



24 January 2012

Mr Tim Hughes
Principal Research Officer
Economics & Industry Standing Committee
Level 1
11 Harvest Tce
WEST PERTH WA 6005

EMAILED TO: laeisc@parliament.wa.gov.au

Dear Mr Hughes,

Inquiry into Ironbridge Holdings Pty Ltd (Ironbridge) and Other Matters Regarding Residential Land and Property Development – Response of Mr Ian Wallace to Questions Dated 13/12/2011

I refer to the questions sent to me on 13 December 2011, following my appearance before the Economics & Industry Standing Committee (**the Committee**) on 08 December 2011.

I have attached a copy of those questions, with my response to each in blue.

I have also attached the following documents, which are relevant to my responses:

- Breakdown of ATO Liabilities paid from the 2009 Dividend of Ironbridge;
- Breakdown of ATO Liabilities paid from the 2010 Dividend of Ironbridge;
- The Un-Audited 2011 Financial Statements for Ironbridge; and
- A copy of correspondence from Mr John Todd of the Water Corporation, dated 17 May 2011.

I will await the Committee's advice as to whether or not they will require me to appear at the further hearing, scheduled for 10:15am on Tuesday, 31 January 2012.

Yours Sincerely,

A handwritten signature in black ink, appearing to read "I. Wallace".

IAN WALLACE
Director
Ironbridge Holdings Pty Ltd

114 Forrest Street
Cottesloe
Perth WA 6011
Telephone: (08)9383 2200
Fax: (08)9383 2800
ABN: 94 009 341 011



EISC – QUESTIONS ON NOTICE DATED 13/12/2011

(1) Can you explain the process of how a distribution of the 2009, 2010 and 2011 dividends to you as a shareholder pays for liabilities incurred by Ironbridge Holdings Pty Ltd?

The answer given by me to the committee at the hearing on 8 December 2011 was incorrect. The dividends declared by Ironbridge Holdings Pty Ltd (Ironbridge) were not used to pay liabilities incurred by Ironbridge.

The dividends were used by the recipients of the dividends to pay obligations to the ATO owed by the Shareholders and related entities.

Attached is a schedule of payments made to the ATO in the financial years ended 30 June 2009, 2010 and 2011, showing the dates the payments were made and who they were made on behalf of. There are 2 items of note:

1. In 2009 and 2010 monies were paid to the ATO on behalf of our daughter Rachel Wallace. These amounts totalled \$6,135.00 in the financial year ended 30 June 2009 and \$22,005.00 in the financial year ended 30 June 2010.
2. In the financial year ended 30 June 2012 there was a surplus of the dividends declared compared to payments to the ATO of \$59,000.00.

(2) Why is the solvency of the shareholders relevant to the operation of Ironbridge Holdings Pty Ltd?

The shareholders of Ironbridge are Ian Wallace, Carolyn Margaret de Freyne Wallace (Margie) and I Wallace & Associates Pty Ltd as trustee for the I Wallace Family Trust.

Ian and Margie Wallace and I Wallace and Associates Pty Ltd have provided guarantees to Ironbridge's financiers to support the financial accommodation provided to Ironbridge.

The solvency of the Shareholders is relevant to the operations of Ironbridge. If any of the shareholders were bankrupt or insolvent, that would cause Ironbridge to be in default of their obligations to their financiers.

a) Did Ironbridge's financiers approve the payment of the 2009, 2010 and 2011 dividends?

If so, was this approval given to enhance the solvency of the directors because they are acting as guarantors to Ironbridge's loans?

Ironbridge's financiers did not approve the payment of the dividends in 2009, 2010 and 2011. Their approval was not required under the terms of the finance facility.

(3) Prior to 2009, Ironbridge's financial statements had been lodged with ASIC within the timeframe stipulated by the Corporations Act. The company's 2009 and 2010 financial statements were both lodged late (in September 2011), which is a breach of the Corporations Act. Why were the 2009 and 2010 financial statements not lodged until September 2011?

In September 2009 when the time the 2009 financial statements were prepared, the Auditor provided to me a declaration of solvency and advised me this needed to be signed before the statements could be audited and lodged at ASIC.

In September 2009, though I did not believe the Company was insolvent, in part because it had a surplus of assets over liabilities, I had begun to have concerns as to the short term cash flow of the company.

I did not have a concern about the long term asset solvency of the Company, based upon the land holdings, the number of pre-sales contracts and their estimated settlement date.

Notwithstanding this I did not want to sign a false declaration and therefore I decided to wait until I had a more certain indication of when particular settlements would take place, which was in turn contingent upon the completion of development works and the relevant authorities issuing clearances for titles to be issued.

Unfortunately this took longer than I expected and the need to finalise and lodge the 2009 accounts was overlooked.

When the 2010 financial statements were prepared I had a similar concern as to the short term cash flow of the Company.

Our auditor also indicated that they required payment of their audit fees for the 2010 audit before they would complete their audit and lodge the financial statements.

Again the need to finalise and lodge the 2009 and 2010 financial statements was overlooked.

In mid-2011 the company received a demand from ASIC to lodge the 2010 financial statements. We subsequently paid the audit fees for 2010, signed the declarations and lodged the 2009 and 2010 financial statements at ASIC in September 2011.

a) Was this delay related to your ability as director to sign a declaration of solvency for the company when due?

Yes, the delay was in part related to my ability as a director to sign a declaration of solvency as at the date the accounts were to be lodged with the ASIC.

I did not have a concern with respect to the solvency of the company from a net asset perspective. In my opinion, supported by the accounts, the company had a surplus of assets over liabilities. My concerns related to short term cash flow.

(4) Why is it that Ironbridge Holdings Pty Ltd's financial statements, signed by you on 14 September 2009, were not signed off by your auditor until 21 September 2011?

Ironbridge's financial statements were not signed off by me until 14 September 2011. The reference to the date 14 September 2009 is an error.

The financial statements were prepared in 2009. The date for signing the documents was inserted as "Dated this day of 2009".

When I signed the financial statements I inserted "14" for the day and "September" for the month. I neglected the change the year from 2009 to 2011.

a) What transpired in those two years to cause this delay?

Not Applicable – see my answer above.

(5) Was the 2009 dividend payment enabled by a drawdown of the Retained Earnings/Retained Profits?

Yes. The dividends were credited against retained profits.

(6) What prompted you to declare this dividend in 2009 when gross revenue from land sales had fallen by 33 per cent over that year? Wouldn't this sharp drop in land sales suggest that cash flow difficulties were imminent?

A drop in land sales is not necessarily suggestive of cash flow difficulties. We had pre-sales at a consistent rate, albeit it at a reduced rate, but we had sales in hand.

Throughout the year ended 30 June 2009, funds were withdrawn from the company to pay the ATO liabilities of the shareholders and related entities as previously advised.

At the time the funds were withdrawn, though we were aware that in the future we would be liable for the fencing and landscaping packages we did not foresee the issues that would arise in the second half of 2009, and had no reason to believe we would not be able to meet our obligations in a timely manner.

At the end of the financial year ended 30 June 2009, in consultation with the Company's accountant we assessed the funds that had been withdrawn during the year and the retained profit position of the Company. As there were retained profits in the Company it was decided to

declare a dividend in respect of the payments that had been made in the course of the year. This was the most tax effective method of treating the payments.

(7) Do you think it is surprising that in the year in which a company loses \$100,000, it pays out \$1.641 million in dividends to its shareholders?

No. The Company had retained profits out of which it was able to declare and pay a dividend.

