

**INSTITUTE OF PUBLIC AFFAIRS LIMITED
ABN 49 008 627 727**

**FINANCIAL REPORT
FOR THE YEAR ENDED
30 JUNE 2012**

Prepared By
MORAN Chartered Accountants

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INSTITUTE OF PUBLIC AFFAIRS LIMITED

(A Company Limited by Guarantee)
Incorporated in the Australian Capital Territory, 10 June 1987
ABN 49 008 627 727

Principal Office in Victoria

Executive Director:
John Roskam

Deputy Executive Director:
Hugh Tobin

Deregulation Unit:
Alan Moran

Intellectual Property and Free Trade Unit:
Tim Wilson

Work Reform and Productivity Unit
John Lloyd

Food and Environmental Unit:
Louise Staley

Emeritus Fellows
Professor Bob Carter, John Hyde

Senior Fellows
Professor Sinclair Davidson

Research Fellows
Richard Allsop, Chris Berg, Asher Judah, Trent MacDonald, Julie Novak, Carolyn Popp, Tom Switzer

Staff
Lydia Bevege, Robert Champion, Peter Gregory, Elizabeth Griffiths, Brad Laver, Rachel Leigh, James Paterson, Robert Phayer, Andy Poon, Anniessa Putri, John Shipp, Sabine Wolff

Secretary
John Roskam

Auditors
Moran Chartered Accountants

Principal Office
Level 2, 410 Collins Street, Melbourne, Victoria 3000
Ph (03) 9600 4744, Fax (03) 9602 4989, www.ipa.org.au

INSTITUTE OF PUBLIC AFFAIRS LIMITED
ABN 49 008 627 727

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INSTITUTE OF PUBLIC AFFAIRS LIMITED
ABN 49 008 627 727

INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2012

	2012 \$	2011 \$
INCOME		
Subscriptions - General	353,585	539,222
Subscriptions - Units/Projects	554,968	965,682
Conferences & Seminars	516,879	196,250
Publications & Media	121,731	37,832
Donations Received	2,261,493	561,917
IPA Research Trust Income	139,500	-
	<u>3,948,156</u>	<u>2,300,903</u>
OTHER INCOME		
Interest Received	52,011	35,118
Royalties Received	2,260	33,003
Other Income	-	56,381
	<u>54,271</u>	<u>124,502</u>
	<u>4,002,427</u>	<u>2,425,405</u>
EXPENSES		
Advertising	162,623	38,606
Ancillary Research Costs	199,770	140,932
Bank Charges	15,478	6,793
Conference & Seminar Costs	437,479	157,437
Direct Unit Costs	396,173	136,129
Depreciation	3,145	3,955
Electricity & Telephone	24,797	22,182
Fringe Benefits Tax	2,654	7,826
Hire of Plant & Equipment	9,072	1,552
Legal Costs	20,184	9,517
Office Rental & Cleaning	152,151	117,512
Provisions Set Aside - Annual Leave	25,307	19,178
Publication Costs	90,673	89,795
Repairs & Maintenance	13,966	3,247
Salaries & Contractor Fees	1,516,261	1,215,491
Sundry Office Expenses	472,875	160,833
Superannuation Contributions	139,280	68,164
Workcover Insurance	7,207	8,300
	<u>3,689,095</u>	<u>2,207,449</u>
Current year surplus before income tax	<u>313,332</u>	<u>217,956</u>

The accompanying notes form part of these financial statements.
These statements should be read in conjunction with the attached compilation
report of MORAN Accountants.

INSTITUTE OF PUBLIC AFFAIRS LIMITED
ABN 49 008 627 727

INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2012

	Note	2012 \$	2011 \$
Current year surplus before income tax		313,332	217,956
Income tax expense		-	-
Net current year surplus		<u>313,332</u>	<u>217,956</u>
Opening balance at 1 July 2011		1,230,961	1,013,005
Retained surplus		<u>1,544,293</u>	<u>1,230,961</u>
Closing balance at 30 June 2012		<u>1,544,293</u>	<u>1,230,961</u>

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INSTITUTE OF PUBLIC AFFAIRS LIMITED
ABN 49 008 627 727

