

Synergy & TaikOz Ltd

(a company limited by guarantee)

ABN 67 003 352 181

Annual Financial Report 31 December 2010

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Synergy & TaikOz Ltd

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Directors' Report

Synergy & TaikOz Ltd

Your directors submit the financial report for Synergy & TaikOz Ltd for the year ended 31 December 2010.

Directors

The names of the directors in office during the year end until the date of this report are:

Meredith Brooks
Penelope Campion
Robert Jeremy
Helen Brown
Terence Ashman
Katherine Raskob
Ian Cleworth
Timothy Constable

Penny Campion subsequently resigned from the Board effective 20 January 2011.

Principal activities

The principal continuing activities of the company consisted of the promotion of the study, practice and performance of contemporary music and associated art forms.

There were no significant changes in the nature of the activities of the company during the year.

Operating result

The surplus for the year amounted to \$50,017 (2009: surplus \$115,042).

Dividends

No dividend was declared or paid by the directors during the year.
The company's constitution prohibits the declaration or payment of dividends.

Environmental issues

The company's operations are not regulated by any particular and significant environmental regulation under a law of the Commonwealth or State, except for the Charity Fundraising Act 1991.

Directors' Report

Synergy & TaikOz Ltd

2010 Review of Operations

Synergy & TaikOz continues its unbroken growth trajectory while maintaining sound financial health despite challenging performing arts sector conditions and constrained space and operational resources. Building capacity through the Sculthorpe Centre (our quest for a permanent home) and by funding further administrative support for increasing activity remains a focus of company strategy in the coming years.

Although the 2010 surplus of \$50,017 was less than half the previous year's record \$115,042, the company had planned for a small deficit as a result of an increased investment in marketing. This pleasing result reflects both growth in contract and education revenue (total revenue for 2010 \$1.427 million, a 6% increase on 2009) as well as management success in securing new sources of financial support for various projects, such as City of Sydney for pulse:heart:beat and Arts NSW for our participation in the Australian Performing Arts Market.

Synergy & TaikOz has weathered the global financial crisis and the online challenge to live performance remarkably well. In the past 5 years, total revenue has increased 49% (2006: \$959,250), primarily driven by a 91% increase in education related revenue: education now represents 23% of the company's revenue and is vital to the long term future of both ensembles. Our workshops, performances and taiko clubs at schools, master classes at music conservatoria, the adult community classes and the community workshops attached to performances provide multiple opportunities for public participation, essential to continue to engage audiences as an alternative to virtual experience. Synergy & TaikOz do actively contribute to new media – for example, two new channels on YouTube were launched in 2010 and TaikOz provided the soundtrack to a new computer game. Nonetheless, percussion is essentially a live, visceral experience and we remain committed to spreading the joy of playing, listening and watching music, live.

pulse:heart:beat showcased the immediacy of live percussion

pulse:heart:beat was at the centre of the year's performance schedule, combining the vibrancy of the two ensembles– Synergy and TaikOz – with a wide range of guest artists – River Guerguerian, Sandy Evans, Circle of Rhythm in the Sydney Town Hall in July. The Town Hall offered the flexibility of a promenade configuration, allowed a high degree of audience participation and a relaxed festival atmosphere for an enthusiastic crowd of 800. Timothy Constable, Synergy's Artistic Director, composed a 50-minute Percussion Symphony, which featured all 17 performers and introduced fans of the different groups to the excitement of the whole spectrum of percussion. The company has plans to take this program interstate in 2012 as well as some interest from international presenters.

The Live House series provided a new line of artistic adventure

The company introduced a new performance format in 2010 to support experimentation with smaller, intimate venues, adventurous programming ideas, creative and curatorial development for players:

Live House 1 in January at the Italian Forum in Leichhardt featuring TaikOz playing a new piece, *EI Aparato*, by group member Tom Royce-Hampton

Live House 2 in March at the Italian Forum with Riley Lee on shakuhachi and slack-key guitarist Jeff Peterson from the US playing a Hawaiian inspired program

Live House 3 in September at the Manning Bar, University of Sydney directed by Anton Lock and Tom Royce-Hampton of TaikOz and featuring Timothy Constable of Synergy among others.

Live House 4 in October at St Stephens in Newtown with Timothy Constable and Bree van Reyk of Synergy, dancer Martin del Amo and other guests

Live House 5 at Bangarra Studios in December, with Moth, a Synergy project, performing new works

Directors' Report

Synergy & TaikOz Ltd

Supporting the creation of new works is central to our artistic vibrancy

The company presented two major new programs in 2010 in addition to the *Percussion Symphony at pulse:heart:beat*:

- *Shifting Sand*, created and directed by TaikOz member Graham Hilgendorf was premiered at CarriageWorks in Sydney in March then to Melbourne in September. This work will tour regional Australia in 2012 showing new audiences TaikOz's uniquely Australian take on this traditional art form.
- *Mallet Quartet*, a commission by Steve Reich and first in Synergy's "Giants" program, was premiered by Synergy at City Recital Hall in May, then taken to Melbourne and the Townsville Chamber Music Festival. This work was recorded late 2010 and will be performed in Korea in 2011 and elsewhere.

