

Annual Report 2010

The Insolvency Practitioners Association of Australia (IPA) is the leading professional body for those who specialise in business reconstruction and corporate and personal insolvency as well as for those who support and interact with practitioners.

Insolvency Practitioners Association of Australia, ABN 28 002 472 362



IPA

building professional excellence



Membership of the IPA is recognition of an individual's own commitment to professional excellence and a signal of support for the industry.

Our values:

- Integrity
- Transparency
- Accountability
- Technical proficiency

About the IPA

The IPA's aim is to build *professional excellence*, achieved by our members' commitment to the highest standards of professional and ethical conduct and through their adherence to our code of professional practice, continuing education requirements and other obligations of a member. We work cooperatively with regulators and consult with our members to ensure that Australia continues to have a world leading insolvency regime.

We are governed by a Board of Directors with members elected by each of five IPA Divisional Committees. The Board also includes representatives of two of our foundation bodies, the Institute of Chartered Accountants in Australia (ICA) and CPA Australia.

IPA members include registered insolvency practitioners – liquidators and trustees in bankruptcy – and their partners and employees, legal practitioners working in business reconstruction and insolvency, service providers to the insolvency sector, bankers, other financiers and investors, and insolvency related academics. We also have a considerable number of student members.



| | |
|--|----|
| Report from the President | 2 |
| Report from the CEO | 5 |
| Association Governance | 8 |
| Division Committees | 9 |
| Member Conduct and Discipline. | 10 |
| | |
| Directors' Report | 11 |
| Independent Audit Report. | 15 |
| Directors' Declaration. | 16 |
| Statement of Comprehensive Income . . | 17 |
| Statement of Financial Position | 18 |
| Statement of Changes in Equity | 19 |
| Statement of Cash Flows | 20 |
| Notes to the Financial Statements | 21 |
| Auditor's Independence Declaration under Section 307C of the Corporations Act 2001 | 28 |

Annual Report



Report from the President



Mark Robinson
President

On behalf of the Board, I present the IPA's 2010 Annual Report.

Major Achievements

2010 saw us complete a number of key strategic projects, particularly in relation to member discipline and quality assurance, that led to changes to our Constitution and Regulations at the May Annual General Meeting, and to the release of the second edition of our Code of Professional Practice in December.

We also finalised a review of our membership structure, introducing a new category of Associate Member for IEP Graduates, and offering the opportunity for IIP Students to continue their student membership beyond their year of enrolment in the program. Both of these changes came into effect at the beginning of 2011.

We recommended to Members a change to our Constitution to enable the Board to grant an exemption from some of our strict membership criteria, where the standing and reputation of the applicant warrants it. This change was also adopted at the 2010 AGM.

Representation and liaison

The year also saw us undertake a record level of government relations activity, dominated by the task of responding to and participating in the Senate Inquiry, but also involving the preparation of 15 other submissions to various policy makers and regulators, along with the maintenance of our ongoing liaison program.

In preparing these submissions, we worked closely with a number of allied associations, including the Law Council of Australia, TMA Australia, the Australian Banking Association, the Institute of Chartered Accountants and CPA Australia, in some cases preparing and lodging joint submissions.

The importance of this high level of involvement in insolvency related research and policy development in Australia cannot be overstated, and the benefits to IPA members of the opportunity to contribute to and comment on the regular improvement to Australia's insolvency regimes is profound. But the impact of this work by the IPA is far broader than the interests of IPA members or even of the wider insolvency profession. All areas of the economy and all those affected by insolvency events stand to benefit from Australia's ongoing review and reform of insolvency laws and practice, and the IPA is proud to play a key role in this process.

Closely linked to our activities on the Senate Inquiry, we continued to pursue the implementation of a cohesive media strategy with the aim of enhancing the public's perception of the insolvency profession, the IPA and our members. The results of the Member Survey that are discussed below provide some indication that we are progressing well towards reaching this very challenging goal.

Financial Performance

Both the cost of the Senate Inquiry activity and the easing of enrolments across our education programs – which dropped back after the 2009 recruitment surge prompted by the GFC – put pressure on our financial performance over the year. After absorbing \$86,678 in costs directly associated with the Senate Inquiry, the result was an operating loss of \$7,749 compared with a budgeted surplus of \$62,890, yielding a profit after tax of \$11,308.

In our 2010 accounts we have restated our income for 2009, to include \$100,300 in contributions to the Terry Taylor Scholarship Fund. This restatement follows a change to the accounting treatment of these contributions, based on advice from our Auditor.

Membership Growth

Our member numbers increased by just 3 percent in 2010 over 2009, to be 1,299, with 95 percent of Members and 91 percent of Associate Members in 2009 renewing their membership for 2010.

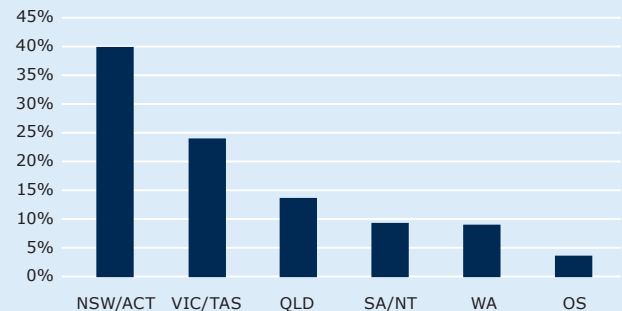
Our penetration of the registered practitioner cohort rose slightly in 2010 in relation to Liquidators, being 79 percent, compared with 78 percent in 2009, and was very slightly down in relation to Trustees at 88 percent compared with 89 percent the previous year.

Membership Feedback

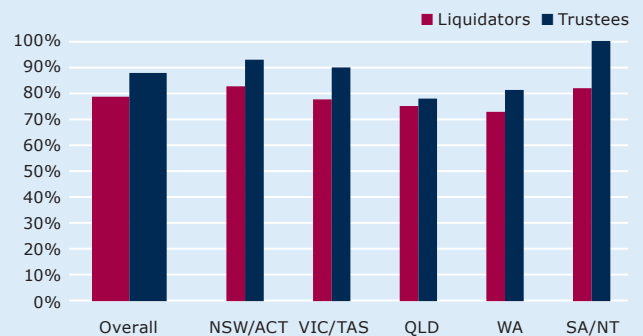
The results of our Annual Member Satisfaction Survey for 2010, conducted by Beaton Consulting, were particularly strong, with the IPA performing significantly above the benchmark set on a number of key drivers of Member Engagement. In particular, members scored the IPA's performance highly in areas of:

- ▶ Providing leadership in the field
- ▶ Representing members' interests in the media and to government
- ▶ Providing access to information that assists the member in performing their role

