IPA

Annual Report 2011

The Insolvency Practitioners Association of Australia (IPA) is the leading professional body for those who specialise in business restructuring and corporate and personal insolvency as well as for those who work or have an interest in insolvency law and practice.

Insolvency Practitioners Association of Australia, ABN 28 002 472 362

Membership of the IPA is recognition of an individual's 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.

Annual Report 2011

Report from the President 2
Report from the CEO 6
Association Governance 9
Division Committees 10
Maintaining Professional Standards 11

Financial Statements 2011

Directors' Report 14
Independent Auditor's Report 18
Directors' Declaration. 19
Statement of Comprehensive Income 20
Statement of Financial Position 21
Statement of Changes in Equity 22
Statement of Cash Flows 23
Notes to the Financial Statements 24
Auditor's Independence Declaration 31

Robyn Erskine, President

Report from the President

On behalf of the Board, I present the IPA's 2011 Annual Report.

Major Achievements

2011 was a year of both consolidation and new initiatives for the IPA. The second edition of our Code of Professional Practice came into effect, as did our new Graduate membership category. We maintained our high level of participation in the insolvency law reforms arising out of the 2010 Senate Inquiry, and we saw the first round of quality assurance reviews, based on the new Insolvency Accounting Standard, conducted by the Institute of Chartered Accountants and CPA Australia using specialist insolvency reviewers sourced from senior IPA membership.

We further codified our member discipline and complaints handling processes, and significantly increased our regular reporting of complaints activity and outcomes.

In the area of new initiatives, we launched the IPA Member Handbook, offered a new education program on the PPSA and commenced a major strategic review of the IPA brand that involved surveys of IPA members, non-member practitioners and detailed interviews with a wide range of stakeholders.

We undertook an extensive project to replace our member database and website which is due for release in the first half of 2012.

Member Satisfaction

Our performance in the 2011 Member Satisfaction Survey, conducted by Beaton Consulting at the end of the year, was once again very encouraging.

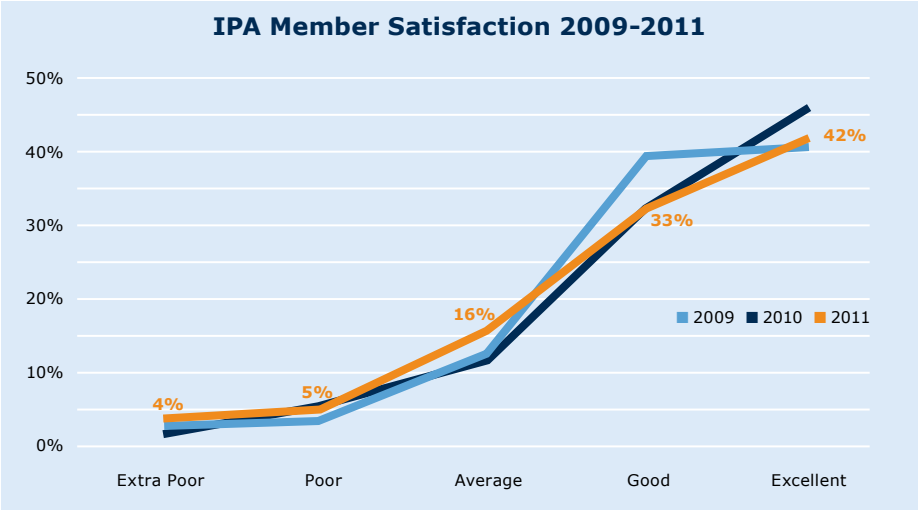
The areas in which the IPA's performance was strongest, both in absolute terms and by comparison with the benchmark set, were:

- Providing leadership in the field
- Representing members' interests in the media and/or at a government level; and
- Supporting the development of my knowledge and skills.

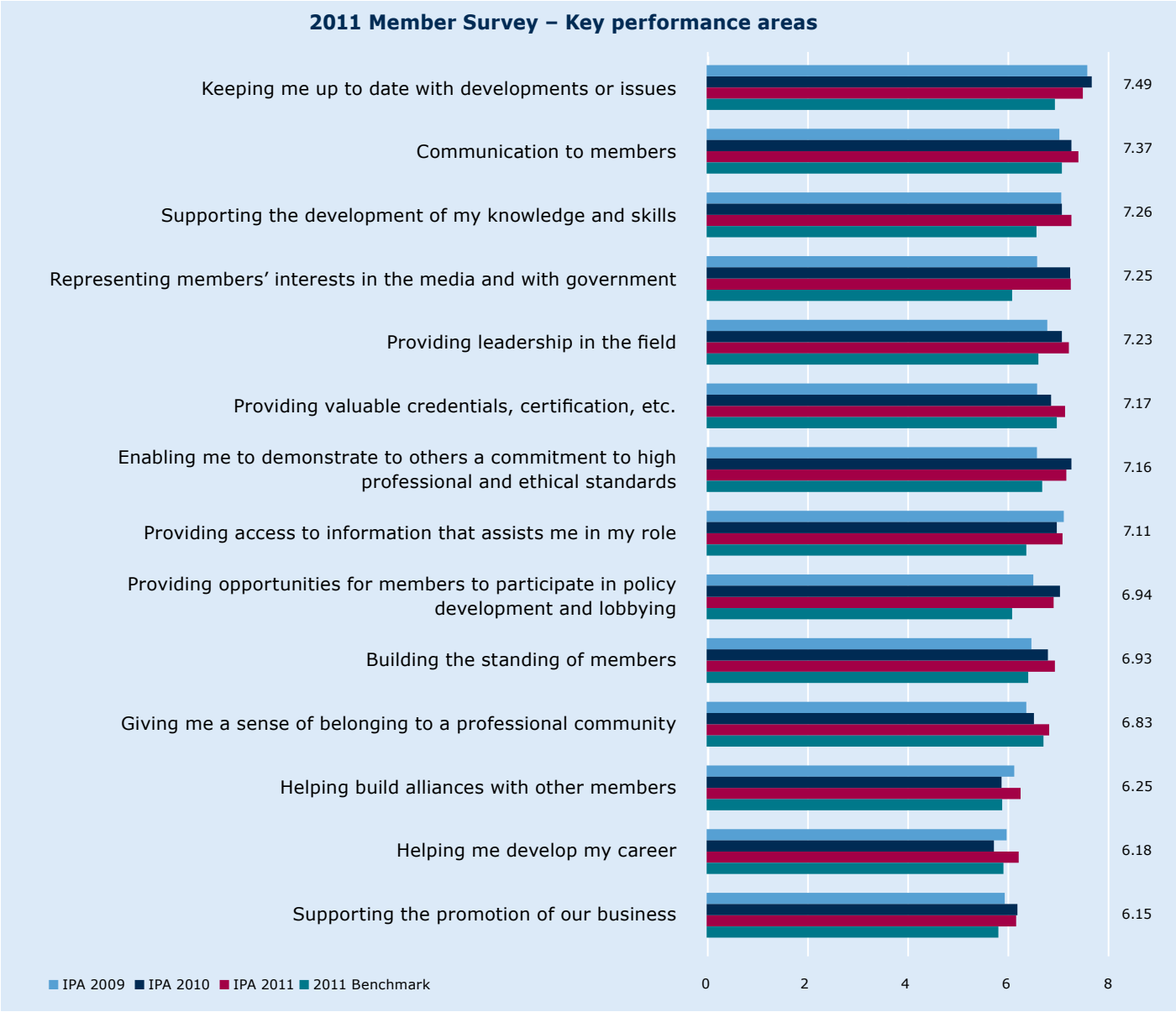
The IPA's overall performance in this survey has been improving steadily since 2009, and the increase in overall performance in 2011 was significant.