In addition, Synergy collaborated with the Song Company in the premiere of a new work by Gerard Brophy, *Gethsemane*.

Both ensembles continued to push the boundaries of their artistic practice: TaikOz introduced the traditional dance form of *Onikenbai* to selected programs following several years of development crowned by an intensive study tour in Iwasaki in August. Synergy's "band" Moth recorded its first album consisting of all new works; this will be released in 2011.

Education and community outreach are a key part of our social contract

Education has now become the largest single source of revenue for the company and plays a vital part in audience development as well as delivering a life-enriching experience to students of all ages. In addition to the 176 (mostly adult) students attending weekly classes at the TaikOz School, TaikOz conducted a record 122 workshops for corporate teams, concert-goers and the general public as well as specialist sessions for advanced students. In addition, 46 secondary and primary schools workshops and concerts represents an increase of 80% over 2009; lack of access to appropriate space is proving to be a major limiting factor in this area of growing demand. The Sculthorpe Centre, once secured, will open the programs to more state schools and to other community groups who can use our space and instruments.

Synergy's educational activities are becoming increasingly significant both at the secondary and tertiary education level. Synergy is in residence at the Sydney Youth Orchestra and the ANU Canberra School of Music post-graduate program (from 2011), leading percussion ensemble development for students. A successful pilot (*hit:stick:flip*) at the Upper Hunter Conservatorium of Music provides a template for further development in coming years.

Importantly, these activities also provide essential additional income opportunities for the musicians.

The company is particularly proud of TaikOz's close partnership with Moorambilla Voice's Moorambilla Festival and accompanying MAXed Out! creative development week. Moorambilla Festival provides the communities in and around outback Baradine with quality musical and artistic experiences, including extensive workshops and performance opportunities with members of TaikOz. Many indigenous and non-indigenous children are involved in the festival and the TaikOz contribution includes mentoring in performance, personal commitment and leadership as well as the music itself. The TaikOz members have given their time and expertise tirelessly and generously to this important project in 2009 and 2010 and are committed to continuing in 2011.

Directors' Report

Synergy & TaikOz Ltd

The Sculthorpe Centre is essential for the long term sustainability of the company

The company embarked two years ago upon a project to secure government funding for new premises, to be called the Sculthorpe Centre in honour of our patron, Peter Sculthorpe. Considerable progress

has been made in the scoping of this project and in narrowing the options both in terms of location and infrastructure requirements. We have identified three feasible sites and are progressing discussions with local, state and federal arms of government. Uncertainty in the political environment in NSW as well as federally has slowed funding decision making and we are conscious of the time needed to secure understanding and commitment at all levels of government. Our efforts continue as, without a functional space for rehearsals, teaching and workshops, our future growth is limited.

Facilities to train and rehearse the next generation of players are essential to the long term viability of both ensembles: Riley Lee's accident in Brisbane in December was both devastating for him personally and graphic demonstration of the need to develop the pipeline of future players.

At the end of 2010, Synergy relocated its rehearsal space and instrument storage to Marrickville and the administrative staff of the company to Surry Hills. The company is now in three temporary locations in Sydney which further highlights the efficiency that would be gained on the opening of the Sculthorpe Centre.

The company thanks Newington College for its generous support over the past 5 years and looks forward to our continuing collaboration.

Volunteers and pro bono experts

The work of Synergy & TaikOz depends on the unpaid dedication of many individuals and organisations:

- The musicians and management team continuously working above and beyond the line of duty
- Volunteers at concerts, festivals, workshops: Shizuko Webster, Cecilia Lee, Steve Anderson, Luke Martin, Felicity Clark, Elizabeth McKenzie, Reiko Tanaka, Akiyo Tanaka, Randolph Smith, Vi Nguyen, Meaghan Johnson, Kirsten Jakobsen, Claire Boyle, Adrian Batchelor, Penny Latey, Rhonda Rickards, Bronwyn Cleworth, Elizabeth Tupper, Timothy Brigden, Zsuzsanna Soboslay
- Nola Charles and John Smith for their unique fundraising contribution
- Penny Campion for her leadership in grant applications and in the company's OH&S management
- Legal advice from Freehills and Clayton Utz's pro bono assistance programs
- Tim Greer from Tonkin Zalaikha Greer for his ongoing insights and expertise for the Sculthorpe Centre
- David Jain for accounting expertise
- Taiko no wa directorate: Samantha Newton, Martin Lee, Wendy Tsui

All of the directors of the company contribute their time and expertise to many and varied activities and projects of the company and are generous donors.

Acknowledgements

Synergy & TaikOz wishes to acknowledge the ongoing support of its two primary funding bodies, the Australia Council for the Arts and Communities Arts NSW. In addition, the financial support of the City of Sydney, Perpetual Foundation as well as many individuals.