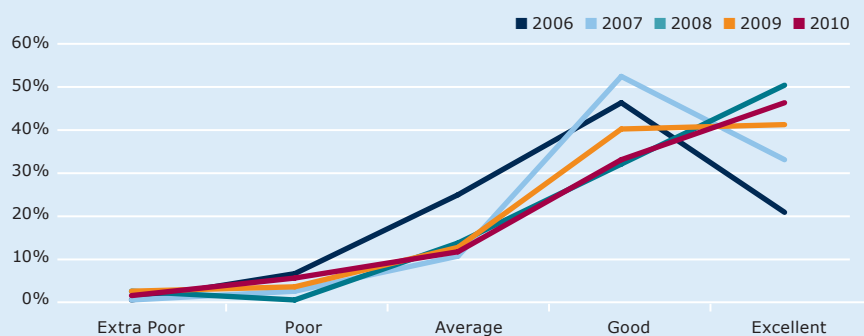
IPA Members by Division



IPA – Member Penetration



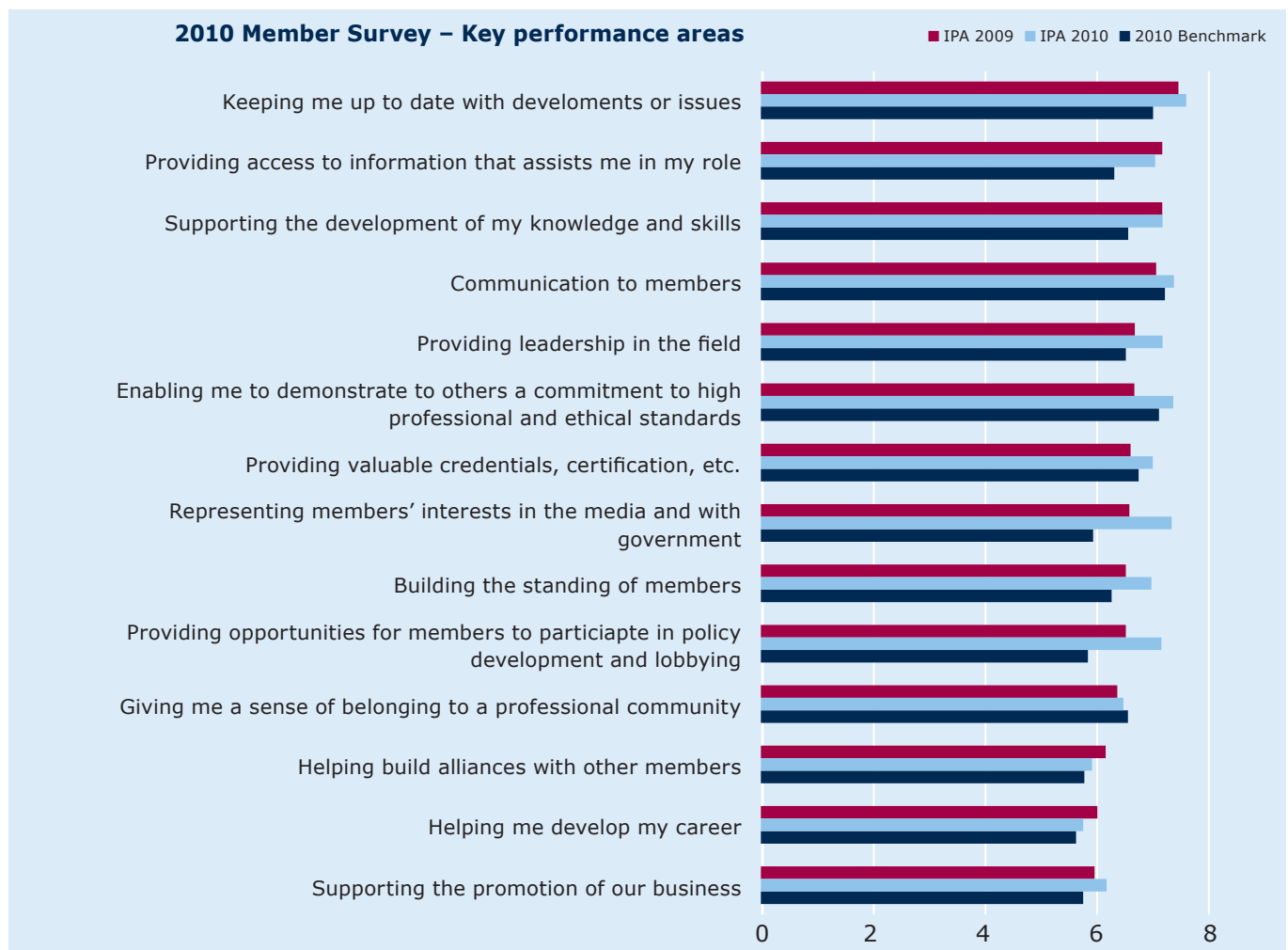
IPA Member Satisfaction 2006-2010



Report from the President *continued*



The IPA's score for overall performance was unchanged from the previous year, but there were significant increases in performance in building the standing of our members, communicating to members, providing leadership in the field, providing opportunities for members to participate in policy development or advocacy activities, providing valuable credentials and representing members' interests in the media and to government.



There were no significant decreases in performance in any area.

The IPA's significant achievements in 2010 would not have been possible without a very high level of contribution from our membership. In particular, our pursuit of professional excellence relies heavily on the substantial efforts of our many volunteers – in presenting to our varied conferences, study forums and seminars, leading IEP workshops, serving on Divisional and Board Committees, and on liaison groups, and providing feedback to our Committees, the Board and our IPA staff on the very broad range of professional and technical insolvency matters that we are called on to address.

I would particularly like to acknowledge the contribution of the IPA Board and staff for their support and hard work throughout 2010.

Mark Robinson
President

Report from the CEO



A year of intense activity

The 2010 year was a particularly busy one for the IPA, dominated in large part by our activities related to the Senate Inquiry into Insolvency. Electing to see the Inquiry as an opportunity for further improvement to Australia's already robust and well regarded insolvency regime, the IPA staff, Board and members dedicated substantial effort, expertise and financial resources to ensuring that the opportunities presented by the Inquiry would be maximised.

We sought, through our submissions, briefings and evidence to the Inquiry to inform and educate the government and the community about:

- the value of insolvency practitioners and their role in managing corporate collapses

- their high standards of professional conduct in relation to independence and fees
- reforms adopted by the profession and their impact on the corporate landscape
- the way the profession deals with practitioner misconduct and malpractice

Taking the view that whatever change came about should seek to support community confidence in the insolvency regime and profession, we recommended a number of important areas to the Committee for their consideration. These included:

- improved supervision of unincorporated associations in insolvency
- improved information for stakeholders
- improved insolvency statistics

- consideration of an insolvency ombudsman
- possible changes to the registration, monitoring and disciplining of registered liquidators
- appropriate resourcing of ASIC
- speedier, more cost-effective processes for review of liquidators' fees

The Committee's report was tabled in the Senate in September 2010, and as this report is finalised, we anticipate seeing the government's response to its recommendations in the near future.

In addition to our work on the Inquiry, we maintained regular liaison activities, and lodged a record number of submissions on key insolvency topics over the year.

| Topic of submission | To whom |
|---|---|
| Phoenix and tax reforms | Treasury |
| Insolvent trading guide | ASIC |
| PPS – including Corporations Act changes | Department of the Attorney-General |
| ITSA remuneration regulations, Bankruptcy Act changes | Department of the Attorney-General |
| Security for costs | NSW Law Reform Commission |
| Co-operatives law | NSW Department of Fair Trading |
| Sons of Gwalia | Treasury |
| Civil Dispute Resolution Act 2011 | Department of the Attorney-General |
| <i>National Consumer Credit Protection Act 2009</i> | Treasury |
| Work Health and Safety Bill 2011 | Department of Education, Employment and Workplace Relations (DEEWR) |
| APES 330 | Accounting Professional & Ethical Standards Board (APESB) |
| Personal/corporate insolvency | Productivity Commission |
| Insolvent trading | Treasury |
| APES 310 – Dealing with client monies | Accounting Professional & Ethical Standards Board (APESB) |
| Tax Agent Registration | Treasury |

Financial Performance

Our financial result in 2010 was a profit after tax of \$11,308, and an operating loss of \$7,749, compared with a budgeted surplus of \$62,890. This result was significantly affected by the cost of responding, on your behalf, to the requirements of the Senate Inquiry into the profession, and by a greater than anticipated drop in Education revenue and margins over the year.