(8) Prior to the declaration and payment of the dividend on 30 June 2009, did the directors assess the solvency of the company to determine whether the company would be able to meet its current and future debts as and when they fell due? If so, was this assessment of future cash flow documented?

The answer to the first question is yes.

The directors did assess the solvency of Ironbridge to determine whether it would be able to meet its current and future debts as and when they fell due prior to the declaration of the dividend on 30 June 2009.

It was the view of the Directors, supported by the Company's accountant, that as at 30 June 2009 the Company was solvent and able to meet its current and future debts as and when they fell due.

A future cash flow statement was prepared and forwarded to Bankwest on 1 July 2009. The cash flow projections showed that there would be positive net income for each month in the 2010 financial year save for October 2009 where we anticipated a negative net income.

Included under the heading "Expenditure" was a line item of "Sundry Expenses/Advertising" and anticipated expenditure of \$150,000 per month. This line item included the fencing and landscaping.

a) Did the directors' assessment of future cash flow as at 30 June 2009 include the outstanding fencing and landscaping obligations at The Tuarts estate?

The Director's assessment of cash flow as at 30 June 2009 did include the outstanding fencing and landscaping obligations at the Tuarts Estate. In the cash flow sent to Bankwest on 1 July 2009 the fencing and landscaping obligations were covered within the line item "Sundry Expenses".

(9) What was the rationale behind authorising a further dividend payment (\$180,000) on 30 June 2010 after gross revenue from land sales had fallen by a further 21 per cent over the 2009/10 year?

Throughout the year ended 30 June 2010, funds were withdrawn from the company to pay the ATO liabilities of the shareholders and related entities.

At the end of the financial year ended 30 June 2010, in consultation with the Company's accountant we assessed the funds that had been withdrawn and the retained profit position of the Company. As there were retained profits in the Company it was decided to declare a dividend in respect of the payments that had been made in the course of the year. This was the most tax effective method of treating the payments.

(10) Prior to the declaration and payment of the dividend on 30 June 2010, did the directors assess the solvency of the company to determine whether the company would be able to meet its current and future debts as and when they fell due? If so, was this assessment of future cash flow documented?

The answer to the first question is yes.

The directors did assess the solvency of Ironbridge to determine whether it would be able to meet its current and future debts as and when they fell due prior to the declaration of the dividend on 30 June 2010.

It was the view of the Directors, supported by the Company's accountant, that as at 30 June 2010 the Company was solvent and able to meet its current and future debts as and when they fell due.

A future cash flow statement was prepared and forwarded to Suncorp on 19 July 2010. The cash flow projections showed that there would be positive net income for the year ended 30 June 2011.

Included under the heading "Expenditure" was a line item of "Dalyellup Stages 1 & 2 fencing" and "Dalyellup Stages 1 & 2 landscaping".

a) Did the directors' assessment of future cash flow as at 30 June 2010 include the outstanding fencing and landscaping obligations at The Tuarts estate?

Yes.

(11) Where in the company's 2009 and 2010 financial reports have you provisioned for the monies needed to meet the debts owing on outstanding fencing and landscaping packages and court orders?

There is no provision in the accounts for monies needed to meet the debts owing on outstanding fencing and landscaping packages and court orders.

The need to make provision for these matters did not occur to me at the time. It was simply overlooked. This is not to say that we were not aware of our obligations in respect of fencing and landscaping.

(12) Where in the company's 2009 and 2010 financial reports have you provisioned for the bank guarantees held by the Water Corporation?

The Bank Guarantees in favour of the Water Corporation and others make up part of the total liability to the financier who issued the Bank Guarantee, Suncorp. The liability is recorded in the balance sheet of the company. No separate provisioning is required.

a) Were these bank guarantees taken into account in the solvency assessments for the 2009 and 2010 financial statements?

Yes

(13) What is Ironbridge Holdings Pty Ltd's Retained Earnings/Retained Profits figure for financial year end 20 11?

Ironbridge's retained profit for the year ended 30 June 2011 was \$20,490,271.

a) Given the delays many of your customers have endured, would you consider drawing down the company's retained earnings to meet the outstanding obligations for fencing and landscaping and to pay the company's outstanding court orders?

With respect, this question reflects a misunderstanding of what Retained profit in the accounts represents. It does not reflect cash held in the bank, able to be drawn down. It represents profits that have been made in previous years that have not been paid out.

Notwithstanding this I can advise that in January 2012, my wife and I have secured funding in our own name and secured against our personal assets, which will enable us to make a loan to Ironbridge of amounts sufficient to meet Ironbridge's outstanding obligations with respect to landscaping the remaining lots within the Tuart Estate where a liability for landscaping exists and to complete the painting of the fencing within the Estate.

I have had discussions with a landscape contractor. It is my intention to instruct him to roll out the landscaping packages. The landscaper has advised me that he will be able to do between 10-15 landscape packages per month. On the basis of this estimate it will take approximately 6 months to complete all of the outstanding landscaping.

The landscaping will be completed in priority of the date applications were received.

(14) You have testified previously [page 8 of the original transcript] that you have not drawn directors' fees nor paid your sales staff in wages since the company has experienced cash flow problems. However, your cash flow statements for 2009 and 2010 indicate payments to suppliers and employees of over \$20.2m and \$12.8m respectively.

a) How much of these amounts went to employee payments?

I assume the reference to cash flow statements should refer to the financial statements.

Wages 2009: \$889,408
Super 2009: \$79,409
Expenses: \$325

Wages 2010: \$961,347
Super 2010: \$86,521
Expenses: \$1,036

b) How much of these employee payments went to wages?

See above

c) Did you draw a wage from these figures?

No wages were paid to Ian or Margie Wallace in 2009, 2010 or 2011.

d) How many employees did the company have across these two financial years?

Ten employees, excluding the directors, Ian and Margie Wallace.

e) Did the company meet all of its obligations to pay employees' superannuation within the specified time during the 2009 and 2010 financial years?

No.

All outstanding superannuation entitlements except those relating to our own children will be paid by Friday 27 January 2012. The entitlements of our own children will be paid over the next four weeks. Our children are aware of this and have no objection to this.

(15) Can you explain why there was no impairment of the company's inventories in 2009 and 2010 given the large fall in land values post-GFC-particularly in light of the fact that such impairments were common in the industry at the time?

We do not believe such impairments were common in the industry at the time.

Notwithstanding this, Ironbridge has considered Impairments.

I refer to Ironbridge's 2009 and 2010 audited financial statements and in particular the notes to and forming part of the Accounts for the year ended 30 June 2009 and 30 June 2010. Impairment is noted as a key estimate.

The values in the Inventories/Land for Sale for 2009 were recorded at the lower of cost and net realisable value.

The values in the Inventories/Land for Sale for 2010 were recorded at net realisable value.

In my evidence before this committee on 8 December 2011 I said that I am aware that the auditor always asks those questions, and the questions have to be supported by independent valuations, not director's valuations. I am sure that the conclusion was arrived at after referring to those independent valuations.

I wish to clarify my response. We do not obtain independent valuations for each parcel of land each year. Where we use a net realisable value for the land, there are various methods for placing values on the Company's assets. This includes:

- (a) Current market valuations where we have them;
- (b) Contract prices where the land is subject to a contract; and
- (c) An estimate of the value of the land having regard to the value of adjoining land where that is the subject of a current valuation and the directors experience (I am a former valuer)

These were approved by the Auditor.