While our performance overall increased, the 2011 distribution of scores among rankings was a little flatter, with the curve showing a more evenly distributed outcome.

Our performance in many of the key areas of member engagement and satisfaction continued to improve, and in all of these the IPA's 2011 scores are ahead of the benchmark set.



Report from the President *continued*



Report from the President *continued*

Member Representation and Liaison

Our members continue to rate very highly our performance in representing their interests in the media and to government and this continues to be a critically important function of the organisation.

It is important to note that we undertake these activities not from the perspective of advancing the narrow business interests of members or their firms, but from a broader view that recognises that the strength and robustness of insolvency law and practice in Australia is critical to the health of the economy.

For this reason, our focus in liaising with policy makers and regulators, and in making submissions on policy proposals and draft legislation, is to contribute to the maintenance and further development of a strong insolvency regime that protects the interests of creditors, employees and other affected parties, and that allows practitioners to work efficiently in a climate that supports the highest professional and ethical standards.

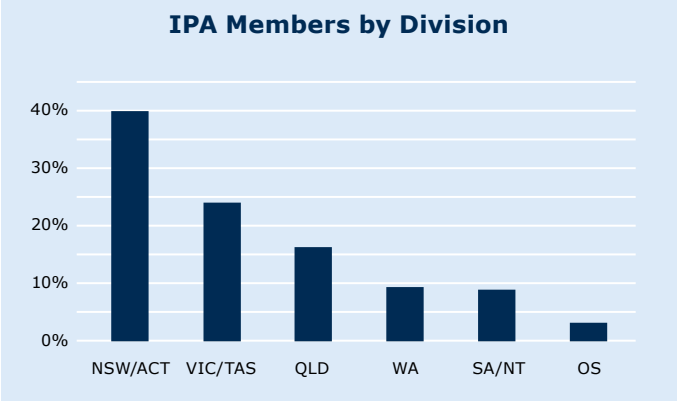
Membership Growth

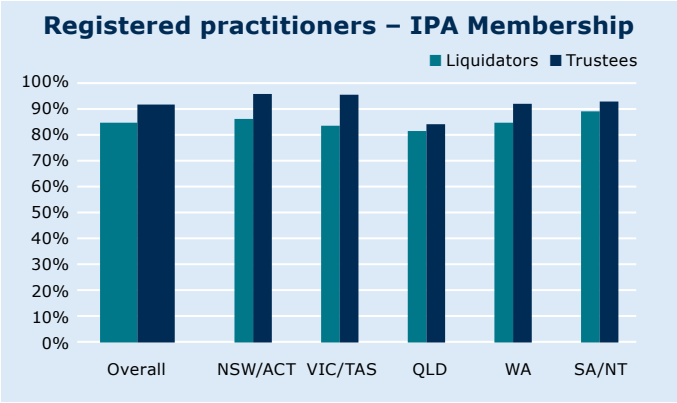
The IPA admitted 127 new members in 2011, a substantial increase on the 82 new members in the previous year, and increasing overall membership by 11 percent. Of new members, 45 percent were in the Member category, 33 percent in the new Graduate category and 16 percent in the Associate membership category.

Member breakup by Division remained consistent with previous years.

Just under a third of all IPA members at the end of 2011 joined the IPA in the last five years, indicating a strong representation among younger members of the profession.

The proportion of licenced practitioners who are members of the IPA rose significantly, with 84 percent of all registered liquidators and 91 percent of all trustees in bankruptcy being members of the IPA at the year's end.





Report from the President *continued*

Financial Performance

The operating result for the Association in 2011 after providing for income tax was a profit of $147,661, compared with a profit after tax of $11,308 in 2010. The substantial improvement in financial performance was driven by a very successful National Conference and Dinner, better than expected education revenues in the Introduction to Insolvency Program and PPSA seminars and the absence of a major extraordinary cost driver, such as the Senate Inquiry, that affected the financial result for the previous year.

Income for the year was $206,132 above budget and Cost of Sales $43,681 above budget, leading to a Gross Margin of $162,451 over budget for the year. Total expenses were $18,091 above budget, leading to an operating result before tax of $156,340, substantially above the budgeted result for the year.

As always, the IPA's work and achievements could not be carried out at all, much less to the high standard that we achieve, without the selfless contribution of many of our members, who volunteer as presenters, IEP workshop leaders, authors, Divisional Committee members, Directors and members of the Board's various Committees, and who contribute regularly to our discussion of policy issues, liaison groups, and practice reviews.