The Senate Inquiry was announced in late November 2009, and our 2010 budget allowed for Inquiry costs of \$52,500. It is of course extremely difficult to predict the extent of the activity that will be required by a project such as this, and the total financial cost of the project in 2010 was \$91,020, \$38,520 more than allowed for in the budget.

Total revenue for the year was \$1,808 over budget. While IEP Revenues were \$22,277 above budget, other Education revenues were \$64,486 below budget, due

to a drop off in demand for the Introductory Insolvency Program and the s 439A Report course. Overall, Education revenues were \$42,209 below budget, and Events Revenue \$8,914 below budget, offset by better than budgeted Advertising and Sponsorship revenues, \$16,721 above, and Interest income, \$42,008 above budget.

Notwithstanding the small drop in education revenues in 2010, this remains our strongest area of revenue, contributing 46 percent of total income (48 percent in 2009).

We faced increased prices in our largest Cost of Sales areas, with Education COS being \$34,127 over budget and Events \$20,152 over budget. Publications Cost of Sales were \$6,250 below budget. Above budget expenses included Consulting \$21,310, Media \$9,819 and Travel \$25,898, all affected by Senate Inquiry costs, and Board expenses that were \$5,267 over

budget, due to an additional Strategy meeting in September.

Staff Costs were \$19,151 below budget and other expenses \$18,726 less than budgeted. Overall, expenses for the year were \$24,417 above budget.

Professional Development Activities

Over the year, and alongside the extensive activity associated with the Senate Inquiry, the IPA maintained its level of professional development activities for members and others in the profession. As well as our very successful National Conference – hosted in 2010 by the South Australia/ Northern Territory Division in Adelaide, Divisional Conferences and Seminars and Lenders Group Events, we maintained a full schedule of monthly study groups and forums, and further increased our activities for our Young Professionals groups in Melbourne, Sydney and Adelaide.

Table #: IPA Income 2006-2010

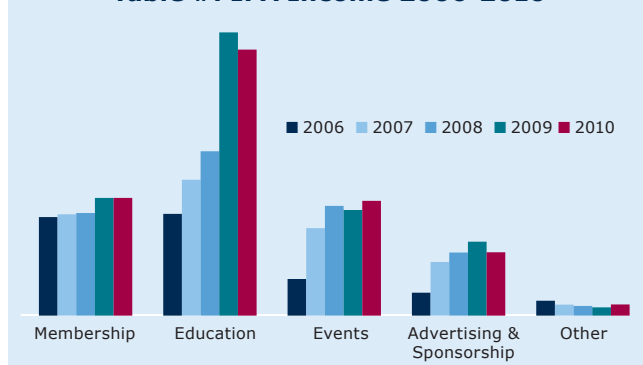
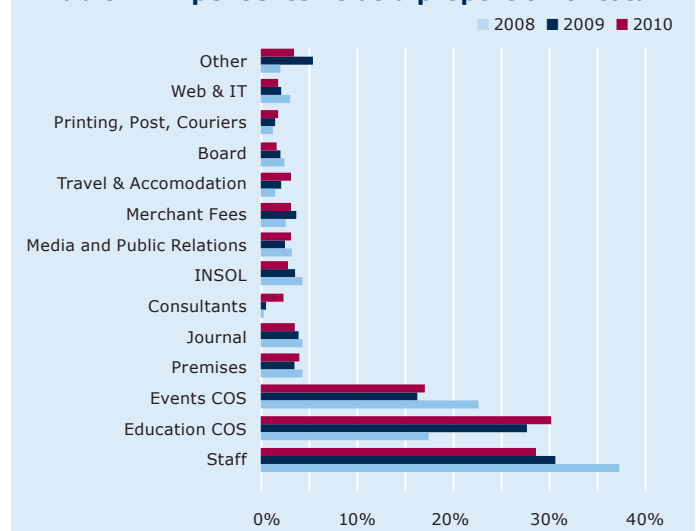


Table #: Expense items as a proportion of total



IPA Board and Committees

Following the retirement of Bill Fletcher from the IPA Board in June, the Queensland Division appointed John Park, of KordaMentha, to fill the casual vacancy that resulted.

The Board undertook a strategic review in September 2010, concluding that while the Association was well positioned to meet the needs of members and to represent their interests in important forums, there are opportunities to increase our membership and to broaden our range of professional development offerings to better meet the needs of practitioners throughout their professional career.

In addition, the Board believes we are at an ideal point to focus on:

- ▶ enhancing the IPA brand and profile;
- ▶ continuing to develop the IPA's education offerings;
- ▶ further strengthening our relationship with the regulators and government; and
- ▶ to continue to deliver more effective member discipline and quality assurance programs.

The Board's Committees, membership of which is set out in full elsewhere in this report, continued to make substantial contributions to the IPA's pursuit of its mission of building professional excellence.

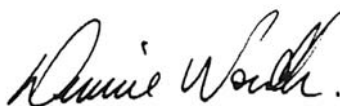
A strong and stable team

There was one change to the IPA staff in 2010, following the resignation of Ingrid Arndt in March. Deidre Stark joined us as our new Membership Manager shortly afterwards.

The core team of IPA, supplemented from time to time by temporary assistance in data processing, and in education and general administration, is:

- ▶ Kim Arnold
Technical Director
- ▶ Leanne Carter
Marketing and Publications Manager
- ▶ Natalie Cernigoi
Education Manager
- ▶ Michael Murray
Legal Director
- ▶ Parissay Oudomvilay
Accountant
- ▶ Jennifer Robertson
Event Manager
- ▶ Deidre Stark
Membership Manager

The scope and quality of the team's output remained at a very high standard through 2010, notwithstanding the significant additional responsibilities and pressures that were the inevitable result of the year's activities, and I thank them all for their professionalism and commitment.



Denise North
Chief Executive

The Board met on six occasions in 2010, two of which were via teleconference in April for the purposes of reviewing and approving the 2009 Annual Accounts and Directors report. Regular Board meetings were held in February, May, August and November.

In addition, the Board met less formally in September to conduct a three-year strategic review.

Board Committees during the year were as follows:

Finance Committee

David Lombe (Chair)

David Kerr, Derrick Vickers

The Finance Committee met throughout the year on a monthly basis, predominantly via teleconference. The Committee reviewed monthly and quarterly financial reports, and the financial impact of the member database and website project and provided advice to the Chief Executive on financial accounting and reporting.

Governance Committee

Paul Cook (Chair)

John Melliush, Bill Fletcher

(January to June 2010)

The Governance Committee met as required over year, on some occasions jointly with the Discipline Review Committee. It reviewed the proposed changes to the IPA Constitution and Regulations, and was responsible for succession planning in the IPA Board and Executive.