(16) Can you provide the Committee with a copy of the independent valuations of Ironbridge Holdings Pty Ltd's "Inventories / Land for Sale" for the financial years ending 2009 and 2010?

I object to producing copies of the valuations. They are commercially confidential. Our financial reports are audited.

(17) At your previous appearance, you vigorously defended questions about the solvency of your company. However, the independent auditor's opinion of your financial statements, submitted to ASIC on 22 September 2011, said *'there is significant uncertainty as to whether or not the company will continue as a going concern for at least the next 12 months, given the company remains reliant upon the ongoing support of its lenders, shareholders, and creditors'*.

a) Can you explain why you did not acknowledge this independent auditor's opinion when you last appeared before the Committee?

The auditor's opinion was just that, his opinion. I did not and do not agree with it.

b) Do you acknowledge or refute the validity of this audit opinion?

I accept that this was the opinion of the auditor; however the opinion needs to be considered in full. The auditor stated that he was unable to assess whether the ongoing support of the lenders, shareholders and creditors will or can continue to be provided and therefore whether the Company will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

I disagree with the opinion. Whilst the Company relies on the on-going support of its lenders, shareholders and creditors, we have been working to ensure that that support will remain going forward.

Our principal lender Suncorp has agreed to extend our facility for a further twelve months as of January 2012.

The shareholders will continue to support the Company.

We have also now completed the construction of the Waste Water Pumping Station and it has been commissioned. The effect of this is that in the near future we should get clearance for titles in the next stage of Tuarts Estate, which will mean we can proceed to settlement of lots in that stage that have been sold. There are approximately 25 lots under contract awaiting settlement. This will have a positive impact upon the cash flow of the Company, because the amount outstanding to our financiers will be reduced and as a result our interest payments will be reduced. We anticipate sales of lots not already under contract will pick up after titles have issued.

Further the bank guarantees related to the construction of the WWPS have also now been returned, which again has the effect of reducing our liability to our financier and hence our interest payments.

Pursuant to the terms of the CCWA, the majority of the costs associated with the construction of the WWPS will be refunded to us twelve months after the date of the commissioning of the WWPS. Of this, approximately \$700,000.00 will be repaid to our financiers with the balance being received by the company.

As previously mentioned, my wife and I have also secured funding against our own assets to support the Company.

As a result of this I expect the cash flow position of the company to be significantly stronger in the next twelve months.

I also attach a copy of the financial statements for the year ended 30 June 2011. They show a significantly stronger financial position than for the past two years. The accounts are in the process of being audited and will be lodged at the ASIC on completion of the audit.

(18) On page 11 of the attached transcript you have confirmed that Ironbridge Holdings Pty Ltd's outstanding court orders will be settled before Christmas. As part of your response to this series of questions from the Committee can you provide confirmation of these payments?

Settlement of all outstanding judgements entered against Ironbridge occurred on 18 January 2012. While we had hoped this would occur before Christmas 2011, we were not able to achieve this due to delays in having the finance documentation completed in the pre Christmas period.

(19) Can you provide the correspondence from the Water Corporation that confirms your account of the sequence of events that determined that Ironbridge Holdings Pty Ltd would be obliged to provide a bond and then construct the Waste Water Pumping Station?

Attached is a copy of the letter from the Water Corporation dated 17 May 2011.

The context of this letter is that as part of getting WAPC approval to be endorsed upon the Deposited Plan, we were required to satisfy the requirements of various authorities including the Water Corporation.

The Water Corporation required a Waste Water Pumping Station.

It is correct that Ironbridge chose to design and construct the WWPS under a Customer Constructed Works Agreement to expedite the release of the titles in stages land 2 (the first 250 lots).

To gain early clearance of the titles in this stage, we bonded these works, that is, the Water Corporation agreed that they would not require us to construct the WWPS prior to them issuing a clearance, on the condition that we provided a bond for the completion of the works. The Water Corporation issued a further condition that we arrange for the cartage of the waste pending the completion of the WWPS. We were required to enter into a further bond in relation to the cartage.

Clearances were then given in relation to the titles in this stage.

We subsequently applied for early clearance in relation to the lots in the next stages which comprises 55 lots. At the time we were behind in our obligations to construct the WWPS and in our commitments to the contractors carrying out the cartage.

The WWPS was of a sufficient size to service significantly more lots than that comprised in our development. Given that we had provided a bond and a bank guarantee for the works, and we were only seeking clearance for an extra 55 lots, we assumed incorrectly as it turned out, that the Water Corporation would give us early clearance for these lots. We had proceeded on this basis.

The Water Corporation advised that even though they were entitled to call upon the bank guarantee for the WWPS, they would not do so, but they also would not give us clearance on the extra 55 lots until it was complete and commissioned. This had a negative effect on our cash flow. Though part of the construction costs were to be funded by our financiers, we were also required to fund a significant amount ourselves.

Had the Water Corporation been prepared to issue early clearances of the 55 lots in the next stage we would have been able to settle on those lots and this would have had a positive effect on our cash flow, by reducing our liability to our financiers and hence our interest costs.

(20) Can you confirm the year in which Ironbridge Holdings Pty Ltd commenced the sale of lots in The Tuarts estate?

2007

(21) On pages 2 and 20 of Ironbridge Holdings Pty Ltd's 2010 financial statements, both the Directors' Report and Directors' Declaration are signed and dated 14 September 2011. Would either your accountant or your auditor like to comment on how these incomplete dates were signed off?

No. This was an oversight.

Ironbridge Holdings Pty Ltd
30 June 2009
Dividend payment breakdown

Dividend
 \$1,641,000

I & CMD Wallace ATO Payments

8/07/2008	100,000.00	
14/07/2008	200,000.00	
21/07/2008	167,279.54	
12/08/2008	109,128.44	
23/09/2008	297,908.26	
23/09/2008	110,099.45	
23/09/2008	430,272.45	
16/12/2008	10,000.00	
16/12/2008	10,000.00	
18/01/2009	4,500.00	
4/03/2009	20,000.00	
4/03/2009	20,000.00	
20/03/2009	10,000.00	
20/03/2009	10,000.00	
14/04/2009	368.95	
21/04/2009	10,000.00	
21/04/2009	10,000.00	
7/05/2009	39,000.00	
7/05/2009	20,000.00	<u>1,578,557.09</u>

Rachel Wallace ATO Payments

11/09/2008	3,354.00	
1/12/2008	2,781.00	<u>6,135.00</u>

I Wallace & Associates Trust ATO Payments

23/08/2008	28,846.00	
25/05/2009	3,374.00	<u>32,220.00</u>

Ian Wallace Family Trust ATO Payments

23/08/2008	1,762.00	<u>1,762.00</u>
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I Wallace Family Trust ATO Payments

23/08/2008	4,596.00	
24/04/2009	6,603.73	
7/05/2009	6,656.55	
25/05/2009	3,115.00	<u>20,971.28</u>

1,639,645.37

Less Dividend Paid (1,641,000)

Difference **(1,355)**

Ironbridge Holdings Pty Ltd
30 June 2010
Dividend payment breakdown

Dividend
 \$180,000

I & CMD Wallace ATO Payments

4/08/2009	5,000.00	
4/08/2009	5,000.00	
16/09/2009	15,000.00	
17/11/2009	641.60	
19/04/2010	10,000.00	
31/05/2010	10,000.00	
8/06/2010	15,000.00	
24/06/2010	10,000.00	<u>70,641.60</u>