Directors' Report

Synergy & TaikOz Ltd

Likely developments and expected results of operations

It is not foreseen that the company will undertake any change in its general direction during the coming financial year. The company shall continue to pursue its financial trading activities as detailed earlier to produce the most beneficial result.

Events subsequent to balance date

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction, or event of a material and unusual nature likely, in the opinion of the directors, 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.

Information on directors

Name: **Meredith Brooks**
Experience: Director
Board member since 14 December 2006
Special responsibilities: Chair

Name: **Penelope Campion**
Experience: Lawyer
Board member since 1 June 2008

Name: **Robert Jeremy**
Experience: Company Executive
Board member since 1 June 2008

Name: **Helen Brown**
Experience: Company Director
Board member since 1 November 2008
Special responsibilities: Chair, Finance Committee

Name: **Terence Ashman**
Experience: Business Consultant
Board member since 7 August 2006

Name: **Katherine Raskob**
Experience: Marketing Manager
Board member since 10 August 2009

Name: **Ian Cleworth**
Experience: Musician
Board member since 18 May 2009

Name: **Timothy Constable**
Experience: Musician
Board member since 18 May 2009

Directors' Report

Synergy & TaikOz Ltd

Directors' benefits

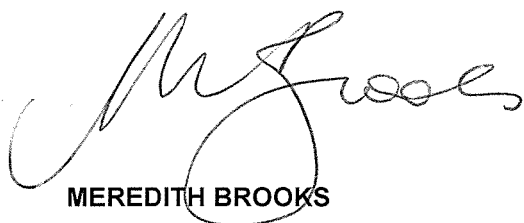
Since the end of the previous financial year no director of the company has received or become entitled to receive any benefit (other than a remuneration benefit included in Note 17 to the financial statements) because of a contract made by the company with the director or with a firm of which the director is a member, or with an entity in which the director has a substantial interest.

Meetings of directors

The following table sets out the numbers of meetings of the company's directors held during the year ended 31 December 2010 and the number of meetings attended by each director.

	Directors meetings held whilst a director	Directors meetings attended
Terence Ashman	9	7
Meredith Brooks	9	8
Penelope Champion	9	5
Robert Jeremy	9	5
Helen Brown	9	9
Katherine Raskob	9	5
Ian Cleworth	9	9
Timothy Constable	9	5

Signed in accordance with a resolution of the directors.



MEREDITH BROOKS
Director

Sydney

Dated 11 April 2011



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of Synergy and Taikoz Ltd

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 31 December 2010 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

A handwritten signature in black ink that reads 'KPMG'.

KPMG

A handwritten signature in black ink that reads 'Brendan Twining'.

Brendan Twining
Partner

Sydney

11 April 2011

Statement of Comprehensive Income

for the year ended 31 December 2010

Synergy & TaikOz Ltd

	Note	2010	2009
		\$	\$
Revenue	3	1,427,269	1,391,804
		-----	-----
Total revenue		1,427,269	1,391,804
		=====	=====
Expenses			
Employee benefits expense	4	(348,377)	(352,286)
Depreciation and amortisation expenses	4	(58,033)	(62,346)
Administration expenses		(186,190)	(210,725)
Cost of merchandise sold		(12,423)	(12,812)
Performance expenses		(772,229)	(638,593)
		-----	-----
Total Expenses		1,377,252	1,276,762
		=====	=====
Net profit before tax		50,017	115,042
Income tax		-	-
		-----	-----
Net profit after tax		50,017	115,042
		=====	=====
Other Comprehensive Income		-	-
		-----	-----
Total Comprehensive Income		50,017	115,042
		=====	=====

The above statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Statement of Financial Position

for the year ended 31 December 2010

Synergy & TaikOz Ltd

	Note	2010 \$	2009 \$
ASSETS			
Current assets			
Cash and cash equivalents	5	670,814	502,263
Trade and other receivables	6	52,602	44,176
Inventories	7	17,669	17,294
Prepayments and deposits	8	37,956	23,309
		-----	-----
Total current assets		779,041	587,042
		-----	-----
Non-current assets			
Plant and equipment	9	245,624	290,758
		-----	-----
Total non-current assets		245,624	290,758
		-----	-----
TOTAL ASSETS		1,024,665	877,800
		=====	=====
LIABILITIES			
Current liabilities			
Trade and other payables	10	82,189	66,636
Non-interest bearing liabilities	11	9,539	9,539
Employee benefits	12	21,346	23,000
Unearned income	13	69,369	62,451
Government grants	14	148,726	75,451
		-----	-----
Total current liabilities		331,169	237,077
		-----	-----
Non-current liabilities			
Employee benefits	12	9,570	6,814
		-----	-----
Total non-current liabilities		9,570	6,814
		-----	-----
TOTAL LIABILITIES		340,739	243,891
		=====	=====
NET ASSETS		683,926	633,909
		=====	=====
EQUITY			
Retained earnings		683,926	633,909
		=====	=====