Membership Committee

John Melliush (Chair)

John Lindholm, David Kerr,

Scott Atkins

The Membership Committee met as required over the year, and was responsible for developing and recommending to the Board the membership related changes to the IPA Constitution in May 2010 and the adoption of the additional categories of Associate Member than came into effect in January 2011.

Discipline Review Committee

Robyn Erskine (Chair)

David Lombe, Michael Hughes, John Lindholm, Ross McClymont, Mike McCann

The Discipline Review Committee met on numerous occasions over the year, on some occasions together with the Governance Committee, initially to develop and recommend changes to our Member Discipline regime, and the resulting changes to the IPA Constitution and subsequently to develop detailed changes to the IPA Regulations and Member Discipline processes.

Quality Assurance Committee

Bill Fletcher (Chair, until June 2010)

Mark Robinson, Derrick Vickers, John Melliush, Chris Powell, David Kerr, Peter Macks, John Park

The Committee met infrequently during 2010, as its project had been near completion at the end of 2009. The Committee continues to be responsible for monitoring the progress of our current work with the Institute of Chartered Accountants and CPA Australia to increase the frequency and standard of Quality Assurance Reviews for insolvency practitioners.

Professional Conduct Committee

Mark Robinson (Chair)

Robyn Erskine, David Lombe, Michael Hughes, Denise North

The PCC meets as required when a matter is referred to it by the National Secretary. It was not required to convene during 2010.

Division Committees



The role of the IPA Divisional Committees is to review all applications for IPA membership before they are submitted to the Board for consideration; nominate members of the IPA Board; provide a co-ordination and liaison point in each Division for IPA National Office with regard to events and education; and assist in developing the program for the Division's Annual Conferences.

In 2010, membership of our five Divisional Committees was:

| West Australia Division | |
|---|-----------------------------|
| Cameron Belyea | Clayton Utz |
| Mark Englebert | Taylor Woodings |
| Chris McLeod | Norton Rose |
| Russell Morgan | KordaMentha |
| Cliff Roche | KordaMentha |
| Andrew Saker | Ferrier Hodgson |
| Vince Smith | Ernst & Young |
| Derrick Vickers | PwC |
| Vic Yaschenko | National Australia Bank |
| South Australia/Northern Territory Division | |
| Sam Davies | McGrathNicol |
| Bruce Debenham | Rural Bank Limited |
| Martin Lewis | Ferrier Hodgson |
| Peter Macks | PPB Advisory |
| Chris Munday | Ernst & Young |
| Arnie Narayan | Travancore Legal & Advisory |
| Chris Powell | KordaMentha |
| Alan Scott | BRI Ferriers |
| Stephen Williams | Norman Waterhouse |
| Queensland Division | |
| John Cronin | McGrathNicol |
| Bill Fletcher | Bentleys |
| John Greig | Deloitte |
| Phil Jefferson | Jefferson Advisors |
| John Lobban | Blake Dawson |
| Mike McCann | Grant Thornton |
| Greg Moloney | Ferrier Hodgson |
| David O'Farrell | Minter Ellison |
| John Park | KordaMentha |
| Mark Pearce | Pearce & Heers |
| Peter Schmidt | Norton Rose |

| Victoria/Tasmania Division | |
|--|------------------------|
| Paul Cook | Paul Cook & Associates |
| Jim Downey | JP Downey & Co |
| Robyn Erskine | Brooke Bird |
| John Lindholm | Ferrier Hodgson |
| Stephen Longley | PPB Advisory |
| Ross McClymont | Blake Dawson |
| Robyn McKern | McGrath Nicol |
| Rod Slattery | PPB Advisory |
| Simon Wallace-Smith | Deloitte |
| New South Wales /Australian Capital Territory Division | |
| Scott Atkins | Henry Davis York |
| Michael Brereton | KordaMentha |
| Anthony Elkerton | Pitcher Partners |
| Peter Harrison | Kemp Strang |
| Michael Hughes | Minter Ellison |
| David Kerr | RSM Bird Cameron |
| Andrew Needham | HLB Mann Judd |
| Scott Pascoe | PPB Advisory |
| Mark Robinson | PPB Advisory |

Member Conduct and Discipline



The IPA plays a key role in the maintenance of high standards of professional and ethical conduct throughout the insolvency profession. Two key elements of that role are our investigation of complaints against IPA members, and our Member Discipline program.

Complaints

In 2010 we received 34 complaints about members. Of these, six concerned personal insolvency administrations, 26 corporate, and two involved the personal conduct of practitioner unrelated to a particular administration.

The table below compares figures over the last two years:

| | | 2009 | 2010 |
|-----------------|------------|------|------|
| Received | | 37 | 34 |
| Resolved | Upheld | 8 | 2 |
| | Not upheld | 27 | 27 |
| Pending | | 2 | 5 |

Of the 34 complaints received:

- most concerned the administration of an insolvency – income assessment decisions made against a bankrupt, treatment of an employee claim, conduct of a voluntary administration, conduct of litigation by the practitioner against the complainant, a dispute about mail redirection, a rejection of a proof of debt, a tax dispute, delay, lack of notice, dealings with assets, and a sale of assets by a receiver;

- four concerned complaints about remuneration and allegedly high costs; and
- two concerned practitioner independence issues.

Although some complaints were upheld, none was of a nature serious enough to require progression to IPA disciplinary proceedings.

Processes

The processes of complaints handling are set out in the IPA Constitution and the Regulations.

Although the IPA will investigate and determine a complaint or concern even though there may be court action pending, in many cases the litigation of the complaint by the complainant against the practitioner will cause the IPA to await the outcome. In fact, the substance of some complaints made to the IPA is more appropriately determined by legal action. This explains why a small number of matters from 2009 and 2010 remain pending.

Concerns

The IPA has a similar process in relation to 'concerns' that is, where an issue relating to a Member's conduct is brought to the IPA's attention other than by a complaint, for example from media reports, current court proceedings, or external action taken by ASIC or ITSA.

Given that our ability to investigate concerns only commenced with the change in the IPA Constitution in May 2010, we do not present a comparative table. In general terms, the concerns we are monitoring or investigating include:

- court action taken by a regulator against a member in relation to their non-insolvency role
- compliance with regulator undertakings
- judicial comment about a member.

Member Discipline

During 2010, the Board of the IPA took Disciplinary action against two members. In both cases, these actions were triggered by the practitioners' registration being suspended by the relevant regulatory authority.

In February, ASIC suspended for eighteen months the registration of Victorian Liquidator and IPA Member Mr Dean McVeigh, following an order by the Companies Auditors and Liquidators Disciplinary board (CALDB). As a result, Mr McVeigh's membership of the IPA was suspended automatically for the same period.*

The registration as a Trustee in Bankruptcy of IPA Member Mr Des Ryan, also from Victoria, ceased on 1 September 2010, following a consent order by the Administrative Appeals Tribunal. As a result, Mr Ryan's membership of the IPA was terminated automatically in the same month.

* Sadly Mr McVeigh passed away in August 2010.

Directors' Report

31 December 2010



Your Directors present their report on the company for the financial year ended 31 December 2010.

1. General Information

Principal Activities

The principal activity of Insolvency Practitioners Association of Australia during the financial year was being a professional association.