I & CMD Wallace Partnership ATO Payments

4/08/2009	5,000.00	
24/12/2009	10,000.00	<u>15,000.00</u>

Rachel Wallace ATO Payments

4/08/2009	5,005.00	
5/12/2009	2,000.00	
24/12/2009	10,000.00	
9/06/2010	5,000.00	<u>22,005.00</u>

I Wallace Family Trust ATO Payments

25/08/2009	4,005.00	
24/12/2009	4,005.00	
22/03/2010	3,969.73	<u>11,979.73</u>

Ian Wallace Family Trust ATO Payments

3/09/2009	1,338.00	<u>1,338.00</u>
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120,964.33

Less Dividend Paid (180,000)

Difference **(59,036)**

IRONBRIDGE HOLDINGS PTY LTD
A.C.N. 009 341 011

SPECIAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2011

CHARTERS
Chartered Accountants

IRONBRIDGE HOLDINGS PTY LTD
A.C.N. 009 341 011

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IRONBRIDGE HOLDINGS PTY LTD
A.C.N. 009 341 011

COMPILATION REPORT

We have compiled the accompanying special purpose financial statements of the company, which comprise the balance sheet as at 30 June 2011, the income statement for the year ended, a statement of significant accounting policies and other explanatory notes. The specific purpose for which the special purpose financial statements have been prepared is set out in Note 1.

The Responsibility of the Directors

The directors are solely responsible for the information contained in the special purpose financial statements and have determined that the significant accounting policies adopted as set out in Note 1 to the financial statements are appropriate to meet their needs and for the purpose that the financial statements were prepared.

Our Responsibility

On the basis of the information provided by the directors, we have compiled the accompanying special purpose financial statements in accordance with the significant accounting policies adopted as set out in Note 1 to the financial statements and APES 315: Compilation of Financial Information.

Our procedures use accounting expertise to collect, classify and summarise the financial information which the directors provided, in compiling the financial statements. Our procedures do not include verification or validation procedures. No audit or review has been performed and accordingly no assurance is expressed.

The special purpose financial statements were compiled exclusively for the benefit of the directors. We do not accept responsibility to any other person for the contents of the special purpose financial statements.

Charters
Chartered Accountants

65.

IRONBRIDGE HOLDINGS PTY LTD
A.C.N. 009 341 011


DECLARATION BY DIRECTORS

The directors have determined that the company is not a reporting entity and that the special purpose financial statements should be prepared in accordance with the accounting policies prescribed in Note 1 to the financial statements.

The directors of the company declare that:

1. the financial statements and notes present fairly the company's financial position as at 30 June 2011 and its performance for the year ended on that date in accordance with the accounting policies described in Note 1 to the financial statements;
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 by the directors.



IAN WALLACE
Director



CAROLYN MARGARET WALLACE
Director

Dated this 4 day of AUGUST 2011.

66.

IRONBRIDGE HOLDINGS PTY LTD

Balance Sheet [Last Year Analysis]

June 2011

	This Year	Last Year
Assets		
Current Assets		
Cash on Hand	\$2	\$2
BankWest Business Bonus A/c	\$417	\$282,810
BankWest Term Deposit	\$321,060	\$0
Commonwealth Cheque A/c	\$1,538,203	(\$549)
Commonwealth Term Deposit	\$19,963	\$19,963
Suncorp-Business Invest A/c	\$164	\$164
Stock on Hand	\$77,552,000	\$88,628,444
Subdivision Bonds/Guarantees	\$297,883	\$111,208
Prepayments	\$29,000	\$0
Retentions re Sales	\$90,000	\$0
AEN Withholding Credits	\$0	\$3,556
Bonds-Rental Accommodation	\$1,700	\$1,700
Total Current Assets	\$79,850,390	\$89,047,298
Other Assets		
Ian Wallace Family Trust	\$0	(\$497,768)
I & CMD Wallace	(\$753,873)	\$0
I & CMD Wallace Partnership	\$0	(\$37,587)
Total Other Assets	(\$753,873)	(\$535,356)
Fixed Assets		
Office Equipment		
Office Equipment at Cost	\$73,181	\$78,744
Less: Accumulated Depreciation	(\$63,203)	(\$59,214)
Total Office Equipment	\$9,978	\$19,530
Motor Vehicles		
Motor Vehicles at Cost	\$237,559	\$237,559
Less: Accumulated Depreciation	(\$155,490)	(\$135,165)
Total Motor Vehicles	\$82,069	\$102,394
Furniture and Fittings		
Furniture & Fittings-Cottesloe	\$145,456	\$145,456
Less: Accumulated Depreciation	(\$82,484)	(\$69,029)
Furniture & Fittings-Dalyellup	\$12,287	\$12,287
Less: Accumulated Depreciation	(\$6,051)	(\$5,042)
Furniture & Fittings-Melbourne	\$2,898	\$2,898
Less: Accumulated Depreciation	(\$862)	(\$353)
Total Furniture and Fittings	\$71,245	\$86,218
Other Assets		
Sales Offices at Cost	\$137,856	\$137,856
Less: Accumulated Depreciation	(\$56,677)	(\$46,577)
Site Equipment at Cost	\$366	\$366
Less: Accumulated Depreciation	(\$196)	(\$82)
Total Other Assets	\$81,349	\$91,563
Total Fixed Assets	\$244,641	\$299,705
Borrowing Costs		
BankWest Business Equity Line	\$0	\$2,673
BankWest Loan-063-076305-6	\$0	\$1,446
BankWest-Geelong 089-258551-7	\$0	\$22,681
BankWest-Geelong 089-265346-1	\$0	\$36,451
Quantum Credit-Dalyellup	\$23,179	\$0
St George Bank Loan 553003527	\$0	\$1,873
Suncorp-Dalyellup Lot 2	\$0	\$22,060
Suncorp-Dalyellup Stage 2	\$0	\$20,836

IRONBRIDGE HOLDINGS PTY LTD

Balance Sheet [Last Year Analysis]

June 2011

	This Year	Last Year
Suncorp-Toodyay	\$0	\$12,336
Total Flexi Finance Quantum Cr	\$0	\$20,332
Total Borrowing Costs	\$23,179	\$140,687
Total Assets	<u>\$79,364,336</u>	<u>\$88,952,334</u>
Liabilities		
Current Liabilities		
BankWest Cheque Account	\$0	\$692,094
BankWest Business Equity Line	\$0	\$2,000,000
Loans		
BankWest-063-094119-1	\$1,262,526	\$0
BankWest-063-076305-6	\$0	\$1,284,445
BankWest-063-079997-0	\$0	\$3,291,384
BankWest-Exmouth	\$0	(\$134,084)
BankWest-Geelong Stage 2	\$0	\$10,646,339
BankWest-Geelong Stage 3	\$0	\$2,173,981
Quantum Credit-Dalyellup	\$620,996	\$0
St George Bank Loan 553003527	\$0	\$1,073
St George Bank Retention A/c	\$0	(\$162,712)
Suncorp-Australind 9201	\$0	\$661,162
Suncorp-Dalyellup Lot 2	\$8,063,013	\$7,468,256
Suncorp-Dalyellup Stage 2	\$1,616,993	\$523,967
Suncorp-High Wycombe	\$3,198,808	\$2,930,553
Suncorp-Toodyay	\$11,291,403	\$9,707,237
Suncorp-Torquay Grossmans Rd	\$8,302,298	\$12,220,893
Total Loans	<u>\$34,356,037</u>	<u>\$50,612,496</u>
Creditors		
Trade Creditors	\$808,644	\$8,524,287
Other Creditors	\$292,813	\$16,797
Total Creditors	<u>\$1,101,457</u>	<u>\$8,541,084</u>
GST Liabilities		
GST Collected	\$2,113,228	\$663,715
GST Paid	(\$6,439)	(\$131,097)
GST Adjustments	(\$1,180)	\$0
Total GST Liabilities	<u>\$2,105,609</u>	<u>\$532,618</u>
Payroll Liabilities		
PAYG Withholding Payable	\$40,882	\$30,304
Payroll Tax Payable	\$24,126	\$14,901
Total Payroll Liabilities	<u>\$65,008</u>	<u>\$45,205</u>
Fringe Benefits Tax payable	\$5,118	\$7,588
Provision for Taxation	(\$7,073)	\$0
ATO Running Balance	\$3,858,587	\$2,348,536
ATO Income Tax Account	\$17,641	\$0
Superannuation Payable	\$249,008	\$178,157
Total Current Liabilities	<u>\$41,751,391</u>	<u>\$64,957,776</u>
Long-Term Liabilities		
Deferred Creditors	\$3,232,671	\$0
Opus 2 Pty Ltd	\$650,000	\$650,000
Creditor-Torquay Duffields Rd	\$11,500,000	\$11,500,000
Loan - Piacentini	\$300,000	\$0
Loan-Wallace Super Fund	\$0	\$607,720
Total Long-Term Liabilities	<u>\$15,682,671</u>	<u>\$12,757,720</u>
Joint Ventures		