BALANCE SHEET
AS AT 30 JUNE 2012

	Note	2012 \$	2011 \$
EQUITY			
Retained surplus	8	1,544,293	1,230,961
TOTAL EQUITY		<u>1,544,293</u>	<u>1,230,961</u>
Represented by:			
ASSETS			
CURRENT ASSETS			
Security Deposit		30,095	7,818
Petty Cash		356	285
Cash at Bank	2	1,796,121	1,178,098
Sundry Debtors		143,068	125,461
Prepayments	4	162,592	115,276
TOTAL CURRENT ASSETS		<u>2,132,232</u>	<u>1,426,938</u>
NON CURRENT ASSETS			
Fixed Assets			
Office Machines	5	1,988	5,133
Total Fixed Assets		<u>1,988</u>	<u>5,133</u>
TOTAL NON CURRENT ASSETS		<u>1,988</u>	<u>5,133</u>
TOTAL ASSETS		<u>2,134,220</u>	<u>1,432,071</u>
LIABILITIES			
CURRENT LIABILITIES			
Trade Creditors	6	12,864	70,118
Other Creditors & Accruals		155,902	57,884
Income In Advance		325,000	-
Employee Benefits	7	96,161	73,108
TOTAL CURRENT LIABILITIES		<u>589,927</u>	<u>201,110</u>
TOTAL LIABILITIES		<u>589,927</u>	<u>201,110</u>
NET ASSETS		<u>1,544,293</u>	<u>1,230,961</u>

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INSTITUTE OF PUBLIC AFFAIRS LIMITED
ABN 49 008 627 727

CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2012

	2012	2011
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from subscriptions and donations	4,257,809	2,474,346
Payments to suppliers and employees	(3,691,726)	(2,225,548)
Interest received	52,011	35,118
Net cash provided by operating activities	<u>618,094</u>	<u>283,916</u>
Net increase in cash held	618,094	283,916
Cash at beginning of financial year	1,178,383	894,467
Cash at end of financial year	<u>1,796,477</u>	<u>1,178,383</u>

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These statements should be read in conjunction with the attached compilation
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INSTITUTE OF PUBLIC AFFAIRS LIMITED
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STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2012

	Retained surplus \$	Total \$
Opening Balance	1,013,005	1,013,005
Surplus attributable to equity	217,956	217,956
Balance at 30 June 2011	1,230,961	1,230,961
Surplus attributable to equity	313,332	313,332
Balance at 30 June 2012	1,544,293	1,544,293

INSTITUTE OF PUBLIC AFFAIRS LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

1 **Statement of Significant Accounting Policies**

Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) and the *Corporation Act 2001*. The company is a not-for-profit for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

The financial statements cover Institute Of Public Affairs Limited as an individual entity. Institute Of Public Affairs Limited is a company limited by guarantee, incorporated and domiciled in Australia.

The financial statements, except for the cash flow information, have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. The amounts presented in the financial statements have been rounded to the nearest dollar.

The financial statements were authorised for issue on 30th October 2012 by the directors of the company.

INSTITUTE OF PUBLIC AFFAIRS LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

Accounting Policies

Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment

Plant and equipment are measured on the cost basis less depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by the director to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets' employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the company includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation reserve in equity. Decreases that offset previous increases of the same asset are charged against fair value reserves directly in equity; all other decreases are charged to the income statement. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the income statement and depreciation based on the asset's original cost is transferred from the revaluation reserve to retained earnings.

Depreciation

The depreciable amount of all fixed assets including building and capitalised lease assets, but excluding freehold land, is depreciated on a straight line basis over their useful lives to the company commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Office Machines	20%

INSTITUTE OF PUBLIC AFFAIRS LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

Employee Benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance sheet date. Employee benefits expected to be settled within one year together with benefits arising from wages, salaries and annual leave which may be settled after one year, have been measured at the amounts expected to be paid when the liability is settled. Other employee benefits payable later than one year have been measured at the net present value.

Contributions are made by the company to an employee superannuation fund and are charged as expenses when incurred.

Provisions

Provisions are recognised when the company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

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 a service is recognised upon the delivery of the service to the customers.