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

2. Business Review

a) Operating Results

The profit of Insolvency Practitioners Association of Australia after providing for income tax amounted to \$11,308 (2009: profit of \$187,772).

The operating result before tax is a loss of (\$7,749), which is \$70,638 below the budgeted surplus of \$62,890.

b) Dividends Paid or Declared

This is a company limited by guarantee and is prohibited from making distributions to Members.

3. Description of short and long term objectives

The IPA's objectives are to:

- ▶ promote and maintain high standards of practice and professional conduct by members
- ▶ promote the character and status of and advance the profession of, insolvency practitioners
- ▶ promote the study of bankruptcy, insolvency and related law, and provide a forum for the consideration and discussion of insolvency related matters
- ▶ make representations to government on all matters affecting the practice of Registered Trustees in Bankruptcy and Registered Liquidators, and on the law concerning bankruptcy, insolvency and related matters.

4. Strategy for achieving objectives

Key strategies for the achievement of these objectives in 2010 were:

- ▶ Finalisation of the IPA's member discipline project
- ▶ Finalising the review of the IPA's Code of Professional Practice, and publication of the second edition
- ▶ Working with Foundation Bodies to enhance quality assurance reviews of member practices
- ▶ Reviewing the Association's membership structure to support increased recruitment and retention
- ▶ Participating in and responding to the Senate Economics References Committee's Inquiry into Liquidators and Administrators

5. Contribution of Principal activities to achievement of these objectives

Principal activities during the year have focused on the IPA's key strategies, and on the maintenance and development of our core membership, education and professional event activities.

Other Items

a) Significant Changes in State of Affairs

No significant changes in Insolvency Practitioners Association of Australia's state of affairs occurred during the financial year.

b) After Balance Day Events

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

c) Auditors Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out at page 30.

d) Environmental Regulations

The company's operations are not regulated by any significant environmental regulations under Australian Law.

6. Director Information

Information on Directors and Attendance

| Director | Qualifications | Sub-Committees | Board Meetings Attended |
|--|--|---|-------------------------|
| Scott Andrew Atkins NSW/ACT | B.Ec LLB, LLM, IPAA, Fellow – INSOL International Partner – Henry Davis York | Membership | 4 of 6 |
| Paul John Cook Vic/Tas | B.Ed, FCA, IPAA, AICD Principal – Paul Cook & Associates Official Liquidator – 1992 Registered Trustee – 1990 | Professional Conduct Governance ATO Liaison | 6 of 6 |
| Robyn Erskine CPA Representative | B.Bus, FCPA, CA, IPAA Partner – Brooke, Bird & Co Official Liquidator – 1993 Registered Trustee – 1992 | Professional Conduct Discipline Review ASIC, ATO, Treasury Liaison | 5 of 6 |
| William John Fletcher QLD <i>Resigned 27 May 2010</i> | B.Com, FCA, IPAA Partner – Bentleys MRI Official Liquidator – 1991 Registered Trustee – 1986 | Professional Conduct Quality Assurance ASIC Liaison | 3 of 4 |
| Michael Richard Hughes NSW/ACT | B.Ec LLB, IPAA, Law Institute Partner –Minter Ellison | Professional Conduct Discipline Review ASIC, Treasury Liaison | 6 of 6 |

Directors' Report *continued*

31 December 2010



6. Director Information *(continued)*

Information on Directors and Attendance

| Director | Qualifications | Sub-Committees | Board Meetings Attended |
|---|--|--|--|
| David John Kerr NSW/ACT | Grad Dip Adv Acctg, B.Bus (Accy) Partner – RSM Bird Cameron CA, CPA, IPAA Official Liquidator – 2002 Registered Trustee – 1997 | Education Strategy Quality Assurance AIJ Advisory Board Membership Finance Treasury Liaison | 3 of 6 <i>(Michael Brereton attended the November meeting as Mr Kerr's Alternate)</i> |
| John Lindholm VIC/TAS | B.Econ, CA Partner – Ferrier Hodgson Official Liquidator – 2005 Registered Liquidator – 1997 | Discipline Review Membership | 5 of 6 |
| David Lombe ICA Representative NSW/ACT | B.Com, CA, IPAA, AICD, JP Partner – Deloitte Official Liquidator – 1993 Registered Trustee | Discipline Review Professional Conduct Finance ASIC, Treasury Liaison | 6 of 6 |
| Peter Ivan Macks SA/NT | B.Econ, CA, CPA, AICM, IPAA Partner – PPB Advisory Official Liquidator – 1992 Registered Trustee – 1993 | Quality Assurance ATO Liaison | 6 of 6 |
| Michael Gerard McCann QLD | B. Econ, CA, IPAA Director – Grant Thornton Australia Limited Official Liquidator – 2001 Registered Liquidator - 1998 | Discipline Review ATO Liaison | 5 of 6 |
| Ross Whyte McClymont VIC/TAS | LLB, B.Com, Law Institute of Victoria, IPAA Partner – Blake Dawson | Discipline Review | 5 of 6 |
| John Richard Park QLD <i>Appointed 27 May 2010</i> | B.Bus, CA, IPAA Partner – KordaMentha Official Liquidator – 2003 Registered Trustee – 2001 | Quality Assurance Membership | 2 of 2 |
| Mark Julian Robinson NSW/ACT | B.Com (Merit), M.Econ, FCA, CPA, IPAA Partner – PPB Advisory Official Liquidator – 2005 Registered Trustee – 1998 | Professional Conduct Quality Assurance ITSA, Treasury Liaison | 6 of 6 |
| Derrick Vickers WA | B.Bus Acc/BLT, CA, IPAA Partner – PricewaterhouseCoopers Official Liquidator – 2004 | Quality Assurance Finance | 3 of 6 |

Directors' Report *continued*

31 December 2010



6. Director Information *(continued)*

Information on Directors and Attendance

| Director | Qualifications | Sub-Committees | Board Meetings Attended |
|----------|----------------|----------------|-------------------------|
|----------|----------------|----------------|-------------------------|

Company Secretary

| | | | |
|---------------------------|-------------------------------|-------------------------------------|--------|
| Denise Maree North | B.Ec (Hons), MBA, FIACD, FAIM | Finance Membership Governance | 6 of 6 |
|---------------------------|-------------------------------|-------------------------------------|--------|

Invited Directors *(non-voting invitees, including past presidents who attend board meetings to advise and counsel)*

| | | | |
|---|---|---|--------|
| John Melluish Former IPAA President | B. Econ, CA, IPAA Partner – Ferrier Hodgson Official Liquidator – 2005 Registered Trustee – 1997 | Quality Assurance Governance Membership ASIC, INSOL International Liaison | 3 of 6 |
| Christopher Robert Powell SA/NT | B.Bus, FCA, IPAA Partner – KordaMentha Official Liquidator – 1999 Registered Liquidator – 1996 | Quality Assurance | 5 of 6 |

Alternate Directors

| | | | |
|---|--|--|--------|
| Michael Brereton NSW/ACT <i>Alternate for David Kerr</i> | B. Com, B. Com (Honours), H Dip Company Law, CA, MBA, IPAA Executive Director – KordaMentha Registered Liquidator – 2004 | | 1 of 1 |
|---|--|--|--------|

Signed in accordance with a resolution of the Board of Directors

MJ Robinson
11 April 2011

DJF Lombe
11 April 2011

Independent Audit Report



Suite 2404
Level 24 MLC Centre
19-21 Martin Place
Sydney 2000

K.S. Black & Co.

