

The Institute of Chartered Accountants in Australia
Financial Report for the year ended 30 June 2008

ABN 50 084 642 571



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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.

The Institute of Chartered Accountants in Australia
Income Statement
 For the year ended 30 June 2008

	Notes	2008 \$'000	2007 \$'000
Revenue from operating activities		73,985	68,070
Revenue from non-operating activities		1,612	1,519
Total revenue from ordinary activities	4	75,597	69,589
Service expenses		(17,859)	(20,175)
Marketing, promotion and publication expenses		(2,998)	(3,599)
Occupancy expenses		(4,657)	(4,157)
Administration expenses		(38,858)	(31,970)
Other expenses		(9,401)	(7,699)
Total expenses from ordinary activities		(73,773)	(67,600)
Surplus from ordinary activities		1,824	1,989

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

The Institute of Chartered Accountants in Australia

Balance Sheet

As at 30 June 2008

	Notes	2008 \$'000	2007 \$'000
Current assets			
Cash and cash equivalents	6	4,475	22
Trade and other receivables	7	5,742	18,183
Total current assets		10,217	18,205
Non-current assets			
Receivables	7	350	–
Property, plant and equipment	8	60,682	54,779
Intangible assets	9	153	69
Total non-current assets		61,185	54,848
Total assets		71,402	73,053
Current liabilities			
Receipts in advance	10	26,515	22,677
Trade and other payables	11	9,309	9,296
Interest-bearing loans and borrowings	12	–	49
Provisions	13	1,749	1,569
Total current liabilities		37,573	33,591
Non-current liabilities			
Trade and other payables	11	341	238
Interest-bearing loans and borrowings	12	–	10,000
Provisions	13	320	584
Total non-current liabilities		661	10,822
Total liabilities		38,234	44,413
Net assets		33,168	28,640
Members' funds			
Reserves	14	2,704	–
Retained earnings	14	30,464	28,640
Total members' funds		33,168	28,640

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

The Institute of Chartered Accountants in Australia
Statement of Recognised Income and Expense
 For the year ended 30 June 2008

	2008 \$'000	2007 \$'000
Fair value reversal of freehold property sold – recognised directly in members' funds	–	7,367
Surplus for the year	1,824	1,989
Total recognised income and expense for the year	1,824	9,356
Total recognised income and expense for the year is attributable to:		
Members of the Institute	1,824	9,356

The above statement of recognised income and expense should be read in conjunction with the accompanying notes.

The Institute of Chartered Accountants in Australia
Cash Flow Statement
 For the year ended 30 June 2008

	Notes	2008 \$'000	2007 \$'000
Cash flows from operating activities			
Receipts from members' subscriptions		40,579	36,023
Receipts from Institute activities		39,512	39,667
Payments to suppliers and employees		(72,104)	(65,881)
Net payments for GST		(1,100)	(927)
Net cash flows from operating activities	6	6,887	8,882
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		14,040	101
Purchase of property, plant and equipment, and intangibles		(6,219)	(19,392)
Interest received		205	227
Net cash flows from/(used in) investing activities		8,026	(19,064)
Cash flows from financing activities			
Proceeds from borrowings		14,000	22,150
Repayment of borrowings		(24,000)	(13,800)
Interest paid		(411)	(523)
Net cash flows from/(used in) financing activities		(10,411)	7,827
Net increase/(decrease) in cash and cash equivalents		4,502	(2,355)
Cash and cash equivalents at beginning of the financial year		(27)	2,328
Cash and cash equivalents at end of the financial year	6	4,475	(27)

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

The Institute of Chartered Accountants in Australia

Notes to the Financial Statements

For the year ended 30 June 2008

1. Corporate information

The Institute of Chartered Accountants in Australia ('the Institute') is a body corporate that is governed by its Supplemental Royal Charter and is domiciled in Australia. The liability of its members is limited.

The registered office of the Institute is:

33 Erskine Street
Sydney NSW 2000

The principal activities of the Institute during the year were:

- > The delivery of pre and post admission education and services
- > The setting and maintaining of high standards as they apply to members to enhance their standing with the public and the business community
- > The continuing development of government relations and advocacy programs in pursuit of legislative and regulatory objectives
- > The continuing development of a program to enhance the market and personal value of the Chartered Accountant designation.