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

Statement of Changes in Equity

for the year ended 31 December 2010
Synergy & TaikOz Ltd

	Note	2010 \$	2009 \$
Balance at 1 January		633,909	518,867
Surplus for the year		50,017	115,042
Balance at 31 December		----- 683,926 =====	----- 633,909 =====

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Cash Flow Statement

for the year ended 31 December 2010
Synergy & TaikOz Ltd

	Note	2010 \$	2009 \$
Cash flows from operating activities			
Receipts from customers		1,161,014	1,050,292
Receipts from appropriations/grants		307,178	276,550
Interest received		30,842	19,492
Payments to suppliers		(979,731)	(794,329)
Payments to employees		(337,853)	(339,380)
		-----	-----
Net cash provided by operating activities	19	181,450	212,625
Cash flows from investing activities			
Payments for plant & equipment and acquisitions	9	(12,899)	(29,343)
		-----	-----
Net cash used by investing activities		(12,899)	(29,343)
		-----	-----
Cash flows from financing activities			
Increase/(Repayments) of borrowings		-	9,561
Unrealised foreign exchange gain/loss		-	1,546
		-----	-----
Net cash used in financing activities		-	11,107
		-----	-----
Net increase in cash and cash equivalents held		168,551	194,389
Cash and cash equivalents at the beginning of the financial year		502,263	307,874
		-----	-----
Cash and cash equivalents at the end of the financial year	5	670,814	502,263
		=====	=====

The above cash flow statement should be read in conjunction with the accompanying notes.

Notes to the Financial Report

for the year ended 31 December 2010
Synergy & TaikOz Ltd

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Notes to the Financial Report

for the year ended 31 December 2010

Synergy & TaikOz Ltd

1 Summary of significant accounting policies

This financial report covers Synergy & TaikOz Ltd ("the Company") as an individual entity for the year ended 31 December 2010. Synergy & Taikoz Ltd is a company limited by guarantee, incorporated and domiciled in Australia. Its registered office and principal place of business is Suite 105, 64-76 Kippax Street, Surry Hills NSW 2010. The Company is not-for-profit and is primarily involved in musical performance and education.

All amounts are presented in Australian Dollars, which is the Company's functional currency.

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.

Basis of Preparation and Compliance statements

(a) Statement of Compliance

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The financial report of the company complies with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

The Financial Report was approved by the Board of Directors on 11 April 2011.

(b) Basis of Measurement

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

At the reporting date, the company has not early adopted any Accounting Standards issued, but not yet operative, issued by AASB.

Significant Accounting Policies

(a) Income tax

As the company is of a kind referred to in Section 50-5 item 1.1 of the Income Tax Assessment Act 1997, its income is exempt from the income tax.

(b) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, tour and taiko school petty cash floats.

(c) Trade and other receivables

Trade and other receivables are measured at cost, less any provision for impairment. Trade receivables are due for settlement generally no later than 30 days.

Trade receivables are reviewed monthly. Receivables that are known to be uncollectible are written off. An allowance for provision of impairment of receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the allowance is recognised in the income statement.

Notes to the Financial Report

for the year ended 31 December 2010

Synergy & TaikOz Ltd

1 Significant Accounting Policies *continued*

(d) Property, plant and equipment

Each class of property, plant and equipment is stated at historical cost less accumulated depreciation and any impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

A large variety of percussion instruments are owned by the Company to support performances by the various groups. Some of the instruments are hand made, unique or rare and valuable. All are subject to rigorous and regular maintenance.

Items of plant and equipment, leasehold improvements, computer equipment and musical instruments are depreciated using the straight-line method over their estimated useful lives. Each class of asset in the current period was depreciated over the following useful lives as set out in the following table:

Asset class	Useful Life
Computer equipment	3 years
Office equipment	5 years
Furniture and fittings	5 years
Plant and equipment	3-5 years
Musical instruments	7 years

(e) Impairment of Assets

The carrying values of plant and equipment are reviewed for impairment at each reporting date, with a recoverable amount being estimated when events or changes in circumstances indicate the carrying value may not be recoverable. Asset values are reviewed annually during the process of renewal and confirmation of the company's instrument insurance policy. The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. Impairment losses are recognised in the income statement should it occur.

(f) Goods and Services Tax (GST)

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 an item of expense. Receivables and payables in the Balance Sheet are shown inclusive of GST.

(g) Trade and other payables

These amounts represent liabilities for goods and services provided to the company prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(h) Inventories

Inventories are measured at cost. All items are purchased as finished goods, apart from the bachi sticks which are treated as WIP items and transferred to inventory once finished goods are delivered.

(i) Employee benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to the Company at balance date – this includes annual leave and long service leave for employees with 5 or more years continuous service. 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 the present value of the estimated future cash outflows to be made for those benefits.

Notes to the Financial Report

for the year ended 31 December 2010

Synergy & TaikOz Ltd

1 Significant Accounting Policies continued

(j) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed are net of goods and services tax (GST).

Revenue is recognised for the major business activities as follows:

- Production and related revenue

Revenue from productions and other services is recognised in the period in which the service is provided.