ABN 57 446 398 808

Level 1, 460 Church Street
North Parramatta NSW 2151
PO Box 2210
North Parramatta NSW 1750

Scope

We have audited the financial report of the Insolvency Practitioners Association of Australia for the financial year ended 31 December 2010 as set out on pages 18 to 29.

The company's directors are responsible for the financial report. We have conducted an independent audit of this 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 Accounting 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.

Independence

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

In accordance with ASIC Class Order 05/83, we declare to the best of our knowledge and belief that the auditor's independence declaration as set out in the financial report has not changed as at the date of providing our audit opinion.

Audit Opinion

In our opinion, the financial report of the Insolvency Practitioners Association of Australia is in accordance with the Corporations Act 2001, including:

- (i) giving a true and fair view of the company's financial position as at 31 December 2010 and of its performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards (including Australian Accounting Interpretations) and the Corporations Regulations 2001.

KS Black & Co
Chartered Accountants

Stuart H Cameron
Partner

Dated at Sydney: 11 April 2011

Phone 02 8839 3000
Fax 02 8839 3055



Liability limited by a
scheme approved
under Professional
Standards Legislation



**Chartered
Accountants**

Directors' Declaration



The Directors of the company declare that:

1. the financial statements and notes, as set out on pages 19 to 29, are in accordance with the Corporations Act 2001 and:
 - (a) comply with Australian Accounting Standards and the Corporations Regulations 2001; and
 - (b) give a true and fair view of the financial position as at 31 December 2010 and of the performance for the year ended on that date of the company.
2. in the Directors' opinion, 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.

A handwritten signature in black ink, appearing to read 'MJ Robinson'.

MJ Robinson
11 April 2011

A handwritten signature in black ink, appearing to read 'DJF Lombe'.

DJF Lombe
11 April 2011

Statement of Comprehensive Income

For the year ended 31 December 2010



| | Note | 2010 \$ | 2009 \$ |
|--|------|--------------------|--------------------|
| Revenue | 2 | 3,241,814 | 3,248,118 |
| Expenses | | | |
| Accounting fees | | (3,485) | (5,192) |
| Auditors remuneration | | (10,006) | (13,312) |
| Consultants | | (70,310) | (11,500) |
| Depreciation | | (26,434) | (41,310) |
| Employee costs | | (949,376) | (934,348) |
| Rent and facilities | | (115,446) | (103,919) |
| Printing and postage | | (47,776) | (39,044) |
| Travel and accommodation (Board) | | (53,825) | (53,327) |
| Travel and accommodation | | (57,643) | (44,769) |
| Education and training | | (976,488) | (858,862) |
| Events expenses | | (531,314) | (510,810) |
| Journal expenses | | (101,787) | (114,599) |
| Bank and merchant fees | | (64,748) | (70,320) |
| INSOL fees | | (67,484) | (81,694) |
| INSOL travel and accommodation | | (9,999) | (33,840) |
| Media, marketing and promotion | | (66,019) | (40,396) |
| Telephone and fax | | (14,100) | (12,937) |
| Terry Taylor Scholarship Award | | (10,000) | - |
| Entertainment | | (718) | (1,325) |
| Legal fees | | (2,426) | (9,014) |
| IT, website and projects | | (47,072) | (49,521) |
| Other expenses | | (23,107) | (29,796) |
| Expenses | 3 | (3,249,563) | (3,059,633) |
| Profit/(loss) before income tax | | (7,749) | 188,486 |
| Income tax benefit/(expense) | 4 | 19,057 | (713) |
| Profit/(loss) attributable to members | | 11,308 | 187,772 |

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

Statement of Financial Position

As at 31 December 2010



| | Note | 2010 \$ | 2009 \$ |
|--|------|------------|------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | 5 | 1,229,360 | 1,225,412 |
| Trade and other receivables | 6 | 87,345 | 71,398 |
| Inventories | | 167,704 | 16,051 |
| Total current assets | | 1,484,409 | 1,312,861 |
| Non-current assets | | | |
| Property, plant and equipment | 7 | 79,890 | 53,941 |
| Deferred tax assets | 8 | 22,046 | 33,376 |
| Total non-current assets | | 101,936 | 87,316 |
| TOTAL ASSETS | | 1,586,345 | 1,400,178 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Trade and other payables | 9 | 703,653 | 585,160 |
| Provisions | 10 | 37,262 | 45,886 |
| GST Payable | | 12,262 | 19,820 |
| Income tax | | 0 | 713 |
| Total current liabilities | | 753,177 | 651,579 |
| Non-current liabilities | | | |
| Other long-term provisions | 10 | 15,311 | 12,675 |
| Total non-current liabilities | | 15,311 | 12,675 |
| TOTAL LIABILITIES | | 768,488 | 664,255 |
| NET ASSETS | | 817,857 | 735,923 |
| MEMBERS' ACCUMULATED FUNDS | | | |
| Accumulated funds | | 817,857 | 735,923 |
| MEMBERS' ACCUMULATED FUNDS | | 817,857 | 735,923 |

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

Statement of Changes in Equity

For the year ended 31 December 2010



| | Note | Accumulated Funds \$ |
|---|------|----------------------------|
| 2009 | | |
| Balance at 1 January 2009. | | 548,151 |
| Profit attributable to members. | | 187,772 |
| Balance at 31 December 2009. | | 735,923 |
| End of Year Adjustments | 11 | 70,626 |
| Adjusted Balance as at 31 December 2009. | | 806,549 |
| 2010 | | |
| Balance at 1 January 2010. | | 806,549 |
| Profit attributable to members. | | 11,308 |
| Balance at 31 December 2010. | | 817,857 |

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

Statement of Cash Flows

For the year ended 31 December 2010



Note

| | 2010 \$ | 2009 \$ |
|--|------------------|------------------|
| Cash from operating activities: | | |
| Receipts from operating activities | 3,114,204 | 3,647,840 |
| Interest received | 67,278 | 31,294 |
| Payments to suppliers. | (2,175,774) | (1,891,649) |
| Employee costs | (949,376) | (934,348) |
| Net cash provided by (used in) operating activities | 56,332 | 853,138 |
| Cash flows from investing activities: | | |
| Acquisition of plant and equipment. | (52,384) | (5,959) |
| Net cash provided by (used in) investing activities. | (52,384) | (5,959) |
| Net increase (decrease) in cash and cash equivalents held | 3,948 | 847,179 |
| Cash and cash equivalents at beginning of financial year. | 1,225,412 | 378,233 |
| Cash and cash equivalents at end of financial year | 1,229,360 | 1,225,412 |

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

Notes to the Financial Statements



For the year ended 31 December 2010

1. Statement of Significant Accounting Policies

(a) General Information

The financial report is a general purpose financial report that has been prepared in accordance with Accounting Standards, Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board.

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

(b) Basis of preparation

Reporting Basis

The financial report has been prepared on an accruals basis and is based on historical costs.

(c) Property, plant and equipment

The depreciable amount of all fixed assets excluding computer software is depreciated on a diminishing value basis over the assets' useful lives to the company commencing from the time the asset is held ready for use. The depreciable amount of all computer software is depreciated on a straight line basis in accordance with the effective lives prescribed by the tax authority.