The Institute had 282 full-time equivalent employees and in-house contractors at 30 June 2008 (2007: 246 full-time equivalent employees).

2. Summary of significant accounting policies

(a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and Urgent Issues Group Consensus Views.

This financial report has been prepared on the basis of historical cost, except for freehold property which has been measured at fair value (refer Note 2(e)).

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000) unless otherwise stated.

(b) Statement of compliance

The financial report complies with Australian Accounting Standards.

The Institute has early adopted AASB 8 *Operating Segments*. As the Institute is not a listed entity, the Institute has not included a note on an operating segment.

Adoption of new accounting standards

The Institute has adopted AASB 7 *Financial Instruments: Disclosures* and all consequential amendments which became applicable to annual reporting periods beginning on or after 1 January 2007. The adoption of this standard has only affected the disclosures in these financial statements. There has been no effect on profit or loss, or the financial position of the Institute.

Certain Australian Accounting Standards and AASB Interpretations have recently been issued or amended but are not yet effective and have not been adopted by the Institute for the annual reporting period ended 30 June 2008. The interpretations as relevant to the Institute are as follows:

AASB 101 (Revised) and AASB 2007-8 *Presentation of Financial Statements* and consequential amendments to other Australian Accounting Standards – this introduces a statement of comprehensive income and other revisions on the presentation of items in the statement of changes in equity, new presentation requirements for restatements or reclassifications of items in the financial statements, changes in the presentation requirements for dividends and changes to the titles of the financial statements.

These amendments are only expected to affect the presentation of the Institute's financial report and will not have a direct impact on the measurement and

recognition of amounts disclosed in the financial report. This standard is for annual reporting periods beginning on or after 1 January 2009. The Institute has not determined at this stage whether to present a single statement of comprehensive income or two separate statements.

(c) Cash and cash equivalents

Cash and cash equivalents in the Balance Sheet, which comprise cash at bank and in hand and short-term deposits, are stated at their nominal amount. Short-term money market securities are valued at cost plus accrued interest to balance date.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above and include short-term money securities and deposits at call which are readily convertible to cash in hand and subject to an insignificant risk of changes in value, net of outstanding bank overdrafts. Bank overdrafts are included within interest-bearing loans and borrowings in current liabilities on the Balance Sheet.

(d) Trade and other receivables

Trade receivables are recognised and carried at original invoice amount less an allowance for impairment.

Collectability of trade receivables is reviewed on an ongoing basis. An impairment provision is recognised when there is objective evidence that the Institute will not be able to collect the receivable. Individual debts which are known to be uncollectible are written off when identified.

(e) Property, plant and equipment

Freehold property is measured at fair value less accumulated depreciation on buildings and building plant less any impairment losses recognised after the date of revaluation.

The Institute of Chartered Accountants in Australia

Notes to the Financial Statements (continued)

For the year ended 30 June 2008

All plant and equipment is stated at historical cost less accumulated depreciation or amortisation and any accumulated impairment losses.

Depreciation of property, plant and equipment, other than freehold land, is calculated on a straight-line basis at rates which take account of the remaining useful life of the relevant assets and their estimated residual values.

The cost of fixtures and fittings on leasehold premises is amortised over their estimated useful lives or the remainder of the lease period, dependent on whichever period is shorter.

Major depreciation periods are:

Freehold property:

– Building	50 years
– Building plant	25 years
Furniture	10 years
Office equipment	5 years
Computer equipment	3 years
Fixtures and fittings on freehold premises	10 years
Fixtures and fittings on leasehold premises	Lease term
Motor vehicles	3 years

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

(i) Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Impairment losses are recognised as expenditure in the Income Statement. Freehold property is measured at revalued amounts, and therefore impairment losses on freehold property are treated as a revaluation decrement.

(ii) Revaluations

Following initial recognition at cost, freehold property is carried at a revalued amount which is the fair value at the date of revaluation less any subsequent accumulated depreciation on buildings and any subsequent accumulated impairment losses.

Any revaluation increment is credited to the property revaluation reserve included in the members' funds section of the Balance Sheet, except to the extent that it reverses a revaluation decrement for the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss.

Any revaluation decrement is recognised in profit or loss, except to the extent that it offsets a previous revaluation increment for the same asset, in which case the decrement is debited directly to the property revaluation reserve to the extent of the credit balance existing in the revaluation reserve for that asset.