The professional approach of the IPA team is also a key ingredient in all the Association's work and I would particularly like to acknowledge the additional effort that has been required from the National Office team throughout 2011 as they have worked with two database and event registration systems running in parallel.

R Erskine

Robyn Erskine
President

Denise North, Chief Executive

Report from the CEO

Big year, big projects, big result

The work levels met by the Association in 2011 make it clear that the IPA has again reached a new benchmark of base activity. My expectations that workloads and activity levels would drop back to a pre Senate Inquiry level have been comprehensively disabused.

In addition to the increased demands of higher overall activity, a number of major projects were undertaken during 2011. The first of these is the IPA's new member database and website, originally scheduled for completion during 2011, but in the event, not completed by the end of the year. The benefits of this project, once completed, will be substantial for members, and for the IPA team, but of course until completion, the effect is to increase the workload, as member and event data is maintained in two systems during the transition phase.

Early in the year, the Board launched a major strategic project, looking at the IPA Brand and Profile. This project continued throughout the year, and members will recall the invitation to participate in a detailed survey in relation to it. This project remains on schedule, with an expected completion date in the second half of 2012.

The IPA Member Handbook was launched in 2011, providing members with a single volume of key IPA documents, such as the Constitution, Regulations and Code of Professional Practice, important current corporate and personal insolvency legislation, regulations, court rules and forms, and the APES Insolvency Standard.

Financial Performance

The IPA's financial performance was strong in 2011, supported by an 11 percent increase in total income, ten percent growth in gross margin, and good control over costs in all categories, with total expenses increasing only one percent on the previous year.

Income drivers included a particularly successful National Conference, hosted by the Queensland Division, and held in Brisbane in the first week of June. The Conference attracted a record 349 Conference Delegates, and over 500 to the dinner.

Membership revenues increased by 17 percent, partly as a result of subscription increases, but also due to a record number of new members, in a number of categories, during the year. Education revenues rose by just five percent, with higher introductory program participation offsetting a drop in the level of IEP enrolments, and other program revenues increasing slightly.

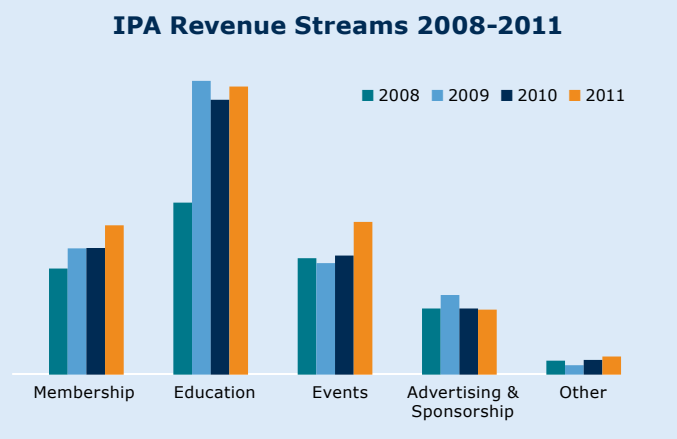
Event Revenues increased by 26 percent, mostly due to the success of the National Conference, which also achieved record sponsorship, but also to an increased number of events overall. The launch of the Queensland Young Professionals series and in-kind sponsorship by way of venue hosting, also contributed to the increase in overall Young Professional event income. Advertising and Sponsorship revenues remained steady and interest and other income was up 16 percent on the previous year.

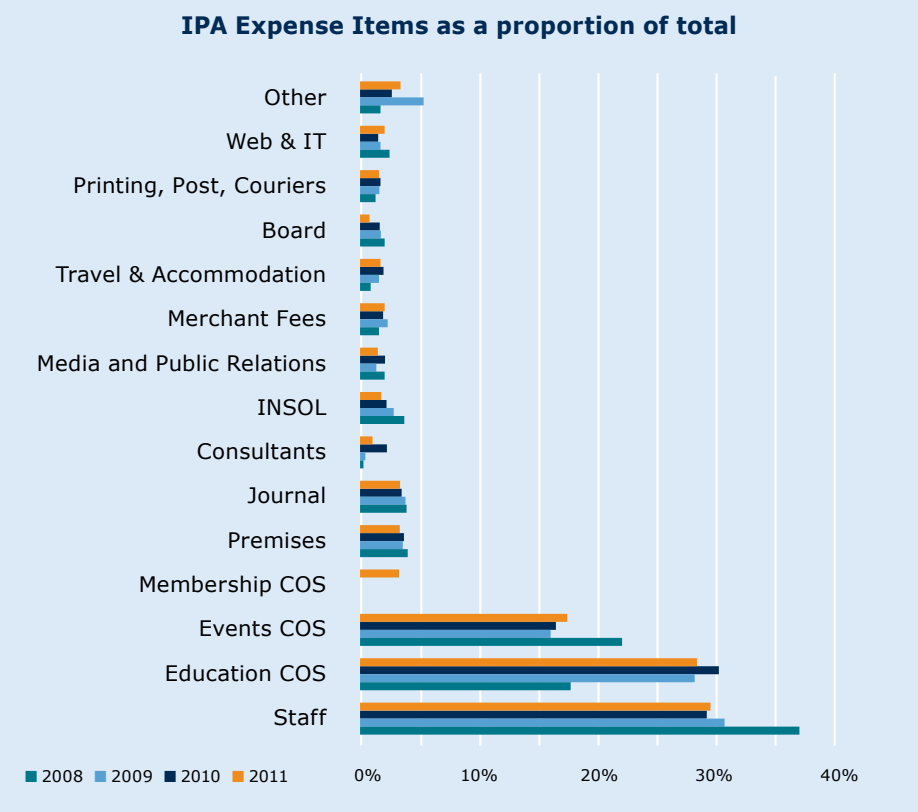
Report from the CEO *continued*

A new category of Membership cost of sales was introduced with the launch of the IPA Member Handbook in 2011. The Handbook was extremely well received and will be retained as a key component of the benefits of maintaining your IPA membership and updated and distributed on an annual basis.