Comparative Figures

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

INSTITUTE OF PUBLIC AFFAIRS LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

	2012 \$	2011 \$
2 Cash and cash equivalents		
Cash at the end of the financial year as shown in the Cash Flow Statement is reconciled to the related items in the Balance Sheet as follows:		
Cash at Bank - NAB Business Management Account	521,601	527,180
Cash at Bank - NAB Research Account	1,253,718	561,097
Cash at Bank - NAB Business Cash Maximiser	19,802	88,821
Petty Cash	356	285
Cash at Bank - Foundations of Western	1,000	1,000
Cash at Bank	<u><u>1,796,477</u></u>	<u><u>1,178,383</u></u>
3 Cash Flow Information		
Reconciliation of Cash	1,796,477	1,178,383
Reconciliation of cash flow from operations to surplus accrued as a result of operations		
Surplus accrued as a result of operations	313,332	217,956
Depreciation	3,145	3,955
(Increase)/Decrease in Trade and other receivables	(39,884)	84,059
(Increase)/Decrease in Prepayments	(47,316)	(110,121)
Increase/(Decrease) in Trade Creditors	(57,254)	64,337
Increase/(Decrease) in Other Creditors	98,018	15,778
Increase/ (Decrease) in Income in Advance	325,000	-
Increase/(Decrease) in Current Provisions	23,053	7,952
Net cash provided by (used in) Operating Activities	<u><u>618,094</u></u>	<u><u>283,916</u></u>
4 Other Current Assets		
Current		
Prepayments	<u>162,592</u>	<u>115,276</u>
5 Property, plant and equipment		
Office Machines	49,213	49,213
Less: Accumulated Depreciation	(47,225)	(44,080)
Total Property, plant and equipment	<u><u>1,988</u></u>	<u><u>5,133</u></u>
6 Trade and Other Payables		
Current		
Trade Creditors	12,864	70,118
Other Creditors & Accruals	155,902	57,884
	<u><u>168,766</u></u>	<u><u>128,002</u></u>

INSTITUTE OF PUBLIC AFFAIRS LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

		2012	2011
		\$	\$
7	Employee Benefits		
	Employee Entitlements - Leave provision	78,061	52,753
	Superannuation Payable	18,100	20,355
	Total Employee Benefits	<u>96,161</u>	<u>73,108</u>
8	Retained Surplus		
	Retained surplus at the beginning of the financial year	1,230,961	1,013,005
	Net surplus attributable to equity of the company	313,332	217,956
	Retained surplus at the end of the financial year	<u>1,544,293</u>	<u>1,230,961</u>

9 Events After the Balance Sheet Date

Since the end of the financial year, there has not arisen any item, transaction or event of a material and unusual nature likely to affect significantly the operations of the company, the results of those operations, or the state of affairs of the company, in subsequent financial years.

10 Remuneration & Retirement Benefits

Directors' Remuneration

Directors of the company receive no financial benefits. They provide their services purely on an honorary basis.

11 Limitation of Members Liability

Pursuant to the Constitution, in the event of the company being wound up the liability of each member or each former member who ceased to be a member within one year of the company being wound up would not exceed \$10 per member. As at 30 June 2012 there were 35 members.

12 Related Party Transactions

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other persons unless otherwise stated.

INSTITUTE OF PUBLIC AFFAIRS LIMITED
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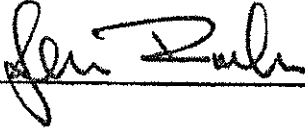
DIRECTORS' DECLARATION

In the opinion of the Directors of Institute of Public Affairs Limited:

1. The financial statements and notes, set out on pages 1 to 11 are in accordance with the Corporations Act 2001, including:
 - (i) Giving a true and fair view of the financial position of the Company as at 30 June 2012 and of its performance, as represented by the results of its operations and its cash flows, for the financial year ended on that date; and
 - (ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors:

Director:



Mr John Roskam
Executive Director

Dated at Melbourne this 30th day of October 2012

INSTITUTE OF PUBLIC AFFAIRS LIMITED

Directors' Report

The Directors present their report together with the financial report of the Institute of Public Affairs Limited (the "Company") for the year ended 30 June 2012 and the auditor's report thereon:

Incorporation

The Company was incorporated in the Australian Capital Territory on 10 June 1987 as a company limited by guarantee. The Company acquired and took over the funds and other assets and liabilities of the unincorporated Institute of Public Affairs with effect from 1 July 1987.

By its Constitution, the Company is a non-profit, policy research and educational organization having no political affiliation, but aiming at advancing free enterprise and individual liberty.