(iii) Derecognition and disposal

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Income Statement in the year the asset is derecognised.

(f) Intangibles

Intangible assets acquired are initially measured at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are

amortised over the useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

Intangibles are amortised as follows:

Computer software	3 years
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Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

(g) Receipts in advance

Receipts in advance are carried at original invoice amount in respect of goods and services to be provided subsequent to balance date. Receipts in advance includes membership fees, Chartered Accountants Program enrolment fees and Training & Development course fees.

(h) Trade and other payables

Trade and other payables are carried at amortised cost. They represent liabilities for goods and services provided to the Institute prior to the end of the financial year that are unpaid and arise when the Institute becomes obliged to make future payments in respect of the purchase of these goods and services. Trade payables are non-interest bearing and are normally settled on a 30-day term.

The Institute of Chartered Accountants in Australia

Notes to the Financial Statements (continued)

For the year ended 30 June 2008

(i) Employee leave benefits

(i) Wages, salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits, and annual leave expected to be settled within 12 months of the reporting date, are recognised in other payables in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

(j) Revenue and expense recognition

Revenue and expenses are recognised to the extent that it is probable that their respective economic benefits will flow to or be lost or consumed by the Institute, and the revenue and expenses can be reliably measured. The following specific recognition criteria must also be met before revenue or expenses are recognised:

(i) Member fees

The Institute's membership subscription year is 1 July to 30 June. Fees are payable annually in advance. Only those member fee receipts which are attributable to the current financial year are recognised as revenue.

Fee receipts relating to periods beyond the current financial year are shown, excluding any applicable taxes, in the Balance Sheet as Receipts in advance under the heading of current liabilities.

(ii) Other revenue-generating activities

The Institute undertakes certain activities which are accounted for on a work-in-progress basis including Chartered Accountants Program modules, Training & Development courses, Quality Reviews, Charter Journals, Congresses and student activities. The Institute's policy of accrual accounting with respect to the recognition of revenue and expenses on such activities is as follows:

- > For activities which are completed on or before balance date, any surplus or deficit is incorporated into the year's results
- > For activities which take place wholly after the end of the financial year, any revenue received and expense incurred on such activities prior to balance date is deferred and carried forward in the Balance Sheet within receipts in advance and prepayments respectively
- > For activities which span the balance date, a proportion of the final projected net surplus is recognised in the financial year on the percentage of completion basis.

Revenue in regard to certain activities is deferred in cases where it is anticipated that refunds will be made in regard to discontinuation by attendees. The deferred amount is carried forward in the Balance Sheet within Receipts in advance.

For activities which span the balance date, the methods adopted to determine the percentage of completion basis are as follows:

- > For Chartered Accountants Program modules, the percentage of completion is apportioned according to the time span between the commencement of the module and the completion of the examination
- > For other courses and activities that are delivered in a series of events, the percentage of completion is apportioned according to the number of events delivered at balance date compared to the total number of events in the series.

(iii) Sale of goods

The Institute recognises revenue from the sale of goods when physical control of the goods passes to the purchaser pursuant to an enforceable sales contract and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Risks and rewards of ownership are considered passed to the buyer at the time of delivery of the goods to the customer.

(iv) Interest income and expense

Interest income on bank bills and deposits is recognised on an accrual basis (using the effective interest method, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the investment) where the Institute attains control of a right to receive consideration for an investment.

Interest expense on borrowings is recognised on an accrual basis.

The Institute of Chartered Accountants in Australia

Notes to the Financial Statements (continued)

For the year ended 30 June 2008

(v) Member groups

The Institute grants funds to certain intrastate and overseas member groups. These funds are paid to support and supplement membership activities controlled by members in those locations and are expensed by the Institute at the time of the payment to the groups.

(k) Income tax and other taxes

(i) Income tax

The Institute prepares its income tax returns by reference to the application of the principle of mutuality to the revenue and expenses of the Institute. The principle of mutuality is a common law principle arising from the premise that individuals cannot profit from themselves.

Accordingly, receipts from members are deemed to be mutual income and not subject to income tax, and expenses in connection with mutual activities are therefore not deductible for taxation purposes. All other receipts and payments are classified in accordance with taxation legislation.

The Institute is liable for other taxes including fringe benefits tax.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilised, except when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor the taxable profit or loss.