The Handbook costs, together with the increased delegate costs for National Conference, increased total cost of sales by 41 percent, but still delivered a gross margin increase of $159,000, or 10 percent, over 2010. Total expenses were virtually unchanged, leading to a strong operating result for the year.

The Board has set a strategic target of 10 percent of members' funds in profit for the association each year on average. The 2011 result was 15 percent of accumulated equity at the end of the year, but followed a close to breakeven result in the previous year. At the end of 2011, accumulated members' funds were 28 percent, or 3.3 months, of the year's total operating costs.





Report from the CEO *continued*

Professional Development Activities

The IPA continued to offer a broad range of professional development opportunities to members and others in the profession. In addition to National Conference and the Annual Conferences held in each of our five Divisions, we conducted regular study groups – in future to be known as Insolvency Forums – in the majority of capital cities and in Newcastle and on one occasion in Canberra.

Young Professionals Committees in Sydney and Brisbane organised a series of professional development and social events, with the support of the IPA team, and in Adelaide took responsibility for the operation of the study group series.

INSOL Lenders group events were held in Sydney and Melbourne, and provided an invaluable professional development opportunity for this specialised sector of our membership. The IPA also coordinated a series of OHS Harmonisation breakfasts in various locations.

Student members attended 39 Insolvency Education Program workshops offered in six different Australian cities and by telephone for internationally located students.

The Introduction to Insolvency Program was offered in eight locations, including Newcastle, Townsville and Cairns, as well as in-house programs for a number of insolvency firms and one federal government department. Similarly, the PPSA Course was offered in all mainland capital cities and in Cairns and Townsville.

The Team at IPA – Professionalism and Performance

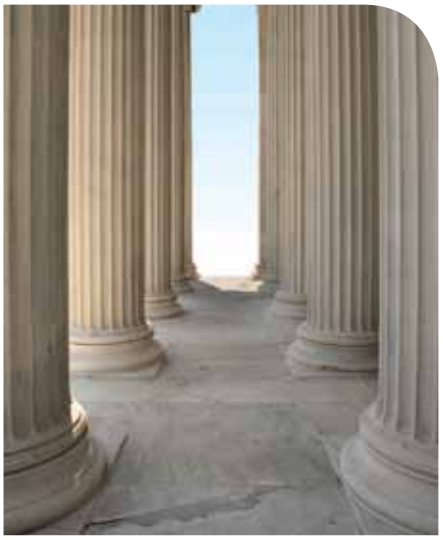
The team at the heart of the IPA's numerous activities continued to perform at a high level throughout 2011, and was instrumental in delivering both the wide range of activities and the strong financial result for the year.

The team managed all member records and services, developed the IPA's publications, managed and coordinated the wide range of events and sponsorship activities and structured and delivered our extensive education program.

Our insolvency specialists, Michael Murray and Kim Arnold, led the preparation of our many submissions to Government, anchored our liaison meetings, investigated member conduct complaints and engaged with members on a wide range of legal and technical insolvency issues.

I thank each of them for their continued high level of contribution to the work of the Association.

Denise North
Chief Executive



Association Governance

IPA Board

Following the Annual general Meeting in June, Derrick Vickers (WA), Paul Cook (VIC/TAS) and Mark Robinson (NSW/ACT) retired from the IPA Board. Both Mr Cook and Mr Robinson continue, as Past Presidents, to attend meetings at the invitation of the Board in a non-voting capacity and Mr Robinson represents the IPA on the Board, and as Treasurer, of INSOL International.

Russell Morgan was nominated as a Director by the West Australia Division and following the election of Robyn Erskine as President, Stephen Longley joined the Board as the Victoria and Tasmania President's Division nominee.

The Board elected Michael Hughes as the second Vice President following the Annual General Meeting.

The Board met on five occasions in 2011; February, April (via teleconference), June, August and November.

Active Committees during the year were:

Finance Committee David Lombe (Chair), David Kerr, Russell Morgan	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 Melluish, Mark Robinson	The Governance Committee met infrequently via teleconference during 2011, and was primarily concerned with the election of the second Vice President following the 2011 Annual General Meeting.
Membership Committee Scott Atkins (Chair), John Lindholm, David Kerr, John Park	The Membership Committee met in June and November and was primarily concerned with further articulating and refining the criteria for the admission of Members under the new section 5.2(d) of the Constitution.
Discipline Review Committee Robyn Erskine (Chair), David Lombe, Michael Hughes, John Lindholm, Ross McClymont, Mike McCann	The Discipline Review Committee met infrequently over the year, in order to oversee the finalisation of the Association's new member discipline processes.
Quality Assurance Committee Mark Robinson, John Park, David Kerr, Derrick Vickers	The Committee was not required to meet during 2011. Technical Director, Kim Arnold provided regular reports on the progress of the Quality Assurance activities undertaken with the Institute and CPA Australia.
Professional Conduct Committee Mark Robinson (Chair), Robyn Erskine, Michael Hughes,	The PCC meets as required when a matter is referred to it by the National Secretary. During 2011 the Committee met a number of times, and considered matters relating to the suspension and termination of Members due to actions taken by ITSA and ASIC.
Brand Profile Committee Robyn Erskine (from June), Mark Robinson (to June), Peter Macks, Ross McClymont, John Park	The Brand Profile committee met regularly throughout 2011, primarily concerned with refining its Terms of Reference, confirming a consulting requirement brief, selecting a consultant and managing the commencement of the Brand Project, which continued into 2012.