IRONBRIDGE HOLDINGS PTY LTD

Balance Sheet [Last Year Analysis]

June 2011

	This Year	Last Year
Jnt Venture Roelands W Carmody	\$190,000	\$190,000
Jnt Venture P Breidahl (1.4%)	\$250,000	\$250,000
Jnt Venture Acelink Nom (5.6%)	\$1,000,000	\$1,000,000
Total Joint Ventures	<u>\$1,440,000</u>	<u>\$1,440,000</u>
Total Liabilities	<u>\$58,874,062</u>	<u>\$79,155,497</u>
Net Assets	<u>\$20,490,275</u>	<u>\$9,796,837</u>
Equity		
2 Ordinary Shares of \$1 each	\$2	\$2
2 A Class Shares of \$0.01 each	\$1	\$1
2 B Class Shares of \$0.02 each	\$1	\$1
Retained Profits	\$9,796,833	\$9,956,919
Current Year Earnings	\$10,744,437	\$19,915
Dividends Paid	(\$51,000)	(\$180,000)
Total Equity	<u>\$20,490,275</u>	<u>\$9,796,837</u>

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IRONBRIDGE HOLDINGS PTY LTD

Profit & Loss [Last Year Analysis]

July 2010 through June 2011

	This Year	Last Year
Income		
Sales	\$39,997,916	\$28,005,297
Cropping JV Geelong Land	\$428	\$0
Project Management Services	\$21,800	\$0
Rent-Sub Let Storage Facility	\$2,166	\$0
Service Fees	\$40,876	\$512,893
Interest Received		
Int-BankWest Business Bonus Ac	\$13,943	\$14,409
Int-St George Bank	\$162	\$1,188
Int-Deposits	\$10,069	\$0
Int-Late Settlements	\$12,968	\$4,099
Int-Subdiv Bonds/Guarantees	\$325	\$1,067
Int-Term Deposits	\$1,198	\$0
Total Interest Received	\$38,664	\$20,762
Total Income	<u>\$40,101,849</u>	<u>\$28,538,952</u>
Cost of Sales		
Opening Stock	\$88,628,444	\$93,447,836
Acquisition		
Purchase Price	\$0	\$329,000
Stamp Duty on Contract	\$0	\$12,697
Total Acquisition	<u>\$0</u>	<u>\$341,697</u>
Consultants		
Civil Engineering	\$27,545	\$1,233,174
Electrical Design & Management	\$11,250	\$0
Environmental Studies	\$6,600	\$77,491
Feasibility Costs	\$4,757	\$10,231
Fire Management	\$0	\$1,448
Geotech Reports	\$29,396	\$101,307
Heritage	\$9,680	\$11,368
Hydrological Engineering	\$3,245	\$17,587
Legal Disputes	\$0	\$135,000
Legal Fees	\$289,781	\$117,720
Noise/Traffic Studies	\$6,250	\$9,445
Planning & Design	\$116,945	\$176,839
Surveying	\$154,553	\$162,995
Valuations	\$62,385	\$44,477
Total Consultants	<u>\$722,387</u>	<u>\$2,099,083</u>
Development		
Civil Construction Works	\$4,952,808	\$9,495,820
Council/Govt Contributions	\$28,600	\$289,918
Council/Govt Supervision Fees	\$47,545	\$67,330
Fencing	\$340,015	\$147,166
Firebreaks/Slashing etc	\$13,648	\$6,709
Headworks-Sewer	\$73,118	\$98,960
Headworks-Water	\$126,678	\$158,569
Equipment Hire	\$13,303	\$688
Labour Hire	\$6,860	\$3,714
Landscaping-Individual Lots	\$99,977	\$84,354
Landscaping-POS/Street Verges	\$167,396	\$88,237
Powercor Australia	\$0	\$36,650
Revegetation & Planting	\$15,290	\$3,955
Telstra	\$12,562	\$536,711

IRONBRIDGE HOLDINGS PTY LTD

Profit & Loss [Last Year Analysis]

July 2010 through June 2011

	This Year	Last Year
Underground Cable Systems	\$84,363	\$236,487
Waste Management/Removal	\$162,696	\$161,534
Western/Horizon Power-Option A	\$0	(\$135,601)
Western/Horizon Power-Option B	\$0	\$34,059
Western Power	\$10,039	\$14,166
Total Development	<u>\$6,154,899</u>	<u>\$11,329,427</u>
Fees, Rates & Taxes etc		
Fees & Permits	\$56,466	\$76,262
Mortgage Discharge Fees	\$24,219	\$82,768
Rates & Taxes	\$812,248	\$349,132
Selling Fees/Commissions	\$567,566	\$461,038
Settlement Agent Fees	\$98,544	\$106,856
Total Fees, Rates & Taxes etc	<u>\$1,559,043</u>	<u>\$1,076,055</u>
Maintenance		
POS Maintenance	\$7,895	\$11,639
Repairs & Maintenance	\$11,752	\$7,301
Total Maintenance	<u>\$19,647</u>	<u>\$18,940</u>
Marketing & Advertising		
Marketing	\$27,569	\$27,862
Newspaper-Local Paper	\$24,497	\$61,028
Newspaper-Sunday Times	\$2,280	\$3,375
Newspaper-West Australian	\$613	\$21,761
Printed Media & Brochures	\$0	\$3,266
Sales Office Expenses	\$5,851	\$17,613
Sales Office Hire	\$20,473	\$16,896
Signage	\$23,896	\$35,744
Rent-Equip Storage Facility	\$6,717	\$0
Total Marketing & Advertising	<u>\$111,896</u>	<u>\$187,545</u>
Closing Stock	(\$77,552,000)	(\$88,628,444)
Total Cost of Sales	<u>\$19,644,315</u>	<u>\$19,872,139</u>
Gross Profit	<u>\$20,457,534</u>	<u>\$8,666,813</u>
Expenses		
Accountants Fees	\$74,770	\$79,430
Audit Fees	\$0	\$12,000
Book Keeping Fees	\$46,700	\$48,200
Bank Fees		
BankWest Cheque A/c	\$1,028	\$4,398
BankWest Business Bonus A/c	\$10,067	\$50,048
BankWest Business Equity Line	\$400	\$0
BankWest Loan-063-076305-6	\$70	\$0
BankWest Loan 063-094119-1	\$19	\$325
BankWest Loan-063-079997-0	\$1,000	\$1,500
BankWest-Exmouth 063-086696-7	\$25,125	\$1,000
BankWest-Geelong 089-248118-9	\$0	\$816
BankWest-Geelong 089-258551-7	\$250	\$108,350
BankWest-Geelong 089-265346-1	\$121,729	\$103,252
Binsted & Brownbee-Geelong	\$13,023	\$0
Commonwealth Cheque A/c	\$590	\$1,815
Commonwealth-Boorowa NSW JV	\$0	\$548
Commonwealth Loan-428493002	\$0	\$72
Investec	\$0	\$397