The carrying amount of deferred income tax assets is reviewed at each balance date

and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets are measured at the tax rates that are expected to apply to the year when the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted at balance date.

Where assets are revalued, no provision for potential capital gains tax has been made because of the long-term nature of the asset and the existence of accumulated tax losses.

(ii) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except:

- > Where the GST incurred on a purchase of goods or services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable
- > Receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Balance Sheet.

In respect of all receipts in advance that are subject to GST, a liability for GST payable is raised except for receipts in advance that have a settlement date in respect of the GST liability that occurs prior to balance date at which stage the liability will have already been settled.

Cash flows are included in the Cash Flow Statement on a gross basis, and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(l) Operating leases

Operating lease payments are recognised as an expense in the Income Statement on a straight-line basis over the lease term. Lease incentives are recognised in the Income Statement as an integral part of the total lease expense.

(m) Government grants

Government grants are recognised at fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

(n) Provisions

Provisions are recognised when there is a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

The Institute of Chartered Accountants in Australia

Notes to the Financial Statements (continued)

For the year ended 30 June 2008

(o) Borrowing costs

Borrowing costs are recognised as an expense when incurred.

(p) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Fees paid on the establishment of loan facilities that are yield related are included as part of the carrying amount of the loans and borrowings.

Borrowings are classified as current liabilities unless the Institute has an unconditional right to defer settlement of the liability for at least 12 months after balance date.

(q) Impairment of assets other than goodwill

The carrying values of the Institute's assets are reviewed for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable.

For an asset that does not generate largely independent cash inflow, the recoverable amount is determined for the cash generating unit to which the asset belongs.

If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of the asset is the greater of fair value less costs to sell and value in use.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its

recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

An impairment loss and/or reversal is recognised in the Income Statement immediately.

(r) Significant accounting judgments, estimates and assumptions

In applying the Institute's accounting policies, management continually evaluates judgments, estimates and assumptions based on experience and other factors, including expectations of future events that may have an impact on the Institute. All judgments, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to management. Actual results may differ under different conditions from the judgments, estimates and assumptions. Significant judgments, estimates and assumptions made by management in the preparation of these financial statements are outlined below.

(i) Significant accounting judgments

Non-recovery of deferred tax assets

Deferred tax assets are not recognised for deductible temporary differences as management considers that it is not probable that future taxable profits will be available to utilise those temporary differences.

Impairment of non-financial assets

The Institute assesses impairment of all assets at each reporting date by evaluating conditions specific to the Institute and to the particular asset that may lead to impairment. These include the asset's use and performance, future expectations, economic and political environments and the assessment of the asset's carrying value. If an impairment

trigger exists, the recoverable amount of the asset is determined. This involves value-in-use calculations, which incorporate a number of key estimates and assumptions.

(ii) Significant accounting estimates and assumptions

Long service leave provision

As disclosed in Note 2(i)(ii), the liability for long service leave is recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at balance date. In determining the present value of the liability, attrition rates, pay increases through promotion, and inflation have been taken into account.

Allowance for impairment loss on trade receivables

Where receivables are outstanding beyond the normal trading terms, the likelihood of the recovery of these receivables is assessed by management on an individual account basis. The impairment loss is outlined in Note 7.

Estimation of useful lives of assets

The estimation of the useful lives of assets has been based on historical experience as well as future expectations on use, lease terms (for leased equipment), and turnover policies (for motor vehicles). In addition, the condition of the assets is assessed at least annually and considered against their remaining useful life. Adjustments to useful lives are made when considered necessary. Depreciation and/or amortisation charges are included in Note 8.

The Institute of Chartered Accountants in Australia

Notes to the Financial Statements (continued)

For the year ended 30 June 2008

3. Financial risk management objectives and policies

The Institute's principal financial instruments are comprised of receivables, bank loans and cash.

The Institute manages its exposure to key financial risks in accordance with the Institute's financial risk management policy. The objective of the policy is to support the delivery of the Institute's financial targets while protecting future financial security.

The main risks arising from the Institute's financial instruments are:

- > Interest rate risk
- > Credit risk
- > Liquidity risk.

The Institute uses different methods to measure and manage the risks to which it is exposed. These include:

- > Monitoring levels of exposure to interest rates
- > Monitoring assessments of market forecasts for interest rates
- > Ageing analysis and monitoring of specific credit balances to manage credit risk
- > Liquidity risk monitoring through the development of future rolling cash flow forecasts.