- Sponsorship Revenue

Revenue receivable from sponsors may be cash or in-kind and revenue is recognised in the period in which it is received.

- Trusts and Foundations Revenue

Grants from trusts and foundations are recognised in the income statement when it is controlled. When there are conditions attached to the grant revenue relating to the use of those grants for specific purposes it is recognised in the balance sheet as a liability until such conditions are met or services provided.

- Grant revenue

An unconditional Government grant is recognized as income when the grant becomes receivable. Other Government grants are recognized as deferred income when there is reasonable assurance that they will be received and the Company will comply with any conditions associated with the grant. Grants that compensate the Company for expenses incurred are recognized as income on a systematic basis in the same periods in which the expenses are recognised.

- Donations

Revenue from donations is recognised in the period in which donations are received.

(k) Foreign currency translation

Both the functional and presentation currencies of the Group are Australian dollars. Transactions in foreign currencies are recorded initially in Australian dollars at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

(l) Economic dependence

The company is dependent on the Australia Council for the Arts and Arts NSW to support the operation of the business.

(m) Going concern

The financial report has been prepared on a going concern basis, which contemplates continuity of normal trading activities and the realisation of assets and settlement of liabilities in the normal course of business. The company is ultimately dependent upon the support of Australia Council for the Arts and Arts NSW and the success of future productions. At the date of this report the Board of Directors has no reason to believe these funding bodies will not continue to support the company.

(n) Finance income and expenses

Finance income comprises interest income on funds invested. Interest revenue is recognised as interest accrues taking into account the effective interest rates applicable to the financial assets.

Notes to the Financial Report

for the year ended 31 December 2010

Synergy & TaikOz Ltd

2 Financial risk management

Overview

The Company has exposure to the following risks from their use of financial instruments:

- credit risk;
- liquidity risk; and
- market risk

This note presents information about the Company's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included in note 16 Financial Instruments.

Risk Management framework

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The company's overall financial risk management program focuses on transferring revenue risk to presenters, sharing box office and teaching income uncertainty with members, closely linking income and expenditure and maintaining a high level of liquidity.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and cash and cash equivalents.

Trade Receivables

Trade receivables are reviewed monthly. Receivables that are known to be uncollectible are written off. An allowance for provision of impairment of receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of receivables.

The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows. The amount of the allowance is recognised in the income statement. The company has no significant concentrations of credit risk. To ensure contracts are financially sound, the company ensures it only deals with presenters, promoters and venues with an appropriate credit history (At 31 December 2010 Trade Receivables includes a provision for bad debts of \$3,394, and \$6,364) at 31 December 2009).

Cash and cash equivalents

The Company limits its exposure to credit risk by investing and holding cash positions only with counterparties that have a credit rating of at least A1 from Standard & Poor's.

Notes to the Financial Report

for the year ended 31 December 2010

Synergy & TaikOz Ltd

2 Financial risk management *continued*

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

The Company is exposed to currency risk mainly on purchases that are denominated in a currency other than the respective functional currency, Australian dollar (AUD). The currency in which these transactions are primarily denominated is Japanese Yen.

The company ensures that its net exposure to foreign currencies is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

The exposure of the Company to foreign currency is not significant in 2010 and 2009.

Interest rate risk

Interest risk arises from cash deposits in financial institutions, cash and cash equivalents holdings are exposed to floating interest rates. There are no interest bearing liabilities.

Other market price risk

The company is not exposed to any other market risk.

Notes to the Financial Report

for the year ended 31 December 2010

Synergy & TaikOz Ltd

	2010	2009
	\$	\$
3 Revenue		
Revenue from continuing operations		
Sales Revenue		
<i>Performance fees:</i>		
Box office income	118,378	186,397
Contract appearances	355,677	350,752
	-----	-----
	474,055	537,149
	-----	-----
Education Revenue		
Education – workshops, school concerts and taiko school fees received	323,782	281,688
	-----	-----
	323,782	281,688
	-----	-----
<i>Government grants:</i>		
Australia Council – triennial funding	188,500	185,000
Australia Council – other	27,028	31,550
Arts NSW – biennial funding	60,000	60,000
Arts NSW – Projects and Venue Subsidy	21,650	-
City of Sydney	10,000	-
	-----	-----
	307,178	276,550
	-----	-----
Sale of goods		
Sales of merchandise	44,517	37,413
	-----	-----
	44,517	37,413
	-----	-----
Other revenue		
Donations received	115,663	77,490
Trusts, Foundations, Corporate	1,200	20,000
Sponsorship in Kind (rent, software, venues)	67,045	48,000
Interest received	30,842	19,492
Freight and touring costs reimbursed	45,594	79,778
Performance royalties received	9,105	-
Sundry revenue	8,288	14,244
	-----	-----
	277,737	259,004
	-----	-----
Total revenue	1,427,269	1,391,804
	=====	=====

Notes to the Financial Report

for the year ended 31 December 2010

Synergy & TaikOz Ltd

2010	2009
\$	\$

4 Expenses

The surplus includes the following specific expenses:

