

The Institute of Chartered Accountants in Australia

Financial commentary

For the year ended 30 June 2008

Principal activities

The principal activities of the organisation in the course of the year were the provision of education and training to members, potential members and the broader business community, and the provision of member services. There were no significant changes in the nature of activities of the Institute during the year.

Financial results and review of operations

The Institute achieved a surplus of \$1.82m for the year (2007: \$1.99m). Revenue rose by 8.6 per cent to \$75.60m while, due to a number of strategic initiatives introduced, expenses increased by 9.1 per cent to \$73.77m compared to 2007.

During the year the Institute completed the renovations of its new premises in Erskine Street, Sydney. In addition, the Canberra office relocated to new premises.

Revenue and expenditure

The major movements in revenue were:

- > Growth in membership was primarily due to increased member numbers of 4.6 per cent combined with an increase in subscription rates of 3.1 per cent, which produced \$2.43m of increased revenue from membership fees
- > Growth in education was due to increased enrolments in the Chartered Accountants (CA) Program. Revenue from the CA Program increased by 14.7 per cent. The CA program recorded a 2.9 per cent increase in initial student enrolments. Module fees increased by 3.4 per cent and 2008 was the first full year of the revised CA program which included 11 modules compared to 8 in 2007
- > Training & Development revenue remained steady with more focus on developing courses that are of greater relevance to members. Revenue increased by \$0.3m for 'Business Forum', the flagship event for members
- > Growth in other revenue was as a result of the initial Professional Standards Council (PSC) levy being charged nationally, which produced additional revenue of \$1.1m. This was offset by a similar premium that was paid to the PSC
- > During the financial year, the Institute restructured the Customer Service Division to ensure that members and students receive optimum customer service. This has resulted in a reallocation of service costs to administration costs. This restructure was part of the 'Fit for the Future' project commenced in the last financial year to achieve greater operational efficiency across the Institute.

Funds were channelled into a number of activities affecting expenditure as follows:

- > Education costs increased as a result of increased delivery costs from additional student numbers and increased careers marketing activities
- > Administration costs increased primarily due to ongoing costs in restructuring and renewing the Institute's IT infrastructure, as well as the increased costs of occupancy. Depreciation and IT maintenance costs have increased by \$2.2m and lease operating costs have increased by \$0.3m as a result of this increased investment.

Capital expenditure

The major costs incurred during the year were for the continued renovation of premises at 33 Erskine Street, Sydney of \$4.0m and the fit-out of new leased premises in Canberra of \$0.7m.

Other capital expenditure included the continued roll-out of new IT infrastructure across the Institute of \$1.9m. This included a desktop refresh and software standardisation to a common desktop operating environment.

Cash flow and liquidity

The purchase of premises at 33 Erskine Street, Sydney and the renovation since caused the Institute to move into a net debt position during the previous financial year. The Institute commenced the financial year with borrowings of \$10.0m which increased to \$14.0m in May 2008. At balance date the borrowings were nil due to the receipt of membership subscriptions in June. Borrowings are expected to be required again as at December 2008.