conducted an independent audit of the financial statements in order to express an opinion to the owners on their preparation and presentation. No opinion is expressed as to whether the accounting policies used and described in the Notes are appropriate to the needs of the owners.

The plan is not a reporting entity and these financial statements are therefore "Special Purpose Financial Reports" that have been prepared solely to meet the requirement of Section 106(1) of the Strata Schemes Management Act 1996 to prepare financial statements. We disclaim any assumption of responsibility for any reliance on this report or on the financial statements to which it relates to any person other than the owners, or for any purpose other than for which it was prepared.

Our audit has been conducted to provide reasonable assurance as to whether the financial statements are free of material misstatement. Our procedures are in accordance with Australian Auditing Standards and included examination, on a test basis, evidence supporting the amounts and other disclosures in the financial statements. These procedures have been undertaken to form an opinion whether, in all material aspects, the financial statements are presented fairly in accordance with the accounting policies detailed in the Notes so as to present a view of the plan which is consistent with our knowledge and understanding of its financial position and the results of its operations. These policies do not require the application of Australian Accounting Standards and other mandatory professional reporting requirements. The audit opinion expressed in this report has been formed on the above basis.

**Comment**
During the audit process $2,174 was raised as a receivable being reimbursement of water expenses.

**Qualification**
Income items (levy) Discounts for Admin and Sinking contain a 'bring forward' amount of $13,105 and $4,503 respectively. Bring forwards are usually only for assets and liabilities. BCMax software is being contacted. Assuming these are incorrect debits, the discount accounts are overstated.

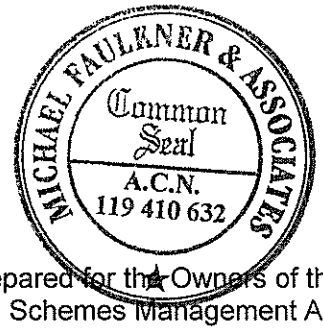
**Audit Opinion**
In our opinion, except for the above, the financial statements present fairly the financial position of the plan at the reporting date and the results of its operations for the reporting period in accordance with the accounting policies detailed in the Notes to the accounts.

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Michael Faulkner CPA
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27 March 2014

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## NOTES TO AND FORMING PART OF THE ACCOUNTS

### Note 1 – Accounting policy

This is not a general purpose financial report. It is a special purpose report prepared for the Owners of the Plan to enable compliance with the requirement of Section 106(1) of the Strata Schemes Management Act 1996 as amended, to prepare financial statements.

As the Plan is not a Reporting Entity, there is no requirement to prepare accounts in accordance with all Accounting Standards and other mandatory professional reporting requirements (Urgent Issues Group Consensus Views). Accordingly, no such standards or other mandatory professional reporting requirements have been applied.

The accounts have been prepared in accordance with conventional historical cost principles, together with the basic concepts of a going concern. The accounts have not been adjusted for changes in the general purchasing power of the dollar and for changes in the price of specific assets.

### Note 2 – Accounting for income & expenses

The accrual basis of accounting is applied to all levies and interest on arrears. Levies are brought to account as income when the levy is due and payable. This potentially means levy income contains the fourth quarter of the previous year and three quarters of the levies in the budgeted year, paid or *owing* by unit owners. Any other income and all expenditure is accounted for on a cash basis and is brought to account when the income is received or the expense paid, except where otherwise stated.

### Note 3 – Interest received

Ordinary bank interest is allocated to the Administrative Fund. Investment interest (if any) is allocated to the Sinking Fund.

### Note 4 – Income tax expenses

Where there is investment income, all taxation expenses are allocated to the Sinking Fund.

### Note 5 – Administrative fund deficit

It is noted as at year end the Plan's Administrative Fund is in deficit. This financial position should be rectified as required and appropriate to the Plan's operating requirements.

### Note 6 – Receivables other

Although the financial statements have been prepared primarily on a cash basis, an amount has been accrued for reimbursement of water expenses from SP 301.

### Note 7 – Receivable Insurance Claims

During the year an insurance repair expense was incurred. This has been moved to the asset 'receivable insurance claims' and will be moved back to expenses in the new financial year to match its receipt.

### Note 8 – Prepaid expenses

Although the financial statements have been prepared primarily on a cash basis, an amount has been accrued for prepayments of the fire protection contract.

### Note 9 – Accrued expenses

Although the financial statements have been prepared primarily on a cash basis, an amount has been accrued for electricity, lawns & gardening, compactor maintenance, fire protection and phone expenses.

### Note 10 – Special levies

During the year a special levy of $477,272+GST was approved for the cost of capital expenditure.