IRONBRIDGE HOLDINGS PTY LTD

Profit & Loss [Last Year Analysis]

July 2010 through June 2011

	This Year	Last Year
Quantum Credit	\$600	\$0
St George Bank Loan 553003527	\$31	\$140
St George Bank Retention A/c	\$10	\$120
Suncorp-High Wycombe	\$110	\$100
Total Flexi Finance-Quantum Cr	\$0	\$521
Total Bank Fees	\$174,052	\$273,401
Bank Guarantee Fees		
BankWest	\$6,666	\$2,859
Commonwealth Bank	\$250	\$250
St George Bank Loan 553003527	\$0	\$4,050
Suncorp-Dalyellup Stage 2	\$47,848	\$0
Total Bank Guarantee Fees	\$54,764	\$7,159
Borrowing Costs		
BankWest Business Equity Line	\$2,673	\$890
BankWest Chq A/c Overdraft	\$10,300	\$4,100
BankWest Loan-063-076305-6	\$1,446	\$482
BankWest-Exmouth 063-086696-7	\$10,000	\$29,852
BankWest-Geelong 089-248118-9	\$0	\$89,813
BankWest-Geelong 089-258551-7	\$22,681	\$26,541
BankWest-Geelong 089-265346-1	\$45,411	\$16,359
Binsted & Brownbee-Geelong	\$64,682	\$0
Commonwealth-Boorowa NSW JV	\$0	\$9,726
Commonwealth Loan-428493002	\$0	\$3,430
Nationwide Capital - Torquay	\$14,109	\$0
Investec-Exmouth	\$0	\$44,110
Quantum Credit-Dalyellup	\$64,679	\$0
St George Bank Loan 553003527	\$1,873	\$356
Suncorp-Australind 9201	\$0	\$6,461
Suncorp-Bedforddale	\$0	\$8,177
Suncorp-Busselton Lot 8	\$0	\$89
Suncorp-Dalyellup Lot 1	\$0	\$4,457
Suncorp-Dalyellup Lot 2	\$57,060	\$42,175
Suncorp-Dalyellup Stage 2	\$30,475	\$67,252
Suncorp-Geelong Highton	\$0	\$14,083
Suncorp-High Wycombe	\$14,000	\$14,935
Suncorp-Shady Hills View	\$0	\$517
Suncorp-Toodyay	\$65,336	\$28,475
Suncorp-Torquay Grossmans Rd	\$56,309	\$54,787
Total Flexi Finance Quantum Cr	\$20,332	\$3,227
Total Borrowing Costs	\$481,367	\$470,290
Computer & Software Expenses	\$1,898	\$8,215
Commission	\$246,123	\$0
Consultant Fees to Belarge P/L	\$0	\$17,273
Courier	\$814	\$1,726
Depreciation	\$54,504	\$73,935
Donations	\$1,240	\$1,200
Electricity/Gas	\$5,409	\$3,994
Filing Fees (ASIC)	\$1,196	\$1,241
Insurance	\$12,975	\$4,148
Internet/Websites	\$3,663	\$1,968
Interest Paid		
BankWest Business Equity Line	\$210,202	\$180,596
BankWest Chq A/c Overdraft	\$44,332	\$41,297

IRONBRIDGE HOLDINGS PTY LTD

Profit & Loss [Last Year Analysis]

July 2010 through June 2011

	This Year	Last Year
Bank West Loan-063-076305-6	\$92,219	\$79,298
Bank West Loan-063-094119-1	\$90,920	\$1,454
Bank West Loan-063-079997-0	\$348,014	\$263,175
Bank West-Exmouth 063-086696-7	\$5,888	\$34,704
Bank West-Geelong 089-248118-9	\$0	\$307,309
Bank West-Geelong 089-258551-7	\$744,949	\$438,702
Bank West-Geelong-089-265346-1	\$454,272	\$24,979
Binsted & Brownbee-Geelong	\$349,475	\$3,426
Commonwealth Cheque A/c	\$12	\$116
Commonwealth Loan-428493002	\$0	\$50,069
Investec-Exmouth	\$0	\$245,038
Quantum Credit-Dalyellup	\$47,700	\$0
St George Loan 553003527	\$68	\$33
Suncorp-Australind 9201	\$42,925	\$152,512
Suncorp-Bedfordale	\$0	\$778
Suncorp-Dalyellup Lot 1	\$0	\$7,660
Suncorp-Dalyellup Lot 2	\$1,108,013	\$918,105
Suncorp-Dalyellup Stage 2	\$110,827	\$211,739
Suncorp-High Wycombe	\$439,368	\$333,999
Suncorp-Shady Hills View	\$0	\$3,023
Suncorp-Toodyay	\$1,462,262	\$918,140
Suncorp-Torquay Grossmans Rd	\$977,519	\$1,521,969
Terms Cont-Torquay Duffields R	\$0	\$218,373
Total Flexi Finance-Quantum Cr	\$0	\$3,442
Wandana Owners Agreement	\$0	\$2,587
ATO Interest	\$379,651	\$204,532
Late Payments	\$312,464	\$0
Interest Expense	\$25,015	\$0
Payroll Tax	\$346	\$1,374
Total Interest Paid	\$7,246,440	\$6,168,429
Loss on Disposal of Assets	\$560	\$0
Maintenance and Repairs	\$2,172	\$3,229
Motor Vehicles		
Audi A4	\$8,663	\$7,933
Honda Accord V6L 2007	\$4,480	\$4,431
Toyota Landcruiser	\$25,200	\$7,779
Toyota Prado	\$7,144	\$4,579
Toyota Rav 4	\$9,301	\$8,539
Total Motor Vehicles	\$54,788	\$33,262
Office Cleaning	\$0	\$1,580
Parking	\$730	\$1,105
Payroll Tax	\$23,780	\$3,183
Penalties	\$0	\$220
Photocopier & Fax	\$3,187	\$1,801
Postage	\$1,476	\$3,208
Printing & Stationery	\$4,600	\$3,138
Rent & Outgoings (Office)	\$174,464	\$180,916
Rubbish Removal	\$722	\$1,470
Security	\$0	\$170
Seminars & Conferences	\$0	\$1,116
Subscriptions & Memberships	\$22,075	\$23,463
Telephone	\$21,610	\$27,947
Telephone-Mobiles	\$19,197	\$22,117

IRONBRIDGE HOLDINGS PTY LTD

Profit & Loss [Last Year Analysis]