Directors

The names of each person who has been a director of the Company at any time during or since the end of the financial year are:

Janet Winifred Barlow
William Harold Clough
William Timothy Duncan
Geoffrey Michael Folie
William Lawrence Hetherington
Michael Robb Hickinbotham
Geoffrey William Hone
Charles Roderick Kemp (Chairman)
Michael Norman Kroger
William Hugh Matheson Morgan
Maurice Joseph O'Shannassy
Frederick Allan Pidgeon
Thomas William Quirk
John Peter Roskam (Executive Director)

INSTITUTE OF PUBLIC AFFAIRS LIMITED

Directors' Report

Short and long-term objectives

The primary long-term objectives of the Company are:

1. To further the individual, social, political and economic freedom of Members and of the Australian people.
2. To inform Members and the Australian people of the facts of Australia's economic system and thus to raise the level of economic understanding in Australia.
3. To work for improved understanding and productive relationships between employers and employees and governments.
4. To study the means by which private enterprise can be made to operate better in the interests of Members and all sections of the Australian people.
5. To express viewpoints on national economic policies and on any other matter considered to be of national importance.

In order to achieve these long-term objectives, a number of key short-term objectives have been determined:

1. Increase number of Company supporters and donors.
2. Increase revenue to allow for the Company to continue its research into national economic policies and other matters considered to be of national importance.

Strategies to achieve short and long-term objectives

The Company has the following strategies to achieve its short and long-term objectives:

1. Actively engage in public debate to bring the Company's research to the attention of as many people as possible.
2. Identify new areas of research which are of national importance, and engage in research and share the outcomes of the research to the Australian people.

INSTITUTE OF PUBLIC AFFAIRS LIMITED

Directors' Report

Principle activities

The principal activities of the Company during the year were the conduct of economic and social research, including the conduct of a number of seminars and conferences, the publishing of several booklets and papers, and media commentary.

During the year the company undertook the following activities:

- a.) Four issues of the *IPA Review* were produced.
- b.) IPA staff published numerous research papers and appeared before various parliamentary enquiries.
- c.) Four books were produced.
- d.) A weekly email was produced for IPA members and supporters.
- e.) Numerous events were held around Australia.
- f.) IPA staff made extensive media comment about IPA research.

The Company's activities during the year have facilitated the dissemination of its research to Members and the Australian people. The *IPA Review* has a readership of over 4,000, its weekly email reaches over 20,000, and the Company's numerous research papers are readily accessible through its website, which received over 35,000,000 hits in the past year.

Performance measures

The Company measures its performance by comparing financial results and the number of research outputs on a year to year basis. The financial performance objectives are measured against surplus, and total net assets.

Results

The operating surplus/ (loss) for the year ended 30 June 2012 was \$313,332, (2011: \$217,956).

INSTITUTE OF PUBLIC AFFAIRS LIMITED

Directors' Report

Directors' Qualifications and Experience

Janet Winifred Barlow

Qualifications: B.A. (English) degree from University of Western Australia, and Dip.Ed. from La Trobe University.

Experience: Over 20 years working at Barlow Jonker, including founding a successful subscription-based industry portal. She is a Fellow of the Financial Services Institute of Australia, with over thirty years' experience in funds management.

Appointed Director 3 August 2012.

William Harold Clough AO, OBE, CitWA

Qualifications: B.E. (Hons) degree and Hon DEng from University of WA, M.S. from University of California, Berkeley, FIEAust, FTSE, FAIM, FICD

Experience: Fifty years chairman and owner of Clough Ltd, an engineering company. Now chairman and owner of McRae Investments Pty Ltd, a family company mainly mining coal in Indonesia.

Was President of the Australian Chamber of Commerce and Industry and Vice President of the Confederation of Asian-Pacific Chamber of Commerce and Industry (CACCI). Ten years member of The Government Australian Indonesian Institute.

Chairman of Alzhyme Pty Ltd, a company supporting research by Professor Ralph Martins into alzhyme disease.

Director since 1991.

William Timothy Duncan

Qualifications: B.A. (Hons) degree in Economic History and Politics from University of Melbourne, and PhD (Economic History) from University of Melbourne.

Experience: Former Melbourne Correspondent, The Bulletin; and Head Australian External Affairs at Rio Tinto; Director of strategic communications consultancy, Hinton & Associates, and advisor to numerous Australian and offshore listed companies. Author of (with John Fogarty) *Australia and Argentina: on parallel paths* (MUP, 1985). He is also a committee member of the Melbourne Mining Club.

Director since 2002.

INSTITUTE OF PUBLIC AFFAIRS LIMITED

Directors' Report

Geoffrey Michael Folie

Qualifications: B.E. degree from University of Melbourne, D.I.C. Grad Diploma from Imperial College London, M.Sc (Econ) degree from London School of Economics, and PhD from University of Southampton.