The estimated useful lives used for each class of depreciable assets are:

Class of Fixed Asset

| | |
|--|------------|
| Furniture, fixtures and fittings | 4-20 years |
| Office equipment | 4-10 years |
| Computer equipment | 4-10 years |

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each balance date.

(d) Cash and cash equivalents

Cash and cash equivalents include cash on hand and deposits held at call with banks.

(e) Employee Benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at present value of the estimated future cash outflows to be made for those benefits.

(f) Income Tax

The charge for current income tax expense is calculated based on the mutuality principle. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance date.

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.

(g) Revenue

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

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

All revenue is stated net of the amount of goods and services tax (GST).

(h) Goods and Services Tax

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 the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

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

Notes to the Financial Statements *continued*

For the year ended 31 December 2010



| | 2010 \$ | 2009 \$ |
|---|------------------|------------------|
| 2. Revenue | | |
| Operating activities | | |
| Interest received | 61,467 | 31,294 |
| Sponsorship and advertising | 346,575 | 329,193 |
| Journal subscriptions | 13,928 | 13,643 |
| Member subscriptions | 671,219 | 671,826 |
| Education and training | 1,492,883 | 1,597,554 |
| Events – states and national | 644,819 | 602,452 |
| Other revenue | 1,467 | 2,156 |
| Total Operating Revenue | 3,232,358 | 3,248,118 |
| Terry Taylor Scholarship Sponsorship | 3,646 | – |
| Sponsorship Revenue | 5,810 | – |
| Interest earned | | |
| Total Scholarship Revenue | 9,456 | – |
| Total Revenue | 3,241,814 | 3,248,118 |
| 3. Senate Inquiry Expenses | | |
| Consulting Fees | 63,700 | 9,000 |
| Media, Marketing & Promotion | 16,800 | 2,308 |
| Travel and Accommodation | 6,198 | – |
| Total Senate Inquiry Related Expenses | 86,698 | 11,308 |
| 4. Income Tax Expense | | |
| The prima facie tax on profit/(loss) before income tax is reconciled as follows | | |
| Prima facie tax (payable)/refundable on profit before income tax at 30% (2009: 30%) | 2,325 | (56,546) |
| Add/Less: | | |
| – income tax attributable to amounts charged in arriving at the profit/(loss) which are non-assessable /(non-deductible) for income tax purposes | 16,732 | 55,832 |
| Income tax attributable to entity | 19,057 | (713) |
| 5. Cash and Cash Equivalents | | |
| Cash at bank | 324,240 | 121,936 |
| Short-term bank deposits | 800,000 | 1,003,452 |
| Terry Taylor Scholarship Fund | 104,620 | 100,000 |
| Other cash and cash equivalents | 500 | 24 |
| | 1,229,360 | 1,225,412 |
| 6. Trade and Other Receivables | | |
| Current | | |
| Trade receivables | 46,736 | 41,448 |
| Prepayments | 1,329 | 2,346 |
| Deposits | 39,280 | 21,000 |
| Other receivables | – | 6,604 |
| | 87,345 | 71,398 |

Notes to the Financial Statements *continued*



For the year ended 31 December 2010

6. Plant and Equipment

Office equipment

| | | |
|---|----------|---------|
| At cost | 14,015 | 13,243 |
| Less accumulated depreciation | (10,640) | (8,710) |

| | | |
|--|--------------|--------------|
| Total office equipment. | 3,375 | 4,533 |
|--|--------------|--------------|

Computer equipment

| | | |
|---|----------|----------|
| At cost | 50,017 | 49,571 |
| Less accumulated depreciation | (40,269) | (32,391) |

| | | |
|---|--------------|---------------|
| Total computer equipment | 9,748 | 17,179 |
|---|--------------|---------------|

Website development

| | | |
|---|----------|----------|
| At cost | 68,760 | 68,760 |
| Less accumulated depreciation | (68,760) | (54,933) |

| | | |
|--|----------|---------------|
| Total website development | 0 | 13,827 |
|--|----------|---------------|

Member Database and CRM

| | | |
|---|--------|---|
| At cost | 50,515 | 0 |
| Less accumulated depreciation | 0 | 0 |

| | | |
|--|---------------|----------|
| Total Member Database and CRM | 50,515 | 0 |
|--|---------------|----------|

Office furniture

| | | |
|---|---------|---------|
| At cost | 25,677 | 25,677 |
| Less accumulated depreciation | (9,425) | (7,275) |

| | | |
|---|---------------|---------------|
| Total office furniture | 16,252 | 18,401 |
|---|---------------|---------------|

| | | |
|--|---------------|---------------|
| Total plant and equipment | 79,890 | 53,941 |
|--|---------------|---------------|

| Movements in Carrying Amounts | Furniture, fixtures and fittings \$ | Office equipment \$ | Computer equipment \$ | Website development \$ | Member Database and CRM \$ | Total |
|--|--|------------------------------------|--------------------------------------|---------------------------------------|---|--------------|
| Current Year | | | | | | |
| Balance at beginning of year | 18,401 | 4,533 | 17,179 | 13,827 | 0 | 53,941 |
| Additions | 0 | 772 | 1,096 | 0 | 50,515 | 52,384 |
| Depreciation expense | (2,149) | (1,930) | (8,527) | (13,827) | 0 | (26,434) |
| Carrying amount at the end of year | 16,252 | 3,375 | 9,748 | 0 | 50,515 | 79,890 |
| Prior Year | | | | | | |
| Balance at beginning of year | 20,962 | 5,888 | 21,186 | 41,256 | 0 | 89,292 |
| Additions | – | 228 | 5,732 | – | 0 | 5,959 |
| Depreciation expense | (2,561) | (1,583) | (9,738) | (27,429) | 0 | (41,311) |
| Carrying amount at the end of year | 18,401 | 4,533 | 17,180 | 13,827 | 0 | 53,941 |

Notes to the Financial Statements *continued*



For the year ended 31 December 2010

| | 2010 \$ | 2009 \$ |
|--|------------|------------|
| 8. Tax | | |
| Current | | |
| Income tax refundable/(payable) | 19,057 | (713) |
| Non-current | | |
| Other deferred tax | 22,046 | 33,376 |
| Deferred Tax Benefit | | |
| Balance at 1 January | 33,376 | 33,376 |
| Income Tax refundable/(payable) previous year | (713) | – |
| Adjustment to Income Tax refundable/(payable) previous year | (29,674) | – |
| Income Tax refundable/(payable) current year | 19,057 | – |
| Balance at 31 December | 22,046 | 33,376 |
| 9. Trade and Other Payables | | |
| Current | | |
| Unsecured liabilities | | |
| Trade payables | 203,655 | 44,474 |
| Amounts in advance | 12,228 | – |
| PAYG withholding tax | 202 | – |
| Other tax amounts | 308 | – |
| Superannuation payable | 582 | 6,935 |
| Credit cards | 6,368 | 4,698 |
| Accrued charges | 11,430 | 12,030 |
| Subscription in advance | 366,313 | 311,473 |
| Education fees in advance | 83,567 | 96,250 |
| Terry Taylor Scholarship Fund | – | 100,300 |
| Deposits | 19,000 | 9,000 |
| | 703,653 | 585,160 |
| 10. Provisions | | |
| Current | | |
| Employee entitlements | 37,262 | 45,886 |
| Non-current | | |
| Employee entitlements | 15,311 | 12,675 |
| 11. Accumulated Funds - End of Year Adjustment | | |
| – relates to changes in treatment of 2009 transactions. | | |
| At the time of preparing the 2009 Financial Statement the Terry Taylor Scholarship was self assessed as a DGR Trust Fund. A subsequent review indicated that this assessment should be changed. The scholarship funds raised in 2009 have been reclassified as sponsorship income in 2009. Income Tax Payable was adjusted after a review of timing differences associated with prepayments receipts in advance. | | |
| Increase in Sponsorship Income | – | 100,300 |
| Increase in Income Tax Expense | – | (29,674) |
| Total End of Year Adjustments | – | 70,626 |