The Board reviews and agrees on policies for managing each of these risks. The policies are summarised below.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The main component of market risk to the Institute is interest rate risk.

Interest rate risk refers to the risk that movements in variable interest rates will affect financial performance by increasing interest expenses or reducing interest income.

Interest rate risk arises from financial assets and liabilities that are subject to floating interest rates. The Institute's exposure to market interest rates relates primarily to:

- > Cash and cash equivalents
- > Bank overdraft
- > Borrowings.

Currently the Institute has an approved overdraft facility with a financial institution with a limit of \$25,000,000. The interest rate is based on the 30-day bank bill swap rate plus a margin.

The Institute collects subscription income at the beginning of the financial year. It is anticipated that the overdraft facility would be utilised from December 2008 to May 2009. Borrowings are expected to peak at approximately \$18,000,000 in May 2009. In order to minimise interest costs during the period that the Institute has surplus cash, the Institute has chosen not to fix any component of its borrowings. This is consistent with previous years, and enables the Institute to minimise borrowing costs and maximise the impact of positive cash flows in the first half of the financial year.

All of the Institute's revenues are denominated in its functional currency, namely expressed in Australian dollars.

In addition, the Institute has an insignificant exposure to foreign currency purchases. These are mainly comprised of overseas travel and accommodation charges which are generally settled through credit card transactions at the time of incurrence.

Consequently, the Institute is not exposed to any fluctuations in foreign currencies.

The Institute of Chartered Accountants in Australia
Notes to the Financial Statements (continued)
 For the year ended 30 June 2008

	Principal subject to floating interest rate \$'000	Principal subject to fixed interest rate \$'000	Non- interest bearing \$'000	Total \$'000	Average interest rate Floating	Average interest rate Fixed
3. Financial risk management objectives and policies (continued)						
2008						
Financial assets						
Cash and cash equivalents	–	4,475	–	4,475	–	4.70%
Trade receivables	–	–	3,221	3,221	–	–
Other receivables	350	–	1,342	1,692	8.40%	–
Total financial assets	350	4,475	4,563	9,388		
Financial liabilities						
Trade and other payables	–	–	(9,650)	(9,650)	–	–
Total financial liabilities	–	–	(9,650)	(9,650)		
2007						
Financial assets						
Cash and cash equivalents	–	22	–	22	–	0.01%
Trade receivables	–	–	1,764	1,764	–	–
Sundry debtors	–	–	13,966	13,966	–	–
Other receivables	–	–	1,297	1,297	–	–
Total financial assets	–	22	17,027	17,049		
Financial liabilities						
Trade and other payables	–	–	(9,534)	(9,534)	–	–
Bank overdraft	–	(49)	–	(49)	–	4.35%
Interest-bearing loans and borrowings	(10,000)	–	–	(10,000)	6.39%	–
Total financial liabilities	(10,000)	(49)	(9,534)	(19,583)		

The Institute of Chartered Accountants in Australia
Notes to the Financial Statements (continued)
 For the year ended 30 June 2008

3. Financial risk management objectives and policies (continued)

Sensitivity analysis

The following sensitivity is based on interest rate risk exposures in existence at balance date.

A sensitivity of 50 basis points shift has been selected as this is considered reasonable given the current level of short-term Australian dollar interest rates.

At 30 June 2008, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post-tax surplus and members' funds would have been affected as follows:

	Post tax surplus increase/(decrease)		Members' funds increase/(decrease)	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
If there was 50 basis points higher in interest rates with all other variables held constant	22	(50)	22	(50)
If there was 50 basis points lower in interest rates with all other variables held constant	(22)	50	(22)	50

Credit risk

Credit risk refers to the loss that the Institute would incur if a debtor or other counterparty defaults under its contractual obligations.

Credit risk would arise from the financial assets of the Institute, which comprise trade and other receivables. The Institute's exposure to credit risk is limited as there is a significant amount of low value individual debtors located in multiple geographical areas. Receivable balances are monitored on a regular basis with the result that the Institute's exposure to bad debts is not significant.

Management believes that the Institute does not have a concentration of credit risk. The Institute's maximum exposure to credit risk is equal to the carrying value of the receivables held.