Experience: Thirty years of business experience and related policy issues in mining and petroleum industries, including positions as CEO and Chairman of several ASX-listed resource companies. These executive responsibilities included involvement in policy debates as a Board/Council member of the WA and Queensland Chambers of Mines and the Minerals Council in Canberra. Prior employment included 10 years at the University of NSW, holding the position of Associate Professor of Economics prior to resignation. Previous appointments include Board membership of EFIC and the Australian Research Council and as an Associate Commissioner of the Productivity Commission.

Director since 1995.

William Lawrence Hetherington

Experience: Managing Director of Ascot Farms, and director of Deniliquin Hospital. For ten years he was the Chairman of Australia's largest irrigation company, Murray Irrigation Limited. He has served on numerous New South Wales government and federal government boards and councils, including as a director on the Australian Landcare Council, and as an advisor to federal and state governments on major water reform. Established community drainage scheme servicing 50 farmers and saved land from flooding. He was awarded *Environmentalist of the Year* by the New South Wales government. He was awarded Citizen of the Year by Deniliquin Municipal Council, and by Conargo Shire Council.

Director since 2005.

Michael Robb Hickinbotham

Qualifications: LLB (Hons) degree from University of London, and B.Econ degree from University of Adelaide.

Experience: Managing Director of Hickinbotham Group. Worked as a solicitor at Blake Dawson Waldron. His other current appointments include Chairman of the Australian Population Institute of Australia (SA), a member of the Economic Development Board, and an executive member of the Urban Development Institute of Australia (SA).

Director since 2007.

INSTITUTE OF PUBLIC AFFAIRS LIMITED

Directors' Report

Geoffrey William Hone

Qualifications: LLB (Hons) degree from University of Melbourne. Barrister and solicitor of the Supreme Court of Victoria.

Experience: Partner of the law firm, Ashurst (formerly Blake Dawson), for 37 years. Currently a special counsel at that firm. He has acted as a director or adviser to numerous public and private companies. His other current appointments include Chairman of Children First Foundation and of The Scoble and Claire Mackinnon Trust and director of Legal Super (the legal profession's industry superannuation fund).

Appointed Director 25 November 2011.

Charles Roderick Kemp

Qualifications: B.Comm degree from University of Melbourne.

Experience: Former Minister in the Howard Government for 10 years. During this time he was responsible for the Australian Taxation Office and superannuation as the Assistant Treasurer, and was also Minister for the Arts and Sport. He was previously Executive Director of the IPA from 1982 to 1989.

Director since 2008.

Michael Norman Kroger

Qualifications: B.Juris and LLB degrees from Monash University.

Experience: Chairman of J T Campbell & Co, a Melbourne-based corporate advisory business. Previously a Principal of Kroger & Kroger Solicitors, specialising in labour, employment and industrial law, and was President of the Victorian Division of the Liberal Party from 1987 – 1992.

Director since 2008.

William Hugh Matheson Morgan

Qualifications: B.Eng (Hons) and B.Arts degrees, and GradDip App. Fin. & Invest., all from RMIT University.

Experience: Junior partner, Intrinsic Investment Management, an Australian listed equity investment firm (eight years). Previously a professional investor (ten years), private company managing director (four years), and civil engineer (four years).

Director since 2007.

INSTITUTE OF PUBLIC AFFAIRS LIMITED

Directors' Report

Maurice Joseph O'Shannassy

Qualifications: B.Sc degree and M.Ec (prelim) from Monash University.

Experience: Former Chief Executive Officer of BlackRock Investment Management Australia (formerly Merrill Lynch Investment Managers Australia). He currently holds a number of Directorships of Australian public companies and his other appointments include Vice President of the Richmond Football Club, and a Life Member of the Financial Services Council.

Director since 2009.

Frederick Allan Pidgeon

Qualifications: B.Comm and LLB (Hons) degrees from University of Queensland, Post-Graduate Diploma in Applied Finance and Investment from Securities Institute of Australia, and Diploma in Financial Planning from Deakin University.

Experience: Director of property firm, F. A. Pidgeon & Son Pty Ltd. Previously worked as a tax accountant with Arthur Andersen, 11 years as a stock broker with Nevitts Limited and Ord Minnett Limited. Current appointments include being a member of the Board of the Mater Hospital Foundation, member of the Lord Mayor's Business Round Table Committee, and member of the Executive Committee for the Queensland Private Enterprise Centre Inc.

Appointed Director 3 August 2012.