Depreciation

Plant and equipment	58,033	62,346
	-----	-----
	58,033	62,346
	=====	=====

Employee benefits expense

Salaries and wages	306,161	311,375
Staff development and travel	585	837
Superannuation	31,692	28,005
Long service leave provision	2,756	4,357
Workers compensation insurance	8,837	7,726
Other provisions	(1,654)	(14)
	-----	-----
	348,377	352,286
	=====	=====

5 Cash and cash equivalents

Cash at bank and on hand	20,540	17,331
Deposits at call	650,274	484,932
	-----	-----
	670,814	502,263
	=====	=====

(a) Reconciliation to cash and cash equivalents at the end of the year

The above figures are reconciled to cash and cash equivalents at the end of the financial year as shown in the cash flow statement as follows:

Balance per cash flow statement	670,814	502,263
	=====	=====

(b) Deposits at call

The deposits are bearing floating interest rates between 4.90% and 5.00% (2009 – 3.50% and 3.75%). These funds are at call.

Notes to the Financial Report

for the year ended 31 December 2010

Synergy & TaikOz Ltd

	2010	2009
	\$	\$
6 Trade and other receivables		
Current		
Trade and other receivables	52,602	44,176
	=====	=====
7 Inventories		
Current		
Finished goods – at cost	17,669	17,294
	=====	=====
8 Prepayments		
Current		
Prepayments and deposits – general	37,956	23,309
	=====	=====
9 Plant and equipment		
Plant and equipment		
Plant and equipment – at cost	487,433	474,534
Accumulated depreciation	(241,809)	(183,776)
	-----	-----
Total plant and equipment	245,624	290,758
	=====	=====
Reconciliations		
Reconciliations of the carrying amounts of each plant and equipment at the beginning and end of the current financial year:		
Carrying amount 1 January	290,758	353,086
Additions	12,899	29,343
Disposals	-	(29,325)
Depreciation	(58,033)	(62,346)
	-----	-----
Carrying amount 31 December	245,624	290,758
	=====	=====

Notes to the Financial Report

for the year ended 31 December 2010

Synergy & TaikOz Ltd

	2010	2009
	\$	\$
10 Trade and other payables		
Current		
Trade creditors	35,694	25,072
GST payable	19,700	9,838
Sundry creditors and accrued charges	26,795	31,726
	-----	-----
	82,189	66,636
	=====	=====

11 Non-interest bearing liabilities

Current		
Other loans	9,539	9,539
	=====	=====

The above loan was paid in full on 7 January 2011. It is interest free and is secured over the instruments acquired from the loan. The counterparty is Hini Hibiki Daiko.

12 Employee benefits

Current		
Liability for annual leave	21,346	23,000
	-----	-----
	21,346	23,000
	=====	=====
Non-current		
Liability for long service leave	9,570	6,814
	=====	=====
Employee numbers		
Average number of employees during the financial year	9	8
	=====	=====

Notes to the Financial Report

for the year ended 31 December 2010

Synergy & TaikOz Ltd

	2010	2009
	\$	\$
13 Unearned income		
Current		
TaikOz school and intensive study fees in advance	53,569	12,668
Contract income in advance	11,500	49,783
Non-government grants in advance	4,300	-
	-----	-----
	69,369	62,451
	=====	=====

14 Government grants

Current		
Australia Council - General	145,026	71,628
Australia Council – Emerging Artists Grant	3,700	3,823
	-----	-----
	148,726	75,451
	=====	=====

15 Auditor's remuneration

The auditor of Synergy & TaikOz Ltd is KPMG.

Assurance services

<i>Audit Services</i>		
Audit of the financial report	8,000	6,000
	=====	=====

Notes to the Financial Report

for the year ended 31 December 2010

Synergy & TaikOz Ltd

16 Financial instruments

2010

	Less than 6 months	Between 6 months & 1 year	1 year to 5 years	More than 5 years	Total
<i>Financial assets</i>					
Cash and cash equivalents	670,814	-	-	-	670,814
Trade and other receivables	52,602	-	-	-	52,602
Total financial assets	723,416	-	-	-	723,416
<i>Financial liabilities</i>					
Trade and other payables	(91,728)	-	-	-	(91,728)
Total financial liabilities	(91,728)	-	-	-	(91,728)
Net financial assets	631,688	-	-	-	631,688

2009

	Less than 6 months	Between 6 months & 1 year	1 year to 5 years	More than 5 years	Total
<i>Financial assets</i>					
Cash and cash equivalents	502,263	-	-	-	502,263
Trade and other receivables	44,176	-	-	-	44,176
Total financial assets	546,439	-	-	-	546,439
<i>Financial liabilities</i>					
Trade and other payables	(66,636)	-	(9,539)	-	(76,175)
Total financial liabilities	(66,636)	-	(9,539)	-	(76,175)
Net financial liabilities	479,803	-	(9,539)	-	470,264

Notes to the Financial Report

for the year ended 31 December 2010

Synergy & TaikOz Ltd

The weighted average interest rate for Cash & Cash equivalents is 4.95% at 31 December 2010 (31 December 2009: 5.00%). Trade and other receivables and Trade and other payables are not interest bearing financial instruments.