Notes to the Financial Statements *continued*



For the year ended 31 December 2010

12. Cash flow information

Reconciliation of cash flow from operations with profit

| | 2010 \$ | 2009 \$ |
|--|------------|------------|
| Profit/(loss) for the year | 11,308 | 187,772 |
| Non-cash flows in profit. | | |
| Depreciation | 26,434 | 41,310 |
| Changes in assets and liabilities | | |
| (Increase)/decrease in receivables and prepayments | (167,600) | 107,216 |
| Increase/(decrease) in payables and provisions | 205,247 | 516,127 |
| (Increase)/decrease in deferred taxes | (19,057) | 713 |
| Cash flow from operations. | 56,332 | 853,138 |

13. Member's Guarantee

The company is limited by guarantee. If the company is wound up, the Constitution states that each member is required to contribute a maximum of \$100.00 towards any outstanding obligations of the company. At 31 December 2010 the number of members was 1,299 (2009: 1,267).

14 Auditors remuneration

| | 2010 \$ | 2009 \$ |
|---|------------|------------|
| Remuneration of the auditor of the company for: | | |
| – Auditing the financial report | 10,006 | 13,120 |

15. Financial Risk Management

(a) General objectives, policies and processes

In common with all business, the company is exposed to risks that arise from its use of financial instruments. This note describes the company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

The Board has overall responsibility for the determination of the company's risk management objectives and policies. The company's risk management policies and objectives are therefore designed to minimise the potential impacts of these risks on the results of objectives are therefore designed to minimise the potential impacts of these risks on the results of the company where such impacts may be material. The Board receives reports from the Chief Executive Officer through which it reviews the effectiveness of the process put in place and the appropriateness of the objectives and policies it sets.

Notes to the Financial Statements *continued*



For the year ended 31 December 2010

The overall objective of the Board is to set policies that seek to reduce risk as far as possible. Further details regarding these policies are set out below:

(b) Credit risk

Credit risk is the risk that the other party to a financial instrument will fail to discharge their obligation resulting in the company incurring a financial loss. This usually occurs when debtors or counterparties to derivative contracts fail to settle their obligations owing to the company. There is no concentration of credit risk with respect to receivables. As a result, the credit quality of financial assets that are neither past due nor impaired is good.

The maximum exposure to credit risk at balance date is as follows:

| | 2010 \$ | 2009 \$ |
|-----------------------|------------|------------|
| Receivables | 46,736 | 41,448 |

(c) Liquidity risk

Liquidity risk is the risk that the company may encounter difficulties raising funds to meet commitments associated with financial instruments (i.e. creditors). It is the policy of the Board of Directors that the company maintains adequate funds.

| | Carrying Amount | Contract Cash Flows | <6 months |
|--|--------------------|------------------------|----------------|
| Maturity Analysis | | | |
| 2010 | | | |
| Financial Liabilities | – | – | – |
| Non-derivatives | – | – | – |
| Current payables | 203,655 | 203,655 | 203,655 |
| Total financial liabilities | 203,655 | 203,655 | 203,655 |
| 2009 | | | |
| Financial Liabilities | – | – | – |
| Non-derivatives | – | – | – |
| Current payables | 44,474 | 44,474 | 44,474 |
| Total financial liabilities | 44,474 | 44,474 | 44,474 |

(d) Market risk

Market risk arises from the use of interest bearing financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk).

(i) Interest rate risk

The company is constantly monitoring its exposure to trends and fluctuations in interest rates in order to manage interest rate risk.

Sensitivity analysis

The following tables demonstrate the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the company's surplus (through the impact on adjusted interest rate).

Notes to the Financial Statements *continued*



For the year ended 31 December 2010

15. Financial Risk Management *(continued)*

| | Carrying Amount | +1% Interest Rate | -1% Interest Rate |
|---------------------------|--------------------|-------------------------|-------------------------|
| 2010 | | | |
| Cash and cash equivalents | 1,229,360 | 12,294 | (12,294) |
| Increase/(decrease) | | 12,294 | (12,294) |

The above analysis assumes all other variables remain constant.

| | | | |
|---------------------------|-----------|--------|----------|
| 2009 | | | |
| Cash and cash equivalents | 1,225,412 | 12,254 | (12,254) |
| Increase/(decrease) | | 12,254 | (12,254) |

The above analysis assumes all other variables remain constant.

16. Related Party Disclosures

- (a) Key management personnel include the Directors and the Chief Executive Officer.
- (b) The names of Directors in office at any time during the financial year are P Cook, D Vickers, R Erskine, P Macks, M McCann, S Atkins, D Kerr, M Hughes, DJF Lombe, R McClymont, J Melliush, M Robinson, J Cronin, J Lindholm, C Powell and J Park.
- (c) No amounts were paid, payable or otherwise provided to Directors during the financial year. Amounts paid, payable or otherwise provided to other key management personnel consisted of:

| | 2010 \$ | 2009 \$ |
|--------------------------|------------|------------|
| Salary | 190,549 | 178,977 |
| Superannuation | 17,149 | 16,076 |
| Total | 207,698 | 195,052 |

17. Lease Commitments

Operating lease on premises

| | | |
|-------------------------------|---------|---------|
| - Under 1 year | 98,696 | 84,527 |
| - 1 year to 5 years | 394,784 | 355,013 |
| - Over 5 years | 148,044 | 147,857 |
| | 641,524 | 587,397 |

Auditors Independence Declaration

under Section 307C of the Corporations Act 2001



Suite 2404
Level 24 MLC Centre
19-21 Martin Place
Sydney 2000

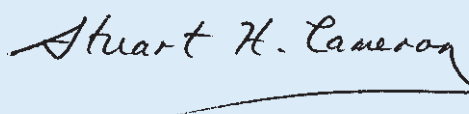
K.S. Black & Co.

ABN 57 446 398 808

Level 1, 460 Church Street
North Parramatta NSW 2151
PO Box 2210
North Parramatta NSW 1750

I declare that, to the best of my knowledge and belief, during the year ended 31 December 2010 there have been:

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



KS Black & Co
Chartered Accountants

Stuart H Cameron
Partner

Dated at Sydney: 11 April 2011

Phone 02 8839 3000
Fax 02 8839 3055



Liability limited by a
scheme approved
under Professional
Standards Legislation



**Chartered
Accountants**





Insolvency Practitioners Association of Australia ABN 28 002 472 362
33 Erskine Street, GPO Box 9985, Sydney NSW 2001
P +61 2 9290 5700 F +61 2 9290 2820 www.ipaa.com.au