July 2010 through June 2011

	This Year	Last Year
Travel, Accommm, Meals etc	\$12,681	\$12,890
Vehicle Hire	\$4,388	\$4,122
Employment Expenses		
Salary Sacrifice	\$0	\$7,557
Staff Amenities	\$1,063	\$2,609
Staff Re-location contribution	\$0	\$8,590
Staff Training	\$955	\$633
Superannuation	\$70,851	\$86,521
Superannuation - Directors	\$14,332	\$0
Wages & Salaries	\$787,232	\$961,347
Motor Vehicle Allowances	\$0	\$1,036
Workers' Compensation	\$9,965	\$8,591
Worksafe Expenses	\$36	\$553
Fringe Benefits Tax	\$18,005	\$37,941
Total Employment Expenses	\$902,439	\$1,115,378
Total Expenses	\$9,654,784	\$8,612,922
Operating Profit	\$10,802,750	\$53,891
Other Income		
Other Expenses		
New South Wales Expenses		
Travel, Accommm, Meals etc	\$0	\$2,065
Total New South Wales Expenses	\$0	\$2,065
Victorian Expenses		
Computer, Software Expenses	\$226	\$0
Maintenance & Repairs	\$182	\$582
Parking	\$1,949	\$2,904
Postage	\$291	\$529
Printing & Stationery	\$2,075	\$1,948
Rent Melbourne	\$16,284	\$13,320
Seminars & Conferences	\$287	\$612
Subscriptions/Memberships	\$258	\$974
Tolls	\$632	\$510
Travel, Accommm, Meals etc	\$14,429	\$9,448
Vehicle Hire	\$784	\$1,031
Worksafe Expenses	\$0	\$55
Total Victorian Expenses	\$37,398	\$31,911
Income Tax Expense -Prior Year	\$20,916	\$0
Total Other Expenses	\$58,313	\$33,976
Net Profit / (Loss)	\$10,744,437	\$19,915

IRONBRIDGE HOLDINGS PTY LTD
A.C.N. 009 341 011

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

Note 1. Statement of Significant Accounting Policies

The directors have prepared the financial statements on the basis that the company is a non-reporting entity because there are no users dependent on general purpose financial statements. The financial statements are therefore special purpose financial statements that have been prepared in order to meet the needs of members.

The financial statements have been prepared in accordance with the significant accounting policies disclosed below, which the directors have determined appropriate to meet the needs of members. Such accounting policies are consistent with the previous period unless stated otherwise.

The financial statements have been prepared on an accruals basis and are based on historical costs unless otherwise stated in the notes. The accounting policies that have been adopted in the preparation of the statement are as follows:

a. Income Tax

The income tax expense (revenue) for the year comprises current income tax expense (income). The company does not apply deferred tax.

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantial enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

b. Inventories

Inventories are recorded at net realisable value.

c. Property Plant and Equipment

Property, plant and equipment are carried at cost. All assets, excluding freehold land and buildings are depreciated over the useful lives to the company. Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation reserve in shareholders' 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.

IRONBRIDGE HOLDINGS PTY LTD
A.C.N. 009 341 011

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

The carrying amount of plant and equipment is reviewed annually by directors 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 not been discounted in determining recoverable amounts.

d. Intangibles

Goodwill is recorded at the amount by which the purchase price for a business combination exceeds the fair value attributed to the interest in the net fair value of identifiable assets, liabilities and contingent liabilities acquired at date of acquisition.

Gains and losses on the disposal of a business include the carrying amount of goodwill relating to the business sold.

e. 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 out flow of economic benefits will result and that out flow can be reliably measured.

Provisions recognised represent the best estimate of the amounts required to settle the obligation at reporting date.

f. Cash and Cash Equivalents

Cash and cash equivalents includes 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.

g. Revenue and Other Income

Revenue is measured at the value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. For this purpose, deferred consideration is not discounted to present values when recognizing revenue.

Revenue from the rendering of a service or sale of a good is recognised upon issuance of a tax invoice.

Interest and dividend revenue are recognised when the right to receive has been established.

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

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IRONBRIDGE HOLDINGS PTY LTD
A.C.N. 009 341 011

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

h. Goods and Services Tax (GST)

Revenue, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Tax Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivable and payables in the balance sheet are shown inclusive of GST.

No.
Federal Court of Australia
District Registry: Perth
Division:

WAD200 of 2011

DEPUTY COMMISSIONER OF TAXATION

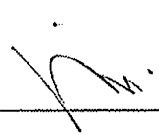
Plaintiff

IRONBRIDGE HOLDINGS PTY LTD (ACN 009 341 011)

Defendant

This is the Exhibit marked "IW3" in the affidavit of IAN WALLACE sworn the 9th day of
September 2011.

Before me:

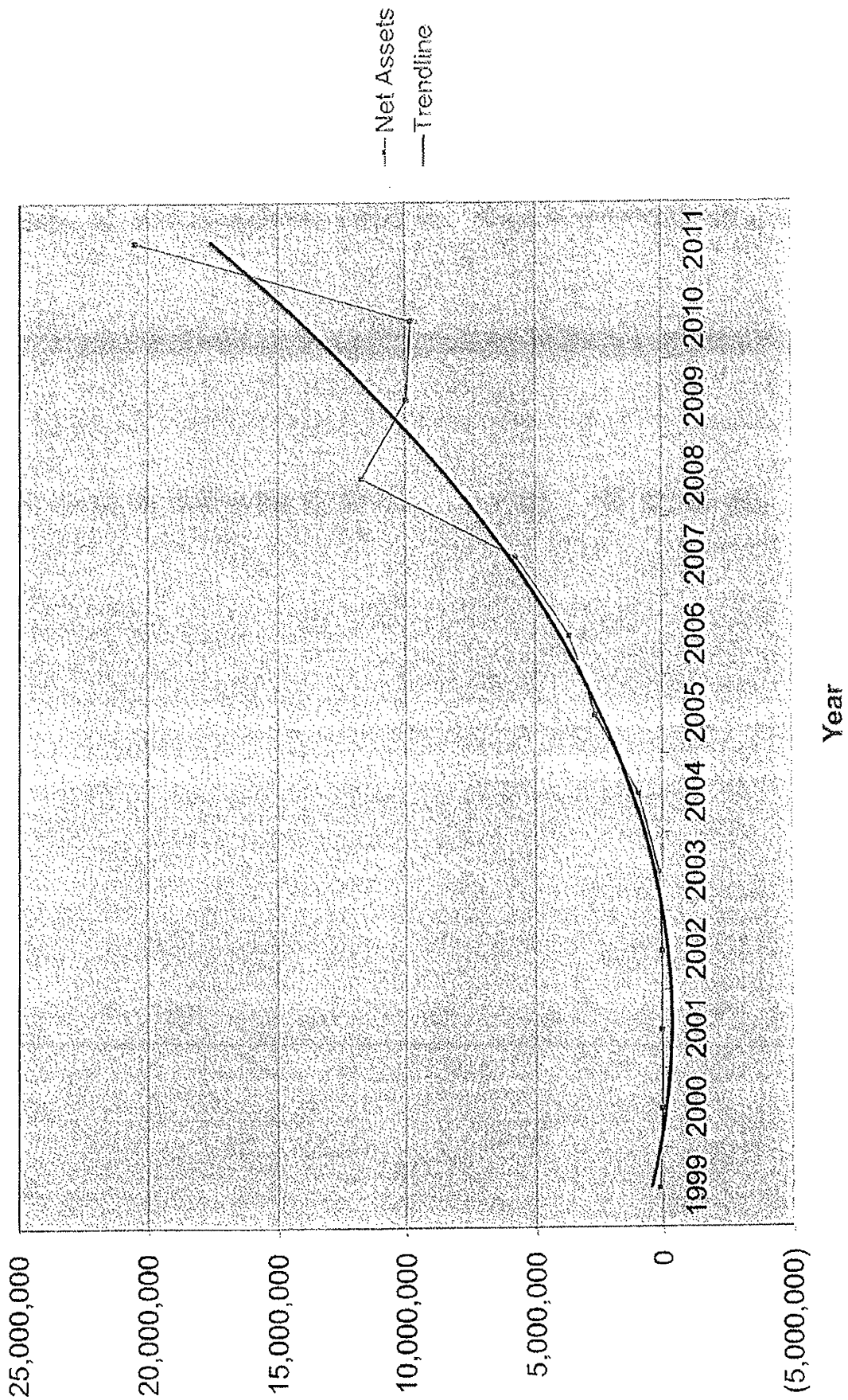


~~A Commissioner of the Supreme Court of Western Australia
for taking Affidavits/A Justice of the Peace~~