Sensitivity Analysis

At 31 December 2010 it is estimated that a general increase of one percentage point in interest rates would increase the company profit by approximately \$6,708 (at 31 December 2009: \$5,023).

17 Director and executive disclosures

(a) Details of key management personnel

The names of each person holding the position of director of the company during the financial year are listed on page 3 of the Directors' Report.

Details of the executive officers are as follows:

David Sidebottom	Chief Executive Officer
Karen Steains	Chief Financial Officer

(b) Compensation of key management personnel

	2010	2009
	\$	\$
Short term benefits		
Key management personnel compensation	138,952	127,142
	=====	=====

No other forms of compensation were paid to Key Management personnel.

The constitution of the company prohibits the distribution of company surpluses by way of dividend, bonus or other profit distribution, to any of the members or directors but does not prevent them from being remunerated for goods and services provided to the company in the fulfilment of its objects. The level of remuneration is commercially based, transparent and approved by the Board of directors.

Notes to the Financial Report

for the year ended 31 December 2010

Synergy & TaikOz Ltd

	Note	2010 \$	2009 \$
18 Commitments for expenditure			
Operating leases			
<i>Rehearsal studio lease</i>			
Minimum commitments payable are as follows:			
Payable not later than 1 year		29,006 =====	5,176 =====
Representing:			
Non-cancellable operating leases		- =====	- =====
19 Reconciliation of surplus from ordinary activities to net cash inflows from operating activities			
Surplus from ordinary activities		50,017	115,042
Depreciation of plant and equipment		58,033	62,346
Fixed asset write off		-	16,673
Foreign exchange effect on overseas borrowings		-	1,546
Changes in operating assets and liabilities			
(Increase) in trade and other receivables		(8,426)	(5,773)
Decrease/(Increase) in inventories		(375)	2,352
Increase/(Decrease) in prepayments and deposits		(14,647)	3,306
Increase in trade and other payables		15,553	17,687
Increase/(Decrease) in provision for Employee entitlements		1,102	(8,857)
Increase in unearned income and grants		80,193	8,303
		-----	-----
Net cash inflow from operating activities		181,450 =====	212,625 =====

Notes to the Financial Report

for the year ended 31 December 2010

Synergy & TaikOz Ltd

20 Company details

Synergy & TaikOz Ltd is a company limited by guarantee, incorporated and domiciled in Australia.

The registered office of the Company is:

Suite 105

64-76 Kippax Street

SURRY HILLS NSW 2010

The principal place of business is:

Suite 105

64-76 Kippax Street

SURRY HILLS NSW 2010

21 Members' Guarantee

The guarantee of members in the event of the winding up of the company is limited to \$100 per member. At 31 December 2010, the company has a total of 21 members representing a total guarantee of \$2,100.

22 Contingencies

There are no outstanding contingent assets, liabilities or commitments as at 31 December 2010 and 2009.

23 Subsequent Events

No significant events have occurred since the end of the reporting period which would impact on the financial position of the company disclosed in the statement of financial position as at 31 December 2010, or on the results and cash flow of the company for the year ended on that date.

Directors' Declaration

Synergy & TaikOz Ltd

1 In the opinion of the directors of Synergy & TaikOz Ltd ('the Company')

(a) the financial report and notes, as set out on pages 11 to 28 are in accordance with the *Corporations Act 2001*; including:

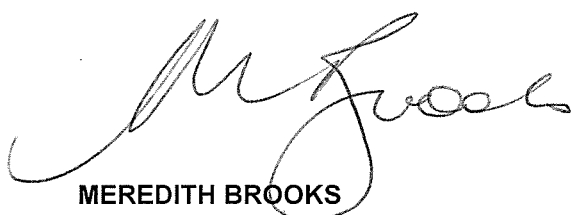
- (i) giving a true and fair view of the Company's financial position as at 31 December 2010 and of its performance, for the year ended on that date, and
- (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;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

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

2 The directors draw attention to note 1(a) to the financial statements, which includes a statement of compliance with International Reporting Standards.

Signed in accordance with a resolution of the directors:

Dated at Sydney 11 day of April 2011.



MEREDITH BROOKS

Director

Declaration by Chief Executive Officer in respect of fundraising appeals

I, David Sidebottom, Chief Executive Officer of Synergy & TaikOz Ltd, declare in my opinion:

- (a) the Annual financial report gives a true and fair view of all income and expenditure of Synergy & TaikOz Ltd with respect to fundraising appeal activities for the financial year ended 31 December 2010;
- (b) the statement of financial position gives a true and fair view of the state of affairs with respect to fundraising appeal activities as at 31 December 2010;
- (c) the provisions of the Charitable Fundraising Act 1991 and Regulations and the conditions attached to the authority have been complied with for the financial year ended 31 December 2010; and
- (d) the internal controls exercised by Synergy & TaikOz Ltd are appropriate and effective in accounting for all income received and applied from any fundraising appeals.