The Institute of Chartered Accountants in Australia

Notes to the Financial Statements (continued)

For the year ended 30 June 2008

3. Financial risk management objectives and policies (continued)

Liquidity risk

Liquidity risk includes the risk that, as a result of the Institute's operational liquidity requirements:

- > The Institute will not have sufficient funds to settle a transaction on the due date;
- > The Institute will be forced to sell financial assets at a value which is less than what they are worth; or
- > The Institute may be unable to settle or recover a financial asset at all.

To help reduce these risks, the Institute has:

- > A liquidity policy which targets a minimum and average level of cash and cash equivalents to be maintained
- > Readily accessible standby facilities and other funding arrangements in place.

The Institute receives a substantial part of its cash inflows at the beginning of the financial year and manages its expenditure within these cash inflows and approved funding arrangements.

The following table details the Institute's remaining contractual maturity for its financial liabilities. The table has been prepared based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Institute can be required to pay.

	Less than 6 months \$'000	6 to 12 months \$'000	1 to 5 years \$'000	Total \$'000
2008				
Financial liabilities				
Trade and other payables	(9,309)	–	(341)	(9,650)
	(9,309)	–	(341)	(9,650)
2007				
Financial liabilities				
Trade and other payables	(9,296)	–	(238)	(9,534)
Interest-bearing loans and borrowings	(49)	–	(10,065)	(10,114)
	(9,345)	–	(10,303)	(19,648)

The Institute of Chartered Accountants in Australia
Notes to the Financial Statements (continued)
 For the year ended 30 June 2008

	2008 \$'000	2007 \$'000
4. Revenue and expenses		
(a) Revenue		
Revenue from operating activities:		
– Subscriptions and related revenue	33,591	31,166
– Revenue from education and other services	40,394	36,904
Total revenue from operating activities	73,985	68,070
Revenue from non-operating activities:		
– Rent	1,087	841
– Royalties	246	350
– Interest from other persons	205	227
– Proceeds on sale of property, plant and equipment, and intangibles	74	101
Total revenue from non-operating activities	1,612	1,519
Total revenue	75,597	69,589
(b) Other income		
Net gain on disposal of property, plant and equipment, and intangibles	13	30
(c) Expenses included in the Income Statement		
Depreciation and amortisation of non-current assets:		
– Freehold property	820	529
– Furniture and equipment	229	192
– Computer equipment	554	301
– Fixtures and fittings on freehold premises	928	3
– Fixtures and fittings on leasehold premises	231	133
– Motor vehicles	31	47
Depreciation and amortisation of property, plant and equipment	2,793	1,205
– Computer software	82	53
Depreciation and amortisation of non-current assets	2,875	1,258
Operating lease expense on premises	1,474	1,230
Other expenses		
– Bad debts written off	11	117
Finance costs		
– Bank loans and overdraft	411	523

The Institute of Chartered Accountants in Australia
Notes to the Financial Statements (continued)
 For the year ended 30 June 2008

	2008 \$'000	2007 \$'000
5. Income tax		
Prima facie tax expense from ordinary activities	547	597
Depreciation of plant and equipment, and intangibles	863	377
Entertainment	32	20
Mutual activities	(616)	(477)
Utilisation of tax losses	(826)	(517)
Income tax expense attributable to ordinary activities	-	-

At balance date, accumulated revenue tax losses of \$15,926,000 (2007: \$16,752,000) existed, giving rise to a potential future tax benefit. The potential deferred tax asset attributable to the revenue tax profit is not recognised, as realisation is not probable. The deferred tax asset for revenue tax losses, which will offset future non-mutual income, will only be utilised if:

- > Future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised
- > The conditions for deductibility imposed by tax legislation continue to be complied with
- > No changes in tax legislation adversely affect the Institute in realising the benefit.

Deferred tax assets not recognised in respect of deductible temporary differences amount to \$235,000 (2007: \$239,000).

The Institute of Chartered Accountants in Australia
Notes to the Financial Statements (continued)
 For the year ended 30 June 2008

	2008 \$'000	2007 \$'000
6. Cash and cash equivalents		
Cash at bank and in hand	4,475	22

Cash and cash equivalents comprise cash in hand and cash at bank which is at call and which earned interest at floating rates based on daily bank deposit rates.

At 30 June 2008, the Institute had available \$25,000,000 (2007: \$15,000,000) of undrawn committed borrowing facilities (refer Note 12).