JUSTIN LAWRENCE MCLERNON
Barrister and Solicitor
Supreme Court of Western Australia

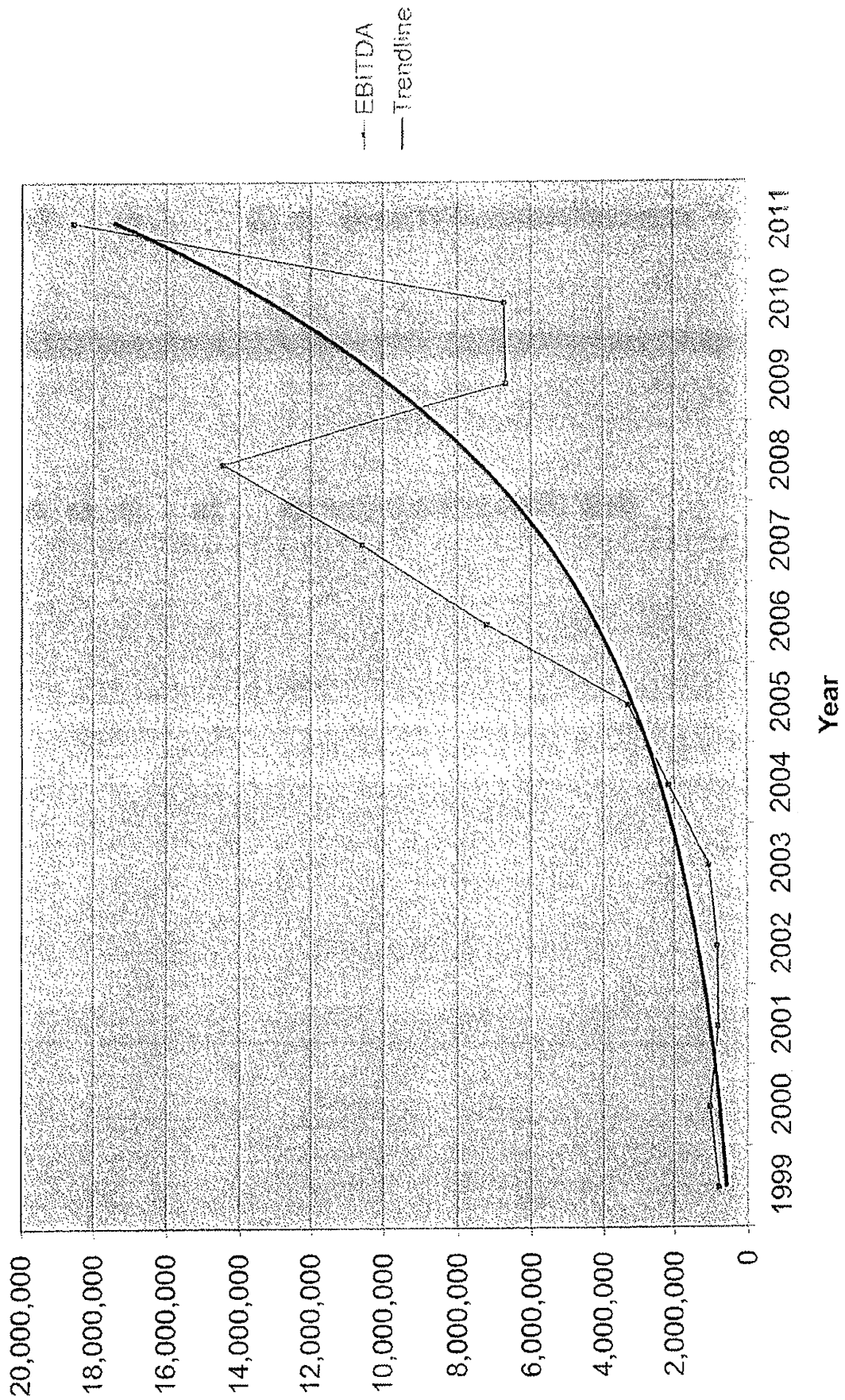
A Legal Practitioner who has held a
practice certificate for at least 2 years
and who holds a current practice certificate
in the State of Western Australia

Ironbridge Holdings Pty Ltd
Net Asset Position for the period 1 July 1999 to 30 June 2011



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Ironbridge Holdings Pty Ltd
 EBITDA for the period 1 July 1999 to 30 June 2011





Your Ref:
Our Ref : JT1 2009 02715 V01
Enquiries: John Todd
Telephone: 9420 2092

17 May 2011

Ironbridge Property
114 Forrest Street
COTTESLOE W A 6011

629 Newcastle Street
Leederville 6007
Western Australia
PO Box 100
Leederville 6902
Perth Western Australia
Tel (+61 8) 9420 2420
www.watercorporation.com.au
ABN 28 003 434 917

Dear Mr Wallace

East Dalyellup Wastewater Pump Station – Agreement Defaults

Further to the Water Corporation's previous correspondence of 12 April and 19 April 2011 regarding agreement defaults related to the construction of the above pump station the Corporation's position is as follows.

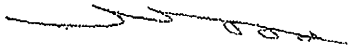
Subject to Ironbridge Property agreeing to the following requirements and confirming such agreement by signing and returning a copy of this letter the Water Corporation would be prepared to suspend action to call upon the bank guarantee and agree to Ironbridge Property continuing with the construction of the wastewater pump station.

Water Corporation Requirements

1. Written confirmation from APH and Wood & Grieve is provided by Ironbridge Property of their continued involvement in the project.
2. Ironbridge Property acknowledges that the Notice to call up the guarantee remains open for the duration of the project and any further defaults will result in the Water Corporation calling on the guarantee.
3. Ironbridge Property acknowledges that no further subdivision clearances will be given until the pump station is commissioned.
4. Ironbridge Property to provide a revised completion schedule for the pump station.
5. Dependant upon the completion date identified Ironbridge Property will deposit any additional funds deemed necessary to cover the cost of tankering waste until the pump station is commissioned.
6. Ironbridge Property acknowledges that all costs associated with stand downs and delays will be separately identified and that these costs will not be met by the Water Corporation.
7. Ironbridge Property acknowledge that the Water Corporation will not grant access to any discretionary services (ie: bonding) for future projects requiring Water Corporation services.



Upon receipt of a signed acknowledgement, the revised completion schedule and any monies determined necessary to cover the cost of tankering the Water Corporation will grant permission for the works to recommence as a prefundable item.



John Todd
MANAGER LAND SERVICING

Signed on behalf of Ironbridge Property

Please sign and date and print name and position held.