Division Committees

New South Wales / Australian Capital Territory	
David Kerr	RSM Bird Cameron
Michael Hughes	Minter Ellison
Katherine Barnet	Bentleys Corporate Recovery
Anthony Elkerton	Pitcher Partners
Peter Harrison	Kemp Strang
Scott Pascoe	PPB Advisory
Scott Atkins	Henry Davis York
Michael Brereton	KordaMentha
Andrew Needham	HLB Mann Judd
Victoria / Tasmania	
Stephen Longley	PPB Advisory
Robyn McKern	McGrathNicol
Robyn Erskine	Brooke Bird
Paul Cook	Paul Cook & Associates
John Lindholm	Ferrier Hodgson
Ross McClymont	Ashurst
Rod Slattery	PPB Advisory
Jim Downey	J P Downey & Co
Simon Wallace-Smith	Deloitte
Western Australia	
Vincent Smith	Ernst & Young
Cliff Rocke	KordaMentha
Joseph Abberton	Lavan Legal
Russell Morgan	KordaMentha
Mark Englebert	Taylor Woodings
George Lopez	Melsom Robson
Vic Yaschenko	National Australia Bank
Derrick Vickers	PricewaterhouseCoopers

South Australia / Northern Territory	
Sam Davies	McGrathNicol
Martin Lewis	Ferrier Hodgson
Peter Macks	PPB Advisory
Alan Scott	BRI Ferrier
Chris Powell	KordaMentha
Kym Ryder	O'Loughlins Lawyers
Austin Taylor	Meertens
Stephen Williams	Norman Waterhouse
Chris Munday	Ernst & Young
Queensland	
Michael McCann	Grant Thornton
John Cronin	McGrathNicol
Phillip Jefferson	Vantage Performance Pty Limited
John Greig	Deloitte
David O'Farrell	Minter Ellison
William Fletcher	Bentleys MRI
John Park	KordaMentha
Mark Pearce	Pearce & Heers
Matthew Joiner	PKF Chartered Accountants
Nick Combis	PKF Chartered Accountants
Greg Moloney	Ferrier Hodgson
Peter Schmidt	Norton Rose Australia
John Lobban	Ashurst

Maintaining Professional Standards

The IPA plays a key role in the maintenance of high standards of professional and ethical conduct among its members, and more generally throughout the insolvency profession. Since our constitutional changes in May 2010, we have made significant progress in this area, so much so that current law reform proposals of December 2011 indicate an elevated role for the IPA in the regulation of the profession.

The IPA receives and investigates complaints about the professional conduct of members, and about the professional processes of the firms of IPA members. We also investigate concerns about the professional conduct of members that arise other than by way of a complaint.

We support the conduct of Quality Assurance reviews of registered insolvency practitioners who are IPA members carried out by CPA Australia and the Institute of Chartered Accountants in Australia.

You can find details of the processes followed by the IPA in investigating complaints and concerns on the IPA's website.

Complaints

While many complaints are lodged by people with genuine concerns about how their issues are being handled, most complaints to the IPA turn out not to have substance, often because they involve a misunderstanding of the insolvency processes being undertaken. What can appear to the complainant to be professional misconduct is often in fact a case of the practitioner exercising their legal authority, for example, to discontinue the bankrupt's legal proceedings or to reject a creditor's proof of debt, or to sue a director's partner for recovery of assets. Commercial decisions made by the practitioner, for example to sell assets, or to close down a business are also not generally the subject of valid complaints.

In the 2011 year, we received 25 complaints about members, significantly down from the 37 received in 2009, and 34 in 2010. Of these, three concerned personal insolvency administrations and 22 corporate.

Although some complaints were upheld, none was of a nature serious enough to require progression to IPA disciplinary proceedings. For example, if there had been undue delays or inattention to a particular requirement, the resolution of the matter involved the member remedying the problem. As with last year's report, we have continued to receive complaints concerning issues fundamental to the standards in the IPA Code – independence, dealing with assets, and communications with creditors. Some are explained by virtue of the nature of insolvency - the more limited investigations required in a voluntary administration, the commercial and legal difficulties of pursuing an insolvent trading claim, delays occasioned by hostile litigation by other parties.

The regulators, along with the IPA, continue to emphasise the need for good communications by practitioners, and complaints are often generated because of confusion or uncertainty by creditors and others about what is happening in their particular matter, leading them to incorrectly infer that misconduct is involved. The IPA is supporting law reform in this area which may go to improving means of communication to address this fundamental issue.

An issue that does arise is that even though a complaint is dismissed, our examination of the member's file may show that standards are not being met in other respects. We sometimes will notice that the firm's precedents are out of date, or that the IPA recommended DIRRI is not being used. In such cases, we will raise these issues with the member for their attention and future compliance, separate from any response given to the complainant.

Maintaining Professional Standards *continued*

Concerns

A concern is information about the professional conduct of a member as a practitioner otherwise than through a complaint. For example, the IPA will find out information from court judgments, media reports or external action taken by ASIC or ITSA.

In the 2011 year, we examined five concerns about members, one sourced from a court judgment and the remainder from regulator action. The member gave a satisfactory account of the comments made in the court's judgment and no further action was taken; regulator action led to the termination of an IPA membership in one case, and suspension of membership in another. Other matters were continuing.

We are giving increasing attention to concerns. For example, we have contacted members about issues arising from a court judgment where the judge is critical of the member's conduct; or where the proceedings indicate a lack of compliance with IPA Code. Reputable media reports, for example of events at a meeting of creditors, will also allow us to inquire of the member as to any issues that appear to raise concerns. Necessarily, we invite the member's response to the information and in many cases a reasonable explanation is given.

Action by the regulators is a significant area that raises concerns, which will, under the Constitution, often have an automatic impact on IPA membership. For example, if a member's registration as a liquidator or trustee is suspended, their IPA membership is automatically suspended as well. In contrast, if the regulator imposes a lesser sanction on a member that does not affect their registration, this may cause IPA to impose a penalty.

Law reforms proposed may increase the interaction of the IPA with the regulators in relation to member discipline.

Member Discipline Actions – 2011

Mr Paul Pattison (Member)

February 2011 – IPA Membership suspended under clause 16.3(a), following a sanction with the effect of suspending the member's right to practise as a liquidator; and further at the discretion of the IPA due to a concern about the member's conduct as a director of insolvent entities.

July 2011 – IPA Membership suspended under clause 16.3(a), following a sanction with the effect of suspending the member's right to practise as a trustee in bankruptcy.