Reconciliation to Cash Flow Statement

For the purposes of the Cash Flow Statement, cash and cash equivalents comprise the following at the end of the financial year:

Cash and cash equivalents (per Balance Sheet)	4,475	22
Bank overdraft (Note 12)	-	(49)
Cash and cash equivalents (per Cash Flow Statement)	4,475	(27)

Reconciliation of net surplus after tax to net cash flows from operations

Net surplus from ordinary activities	1,824	1,989
Adjustments:		
Depreciation and amortisation of property, plant and equipment	2,793	1,205
Net gain on disposal of property, plant and equipment, and intangibles	(13)	(30)
Amortisation of intangible assets	82	53
Bad debts expense	65	(41)
Interest received	(205)	(227)
Interest paid	411	523
	3,133	1,483
Changes in working capital:		
Decrease/(increase) in receivables*	(1,940)	717
Increase/(decrease) in payables	116	2,990
Increase/(decrease) in provisions	(84)	64
Increase in receipts in advance	3,838	1,639
	1,930	5,410
Net cash flows from operating activities	6,887	8,882

* The receivable balance as at 30 June 2007 includes the sundry debtor balance of \$13,965,865. This balance relates to the sale of the strata title property at 37 York Street and has been classified as proceeds from sale of property rather than cash flow from operating activities in the Cash Flow Statement. The decrease in the sundry debtor balance is therefore not included in the changes in working capital.

The Institute of Chartered Accountants in Australia
Notes to the Financial Statements (continued)
 For the year ended 30 June 2008

	2008 \$'000	2007 \$'000
7. Trade and other receivables		
Current		
Trade receivables (a)	3,480	1,958
Allowance for impairment loss	(259)	(194)
	3,221	1,764
Non-trade receivables (b)		
– Sundry debtor	–	13,966
– Other receivables	1,342	1,297
– Prepayments	1,179	1,156
Total trade and other receivables	5,742	18,183
Non-current		
Receivables (c)		
– Loan	350	–

(a) Trade receivables are non-interest bearing and are generally on 30-day terms. A provision for impairment loss has been made for estimated irrecoverable trade receivables determined by assessment made by management when there is objective evidence that an individual trade receivable is impaired. An impairment loss of \$105,000 (2007: \$93,000) has been recognised by the Institute in the current year. These amounts have been included in the other expenses line item in the Income Statement.

Included in the Institute's trade receivables are debtors with a carrying amount of \$1,378,000 (2007: \$511,000) which are past due at the reporting date but not considered impaired as there has not been a significant change in credit quality and the Institute believes that the amounts are still considered recoverable. The Institute does not hold any collateral over these balances.

All other balances within trade and other receivables do not contain impaired assets and are not past due. Based on the credit quality of these other receivables, it is expected that those amounts will be received when due.

The Institute has no receivables with renegotiated credit terms that would have been past due under the original terms and conditions.

The Institute of Chartered Accountants in Australia
Notes to the Financial Statements (continued)
 For the year ended 30 June 2008

	2008 \$'000	2007 \$'000
7. Trade and other receivables (continued)		
At 30 June, the ageing analysis of trade debtors is as follows:		
Neither past due nor impaired	1,843	1,253
Past due but not impaired:		
31–60 days	1,107	168
61–90 days	101	299
> 90 days	170	44
	1,378	511
Past due and impaired:		
31–60 days	111	9
61–90 days	90	80
> 90 days	58	105
	259	194
Total	3,480	1,958

Movements in the provision for impairment loss were as follows:

	2008 \$'000	2007 \$'000
At 1 July	194	235
Charge for the year	105	93
Amounts recovered	(29)	(17)
Amounts written off	(11)	(117)
At 30 June	259	194

(b) Current non-trade receivables are generally non-interest bearing and are normally payable at call. There are no non-trade receivables that are past due at the reporting date.

The Sundry debtor of \$13,965,866 at 30 June 2007 related to the sale of the strata title property at 37 York Street Sydney. The Institute entered into a put and call option deed dated 30 June 2006 to dispose of the premises which was settled on 9 August 2007.

(c) The Institute, in conjunction with CPA Australia and the National Institute of Accountants, has lent funds to the Association of Accounting Technicians (AAT) as agreed under a Memorandum of Understanding. The non-current loan to AAT is \$350,000 before interest which is charged monthly based on the 90-day bank bill rate plus 0.5 per cent.