Thomas William Quirk

Qualifications: M.Sc. from University of Melbourne, D. Phil. and M.A. degrees from University of Oxford, and SMP degree from the Harvard Business School.

Experience: Much experience as a director of start-up companies. An early director of Biota and a former director of a number of biotechnology companies. Also a former Chairman of VICTrack and Deputy Chairman of VENCORP. Former Chairman of Heide Museum of Modern Art, the Australian Centre for Contemporary Art and on the Board of the Sydney Biennale. Trained as a nuclear physicist and Fellow of three Oxford Colleges.

Director since 1998.

INSTITUTE OF PUBLIC AFFAIRS LIMITED

Directors' Report

John Peter Roskam

Qualifications: B.Comm (Hons) and LLB (Hons) degrees from University of Melbourne. Barrister and solicitor of the Supreme Court of Victoria.

Experience: Executive Director of the IPA. Current appointments include being a member of the Editorial Board of the *Australian Journal of Public Administration*, and Connor Court Publishing. He is a fellow of the Institute of Public Administration Australia (Victoria), and is an Honorary Fellow of Campion College.

Director since 2005.

Directors' meetings

The number of directors' meetings and number of meetings attended by each of the directors of the Company during the 2011/12 financial year are:

Director	No. of Meetings Attended	No. of Meetings Eligible to Attend
JW Barlow	0	0
WH Clough	4	5
WT Duncan	4	5
GM Folie	3	5
WL Hetherington	4	5
MR Hickinbotham	4	5
GW Hone	3	3
CR Kemp	5	5
MN Kroger	4	5
WHM Morgan	4	5
MJ O'Shannassy	5	5
FA Pidgeon	0	0
TW Quirk	5	5
JP Roskam	5	5

Members' liability on winding up

In the event of the Company winding up, each member of the Company undertakes to contribute to the property of the Company for payment of the debts and liabilities of the Company, such amounts as may be required not exceeding ten dollars. The maximum total amount that members of the Company are liable to contribute if the Company is wound up is \$350.

Related Entity

The Institute of Public Affairs Research Trust receives donations, administer scholarships and supports research. The Company is the trustee.

INSTITUTE OF PUBLIC AFFAIRS LIMITED

Directors' Report

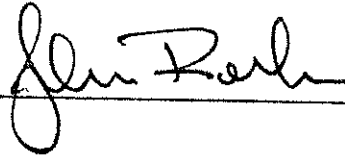
Auditor's Independence Declaration

The auditor's independence declaration is included on page 24 of the annual report.

Signed in accordance with a resolution of Directors made pursuant to s.298 (2) of the Corporations Act 2001.

Director:

Mr John Roskam

A handwritten signature in black ink, appearing to read "John Roskam", is written over a horizontal line. The signature is cursive and stylized.

Dated this 30th day of October 2012

moran

MORAN Chartered Accountants

650 Nicholson Street
PO Box 530
Carlton North VIC 3054

Telephone 03) 9482 1955
Facsimile 03) 9482 1655
www.moranaccountants.com.au

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE INSTITUTE OF PUBLIC AFFAIRS LIMITED

Report on the Financial Report

We have audited the accompanying financial report, (pages 1 to 21) of the Institute of Public Affairs Ltd, which comprises the balance sheet as at 30 June 2012, the income statement and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the Institute of Public Affairs Ltd 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 designing, implementing and maintaining internal control 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 judgment, 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 circumstances, 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.

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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 Institute of Public Affairs Ltd on 17th September 2012, would be in the same terms if provided to the directors as at the date of this auditor's report.

Auditor's Opinion

In our opinion the financial report of Institute of Public Affairs Ltd is in accordance with the *Corporations Act 2001*, including:

- a. giving a true and fair view of the Institute of Public Affairs Ltd 's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
- b. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

MORAN Chartered Accountants



Zeina Moran - Partner

Dated in Carlton North on the 30th October 2012

moran

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Auditor's Independence Declaration

To the Board Members: Institute of Public Affairs Limited

As lead engagement auditor for the audit of The Institute of Public Affairs Limited for the year ended 30 June 2012, I declare that, to the best of my knowledge and belief, there have been:

- i. no contraventions of the independence requirements of the Corporations Act in relation to the audit; and

- ii. no contraventions of any applicable code of professional conduct in relation to the audit.

MORAN Chartered Accountants



Zeina Therese Moran
Partner
Carlton North
30th October 2012