Mr David Anderson (Member)

July 2011 – IPA Membership terminated under clause 16.3(b), following cancellation of registration as a liquidator by the Companies Auditors and Liquidators Disciplinary Board.

Quality Assurance

The IPA has worked with both the ICA and CPA to update their quality assurance review program for insolvency practitioners. The IPA also undertook a process to identify potential new quality reviewers from our member base. This information has enabled the ICA and CPA to engage new insolvency specialist reviewers to undertake the reviews, which is of significant benefit for the professional bodies and our members.

During 2011, both the ICA and CPA undertook quality assurance reviews of insolvency practitioners, and this will continue to be an ongoing process. It has been agreed with both bodies that information regarding the conduct of quality reviews in relation to IPA members will be provided to the IPA, enabling us to understand the outcomes of reviews and any identify any action that may be required by the IPA, including any adverse trends in the industry, or matters on which we need to provide better information or specific training to improve practices.

Financial Statements 2011

Directors' Report 14
Independent Auditor's Report 18
Directors' Declaration. 19
Statement of Comprehensive Income 20
Statement of Financial Position 21
Statement of Changes in Equity 22
Statement of Cash Flows 23
Notes to the Financial Statements 24
Auditor's Independence Declaration 31

Directors' Report

31 December 2011

IPA

Your Directors present their report on the company for the financial year ended 31 December 2011.

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 $147,661 (2010: profit of $11,308).

The operating result before tax is a profit of $156,340, which is $153,748 above the budgeted surplus of $2,592.

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 2011 were:

- Research into the IPA's current Brand positioning and effectiveness
- Expansion of the Association's education and continuing professional development activities
- Broadening the categories of membership to improve retention of student members
- Further developing the involvement of Young Professionals in IPA activities
- Contributing to the development of the insolvency law reforms resulting from the 2010 Senate Inquiry

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 31.

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 5
Paul John Cook VIC/TAS *Resigned 1 June 2011*	B.Ed, FCA, IPAA, AICD Principal – Paul Cook & Associates Official Liquidator – 1992 Registered Trustee – 1990	Professional Conduct Governance ATO Liaison	1 of 3
Robyn Erskine CPA Nominee	B.Bus, FCPA, CA, IPAA Partner – Brooke, Bird & Co Official Liquidator – 1993 Registered Trustee – 1992	Professional Conduct Discipline Review ASIC, ATO, Treasury Liaison Brand Profile	4 of 5
Michael Richard Hughes NSW/ACT	B.Ec LLB, IPAA, Law Institute Partner – Minter Ellison	Professional Conduct Discipline Review ASIC, Treasury Liaison	5 of 5
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	4 of 5

6. Director Information *(continued)*

Information on Directors and Attendance

Director	Qualifications	Sub-Committees	Board Meetings Attended
John Lindholm VIC/TAS	B.Econ, CA Partner – Ferrier Hodgson Official Liquidator – 2005 Registered Liquidator – 1997	Discipline Review Membership	3 of 5
David Lombe ICA Nominee NSW/ACT	B.Com, CA, IPAA, AICD, JP Partner – Deloitte Official Liquidator – 1993 Registered Trustee	Discipline Review Professional Conduct Finance ASIC, Treasury Liaison	5 of 5
Stephen Longley VIC/TAS *Appointed 1 June 2011*	B.Com, CA, IPAA Partner, PPB Advisory Registered Liquidator – 2001 Official Liquidator – 2007	Education	2 of 3
Peter Ivan Macks SA/NT	B.Econ, CA, CPA, AICM, IPAA Partner – PPB Advisory Official Liquidator – 1992 Registered Trustee – 1993	Quality Assurance ATO Liaison Brand Profile	4 of 5
Michael Gerard McCann QLD	B.Econ, CA, IPAA Director – Grant Thornton Australia Limited Official Liquidator – 2001 Registered Liquidator – 1998	Discipline Review ATO Liaison	4 of 5
Ross Whyte McClymont VIC/TAS	LLB, B.Com, Law Institute of Victoria, IPAA Partner – Blake Dawson	Discipline Review Professional Conduct Brand Profile	4 of 5
Russell Morgan WA *Appointed 1 June 2011*	B.Com, CA, IPAA Senior Consultant – KordaMentha Registered Liquidator – 1990	Finance Education	3 of 3
John Richard Park QLD *Appointed 27 May 2010*	B.Bus, CA, IPAA Partner – KordaMentha Official Liquidator – 2003 Registered Trustee – 2001	Quality Assurance Membership Brand Profile	5 of 5
Mark Julian Robinson NSW/ACT *Resigned 1 June 2011*	B.Com (Merit), M.Econ, CA, CPA, IPAA Partner – PPB Advisory Official Liquidator – 2005 Registered Trustee – 1998	Professional Conduct Quality Assurance ITSA, Treasury Liaison Brand Profile	2 of 3
Derrick Vickers WA *Resigned 1 June 2011*	B.Bus Acc/BLT, CA, IPAA Partner – PricewaterhouseCoopers Official Liquidator – 2004	Quality Assurance Finance	2 of 3

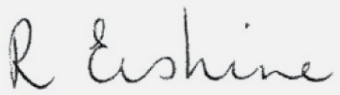
IPA

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	5 of 5
Invited Directors ***(non-voting invitees, including past presidents who attend board meetings to advise and counsel)***			
Paul John Cook VIC/TAS *From 1 June 2011*	B.Ed, FCA, IPAA, AICD Principal – Paul Cook & Associates Official Liquidator – 1992 Registered Trustee – 1990	Professional Conduct Governance ATO Liaison	2 of 2
John Melluish Former IPAA President *To 1 June 2011*	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	0 of 1
Mark Julian Robinson NSW/ACT *From 1 June 2011*	B.Com (Merit), M.Econ, CA, CPA, IPAA Partner – PPB Advisory Official Liquidator – 2005 Registered Liquidator – 2001 Registered Trustee – 1998	Governance INSOL Lenders Group Liaison Brand Profile	0 of 2 *Mr Robinson became the IPA nominated INSOL International Director on 1 June and was absent from these meetings as he was at the time attending meetings of INSOL International*
Alternate Directors			
Michael Brereton NSW/ACT *Alternate for David Kerr*	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



RL Erskine
3 April 2012

DJF Lombe
3 April 2012

Independent Auditor's Report

To the Members of Insolvency Practitioners Association of Australia

IPA

Level 6
350 Kent Street
Sydney NSW 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

Report on the Financial Report

We have audited the accompanying financial report of Insolvency Practitioners Association of Australia (the company) which comprises the statement of financial position as at 31 December 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flow for the year ended on that date, a summary of significant accompanying policies, other explanatory notes and the directors' declaration.