Sydney, 11 April 2011



David Sidebottom
Chief Executive Officer



Independent auditor's report to the members of Synergy and Taikoz Ltd

Report on the financial report

We have audited the accompanying financial report of Synergy and Taikoz Ltd (the Company), which comprises the statement of financial position as at 31 December 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, notes 1 to 23 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In note 1(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

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 of the financial report that gives a true and fair view 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 performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Company's financial position and of its performance.

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*.

Auditor's opinion

In our opinion:

- (a) the financial report of Synergy and Taikoz Ltd is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Company's financial position as at 31 December 2010 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1(a).

Audit opinion pursuant to the Charitable Fundraising (NSW) Act 1991

In our opinion:

- a) the financial report gives a true and fair view of the financial result of fundraising appeal activities for the financial year ended 31 December 2010;
- b) the financial report has been properly drawn up, and the associated records have been properly kept for the period from 1 January 2010 to 31 December 2010, in accordance with the *Charitable Fundraising (NSW) Act 1991* and Regulations;
- c) money received as a result of fundraising appeal activities conducted during the period from 1 January 2010 to 31 December 2010 has been properly accounted for and applied in accordance with the *Charitable Fundraising (NSW) Act 1991* and Regulations; and
- d) there are reasonable grounds to believe that Synergy and Taikoz Ltd will be able to pay its debts as and when they fall due.

KPMG

KPMG

Brendan Twining
Partner

Sydney

11 April 2011

Detailed Trading Statement

for the year ended 31 December 2010

Synergy & TaikOz Ltd

	2010	2009
	\$	\$
INCOME		
Sales of merchandise	44,517	37,413
	-----	-----
	44,517	37,413
LESS: COST OF GOODS SOLD		
Opening stock – finished goods	17,294	19,646
Purchases	12,798	10,460
	-----	-----
	30,092	30,106
Closing stock – finished goods	(17,669)	(17,294)
	-----	-----
	12,423	12,812
	-----	-----
GROSS SURPLUS FROM TRADING	32,094	24,601
	=====	=====

Detailed Trading Statement

for the year ended 31 December 2010

Synergy & TaikOz Ltd

	Sch	2010 \$	2009 \$
INCOME			
<i>Performance fees</i>			
Box office income		118,378	186,397
Contract appearances		355,677	350,752
Education – workshops, school concerts and taiko school		323,782	281,688
		-----	-----
Total performance revenue		797,837	818,837
		-----	-----
<i>Grants</i>			
Australia Council:			
Triennial		188,500	185,000
Other		27,028	31,500
Arts NSW:			
Biennial		60,000	60,000
Projects and venue subsidy		21,650	-
City of Sydney Grant		10,000	-
		-----	-----
Total grants received		307,178	276,500
		-----	-----
<i>Other revenue</i>			
Merchandise sales		44,517	37,413
Instrument and venue hire		2,964	4,782
Donations received		115,663	77,490
Trusts, Foundations, Corporate		1,200	20,000
Sponsorship in kind		67,045	48,000
Interest received		30,842	19,492
Freight and tour costs reimbursed		45,594	79,778
Performance royalties received		9,105	-
Sundry revenue		5,324	9,512
		-----	-----
Total other revenue		322,254	296,467
		-----	-----
TOTAL INCOME		1,427,359	1,391,804
		-----	-----
LESS: EXPENDITURE	Sch 2	(1,377,252)	(1,276,762)
		-----	-----
NET SURPLUS		50,017	115,042
		=====	=====

Detailed Expense Statement

for the year ended 31 December 2010

Synergy & TaikOz Ltd

	Note	2010	2009
		\$	\$
SCHEDULE 2 - EXPENDITURE			
Advertising and promotion		18,125	428
Amortisation		-	-
Annual and long service leave provided		1,102	116
Auditor's remuneration		8,000	6,000
Bank charges		5,325	4,346
Business development costs		4,018	-
Depreciation of plant and equipment		58,033	62,346
Computer costs		4,363	9,397
Commissions		-	16,086
Consultancy fees		-	500
Cost of merchandise sold		12,423	12,812
Filing fees		37	370
Freight and courier		486	1,830
General costs		13,701	48,080
In-Kind Office and CRM costs		48,000	48,000
Insurance		17,972	16,897
Legal fees		2,399	1,450
New premises project costs		21,601	23,373
Performance expenses		772,229	638,593
Postage, printing and stationery		4,310	2,871
Provision for redundancies		-	(130)
Rehearsal venue costs		30,697	29,233
Salaries and wages		306,241	311,375
Staff amenities		30	119
Staff training		359	-
Subscriptions		689	578
Superannuation		31,692	28,005
Telephone		6,583	6,163
Workers compensation insurance		8,837	7,726
TOTAL EXPENDITURE		----- 1,377,252 =====	----- 1,276,762 =====