Directors' Responsibility for the Financial Report

The Directors of Insolvency Practitioners Association of Australia are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstance, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, provided to the directors of Insolvency Practitioners Association of Australia would be in the same terms if it had been given to the directors at the time that this auditor's report was made.

Auditor's Opinion

In our opinion:

(a) the financial report of 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 2011 and of its performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

KS Black & Co
Chartered Accountants
Sydney, 3 April 2012

Faizal Ajmat
Partner

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Phone 02 8839 3000 Fax 02 8839 3055
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Chartered Accountants

Directors' Declaration

The Directors of the company declare that:

1. the financial statements and notes, as set out on pages 22 to 27, 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 2011 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.

RL Erskine
3 April 2012

DJF Lombe
3 April 2012

Statement of Comprehensive Income

For the year ended 31 December 2011

	Note	2011 $	2010 $
Revenue	2	3,625,507	3,241,814
Accounting fees		(1,365)	(3,485)
Auditors remuneration		(15,145)	(10,006)
Consultants		(35,951)	(70,310)
Depreciation		(14,541)	(26,434)
Employee costs		(1,020,678)	(949,376)
IPA President Honorarium		(5,831)	–
Rent and facilities		(124,383)	(115,446)
Member Handbook		(105,360)	–
Printing and postage		(54,554)	(47,776)
Travel and accommodation (Board)		(27,080)	(53,825)
Travel and accommodation		(54,721)	(57,643)
Education and training		(981,990)	(976,488)
Events expenses		(602,980)	(531,314)
Journal expenses		(114,365)	(101,787)
Bank and merchant fees		(69,197)	(64,748)
INSOL fees		(60,711)	(67,484)
INSOL travel and accommodation		(5,578)	(9,999)
Media, marketing and promotion		(49,064)	(66,019)
Telephone and fax		(11,955)	(14,100)
Terry Taylor Scholarship		(5,000)	(10,000)
Entertainment		(892)	(718)
Legal fees		(7,216)	(2,426)
IT, website and projects		(66,142)	(47,072)
Other expenses		(34,468)	(23,107)
Expenses		(3,469,167)	(3,249,563)
Profit/(loss) before income tax		156,340	(7,749)
Income tax benefit/(expense)	3	(8,679)	19,057
Profit/(loss) attributable to members		147,661	11,308

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

Statement of Financial Position

As at 31 December 2011

	Note	2011 $	2010 $
ASSETS			
Current assets			
Cash and cash equivalents	4	1,317,086	1,229,360
Trade and other receivables	5	90,368	87,345
Inventories		2,115	167,704
Total current assets		1,409,569	1,484,409
Non-current assets			
Property, plant and equipment	6	163,560	79,890
Deferred tax assets	7	14,067	22,046
Total non-current assets		177,627	101,936
TOTAL ASSETS		1,587,196	1,586,345
LIABILITIES			
Current liabilities			
Trade and other payables	8	527,311	703,653
Provisions	9	51,505	37,262
GST Payable		24,338	12,262
Income tax	7	0	0
Total current liabilities		603,154	753,177
Non-current liabilities			
Other long-term provisions	9	18,524	15,311
Total non-current liabilities		18,524	15,311
TOTAL LIABILITIES		621,678	768,488
NET ASSETS		965,518	817,857
MEMBERS' ACCUMULATED FUNDS			
Accumulated funds		965,518	817,857
MEMBERS' ACCUMULATED FUNDS		965,518	817,857

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

Statement of Changes in Equity

For the year ended 31 December 2011

	Accumulated Funds $
2010	
Balance at 1 January 2010	806,549
Profit attributable to members	11,308
Balance at 31 December 2010	817,857
2011	
Balance at 1 January 2011	817,857
Profit attributable to members	147,661
Balance at 31 December 2011	965,518

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

Statement of Cash Flows

For the year ended 31 December 2011

	Note	2011 $	2010 $
Cash from operating activities:			
Receipts from operating activities		3,583,289	3,114,204
Interest received		81,247	67,278
Payments to suppliers		(2,475,378)	(2,175,774)
Employee costs		(1,003,222)	(949,376)
Net cash provided by (used in) operating activities	10	185,936	56,332
Cash flows from investing activities:			
Acquisition of plant and equipment		(98,210)	(52,384)
Net cash provided by (used in) investing activities		(98,210)	(52,384)
Net increase (decrease) in cash and cash equivalents held		87,726	3,948
Cash and cash equivalents at beginning of financial year		1,229,360	1,225,412
Cash and cash equivalents at end of financial year	4	1,317,086	1,229,360

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

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 arise from income tax losses carried forward from previous years and 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.

	2011 $	2010 $
2. Revenue		
Operating activities		
Interest received	74,968	61,467
Sponsorship and advertising	345,393	346,575
Journal subscriptions	15,150	13,928
Member subscriptions	784,513	671,219
Education and training	1,568,421	1,492,883
Events – states and national	822,369	644,819
Other revenue	8,414	1,467
Total Operating Revenue	3,619,228	3,232,358
Terry Taylor Scholarship Sponsorship		
Sponsorship Revenue	–	3,646
Interest earned	6,279	5,810
Total Scholarship Revenue	6,279	9,456
Total Revenue	3,625,507	3,241,814
3. Income Tax Expense		
Prima facie tax (payable)/refundable on profit before income tax at 30% (2010: 30%)	(46,902)	2,325
Add/Less:		
– income tax attributable to amounts charged in arriving at the profit/(loss) which are non-assessable/(non-deductible) for income tax purposes	38,223	16,732
Income tax attributable to entity	(8,679)	19,057
4. Cash and Cash Equivalents		
Cash at bank	315,687	324,240
Short-term bank deposits	890,000	800,000
Terry Taylor Scholarship Fund	110,899	104,620
Other cash and cash equivalents	500	500
	1,317,086	1,229,360
5. Trade and Other Receivables		
Trade receivables	37,146	46,736
Prepayments	17,330	1,329
Deposits	31,338	39,280
Other receivables	4,554	–
	90,368	87,345

	2011 $	2010 $
6. Plant and Equipment		
Office equipment		
At cost	14,015	14,015
Less accumulated depreciation	(11,372)	(10,640)
Total office equipment	2,643	3,375
Computer equipment		
At cost	72,275	50,017
Less accumulated depreciation	(53,028)	(40,269)
Total computer equipment	19,247	9,748
Website development		
At cost	68,760	68,760
Less accumulated depreciation	(68,760)	(68,760)
Total website development	–	–
Member Database and CRM		
At cost	127,117	50,515
Less accumulated depreciation	–	–
Total Member Database and CRM	127,117	50,515
Office furniture		
At cost	25,677	25,677
Less accumulated depreciation	(11,124)	(9,425)
Total office furniture	14,553	16,252
Total plant and equipment	163,560	79,890

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	16,252	3,375	9,748	–	50,515	79,890
Additions	–	–	21,609	–	76,601	98,210
Depreciation expense	(1,698)	(732)	(12,110)	–	–	(14,540)
Carrying amount at the end of year	14,554	2,643	19,247	–	127,116	163,560
Prior Year						
Balance at beginning of year	18,401	4,533	17,179	13,827	–	53,940
Additions	–	773	1,096	–	50,515	52,384
Depreciation expense	(2,149)	(1,931)	(8,527)	(13,827)	–	(26,434)
Carrying amount at the end of year	16,252	3,375	9,748	–	50,515	79,890

	2011 $	2010 $
7. Tax		
Current		
Income tax (payable)/refundable	(8,679)	19,057
Non-current		
Other deferred tax	14,067	22,046
Deferred Tax Benefit		
Balance at 1 January	22,046	33,376
Income Tax (payable)/refundable previous year	–	(713)
Adjustment to Income Tax (payable)/refundable previous year	700	(29,674)
Income Tax (payable)/refundable current year	(8,679)	19,057
Balance at 31 December	14,067	22,046
8. Trade and Other Payables		
Unsecured liabilities		
Trade payables	77,948	203,655
Amounts in advance	6,050	12,228
PAYG withholding tax	–	202
Other tax amounts	937	308
Superannuation payable	6,162	582
Credit cards	7,000	6,368
Accrued charges	8,438	11,430
Subscription in advance	307,441	366,313
Education fees in advances	92,235	83,567
Donations Payable	5,100	–
Terry Taylor Scholarship Fund	–	–
Deposits	16,000	19,000
	527,311	703,653
9. Provisions		
Current		
Employee entitlements	51,505	37,262
Non-current		
Employee entitlements	18,524	5,311
10. Cash flow information		
Reconciliation of cash flow from operations with profit		
Profit/(loss) for the year	147,661	11,308
Non-cash flows in profit		
Depreciation	14,541	26,434
Changes in assets and liabilities		
(Increase)/decrease in receivables and prepayments	162,566	(167,600)
Increase/(decrease) in payables and provisions	(146,811)	205,247
(Increase)/decrease in deferred taxes	7,979	(19,057)
Cash flow from operations	185,936	56,332

11. 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 2011 the number of members was 1,356 (2010: 1,299).

	2011 $	2010 $
12. Auditors remuneration		
Remuneration of the auditor of the company for:		
– Auditing the financial report	15,145	10,006

13. 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 in 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.

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.

	2011 $	2010 $
The maximum exposure to credit risk at balance date is as follows:		
Receivables	41,700	46,736

13. Financial Risk Management *(continued)*

(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			
2011			
Financial Liabilities	–	–	–
Non-derivatives	–	–	–
Current payables	77,948	77,948	77,948
Total financial liabilities	77,948	77,948	77,948
2010			
Financial Liabilities	–	–	–
Non-derivatives	–	–	–
Current payables	203,655	203,655	203,655
Total financial liabilities	203,655	203,655	203,655

(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).

	Carrying Amount	+1% Interest Rate	-1% Interest Rate
2011			
Cash and cash equivalents	1,317,086	13,171	(13,171)
Increase/(decrease)		13,171	(13,171)

The above analysis assumes all other variables remain constant.

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.

	2011 $	2010 $
14. 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 S Atkins, P Cook, R Erskine, M Hughes, D Kerr, J Lindholm, DJF Lombe, S Longley, P Macks, M McCann, R McClymont, R Morgan, J Park, M Robinson and D Vickers.		
(c) No amounts were paid, payable or otherwise provided to Directors during the financial year, except for an Honorarium paid to the President for the months of June to December, as provided for in the Constitution.		
Amounts paid, payable or otherwise provided to the President consisted of:		
President's Honorarium	5,831	–
Total	5,831	–
Amounts paid, payable or otherwise provided to other key management personnel consisted of:		
Salary	196,225	190,549
Superannuation	17,660	17,149
Total	213,885	207,698
16. Lease Commitments		
Operating lease on premises		
– Under 1 year	103,631	98,696
– 1 year to 5 years	468,995	394,784
– Over 5 years	–	148,044
	572,626	641,524

Auditors Independence Declaration

Declaration of independence to the Directors of Insolvency Practitioners Association of Australia

Level 6
350 Kent Street
Sydney NSW 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

As lead auditor of Insolvency Practitioners Association of Australia for the year ended 31 December 2011, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Insolvency Practitioners Association of Australia.

KS Black & Co
Chartered Accountants
Sydney, 3 April 2012

Faizal Ajmat
Partner

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