The Institute of Chartered Accountants in Australia
Notes to the Financial Statements (continued)
 For the year ended 30 June 2008

	2008 \$'000	2007 \$'000
8. Property, plant and equipment		
Freehold property – at fair value	47,346	43,757
Furniture and equipment – at cost	2,819	2,652
Less: Accumulated depreciation	(1,666)	(1,569)
	1,153	1,083
Computer equipment – at cost	4,049	3,351
Less: Accumulated depreciation	(2,345)	(2,276)
	1,704	1,075
Fixtures and fittings on freehold premises – at cost	9,436	7,105
Less: Accumulated depreciation	(928)	–
	8,508	7,105
Fixtures and fittings on leasehold premises – at cost	3,087	2,819
Less: Accumulated amortisation	(1,124)	(1,124)
	1,963	1,695
Motor vehicles – at cost	112	264
Less: Accumulated depreciation	(104)	(200)
	8	64
Total property, plant and equipment	60,682	54,779

Motor vehicles

Motor vehicles are provided to certain senior staff in accordance with approved employment arrangements and together with residual benefits are included in employee remuneration packages.

Revaluation of freehold property

The fair value of freehold property is a directors' valuation and has taken into account an independent valuation undertaken as at 30 June 2008 based upon depreciated replacement cost. The valuation was carried out by McGees Property (NSW) Pty Limited.

The Institute of Chartered Accountants in Australia
Notes to the Financial Statements (continued)
 For the year ended 30 June 2008

	2008	2007
	\$'000	\$'000
8. Property, plant and equipment (continued)		
Reconciliations		
Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:		
Freehold property		
Carrying amount at beginning of the financial year	43,757	34,060
Additions	1,705	10,226
Revaluation	2,704	–
Depreciation expense	(820)	(529)
	47,346	43,757
Furniture and equipment		
Carrying amount at beginning of the financial year	1,083	711
Additions	303	594
Reclassification	–	(19)
Disposals	(4)	(11)
Depreciation expense	(229)	(192)
	1,153	1,083
Computer equipment		
Carrying amount at beginning of the financial year	1,075	467
Additions	1,202	918
Disposals	(19)	(9)
Depreciation expense	(554)	(301)
	1,704	1,075
Fixtures and fittings on freehold premises		
Carrying amount at beginning of the financial year	7,105	885
Additions	2,331	6,223
Depreciation expense	(928)	(3)
	8,508	7,105
Fixtures and fittings on leasehold premises		
Carrying amount at beginning of the financial year	1,695	418
Additions	504	1,391
Reclassification	–	19
Disposals	(5)	–
Amortisation expense	(231)	(133)
	1,963	1,695
Motor vehicles		
Carrying amount at beginning of the financial year	64	139
Additions	–	23
Disposals	(25)	(51)
Depreciation expense	(31)	(47)
	8	64
Total		
Carrying amount at beginning of the financial year	54,779	36,680
Additions	6,045	19,375
Revaluation	2,704	–
Disposals	(53)	(71)
Depreciation expense	(2,562)	(1,072)
Amortisation expense	(231)	(133)
	60,682	54,779

The Institute of Chartered Accountants in Australia
Notes to the Financial Statements (continued)
 For the year ended 30 June 2008

	2008 \$'000	2007 \$'000
9. Intangible assets		
Computer software – at cost	1,870	1,705
Less: Accumulated amortisation	(1,717)	(1,636)
	153	69
Reconciliation		
Carrying value at beginning of the financial year	69	105
Additions	174	17
Disposals	(8)	–
Amortisation expense	(82)	(53)
	153	69
10. Receipts in advance		
Members' fees	20,534	16,905
Chartered Accountants Program and Training & Development course fees	5,737	5,566
Other	244	206
	26,515	22,677
11. Trade and other payables		
Current		
Trade payables	8,146	8,456
Other payables	1,075	787
Lease liabilities	88	53
	9,309	9,296
Non-current		
Lease liabilities	341	238
	341	238

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed to the Institute. Payables are normally settled on 30-day terms and no interest is incurred on these payables.

12. Interest-bearing loans and borrowings

Current		
Bank overdraft	–	49
Non-current		
Bill facility	–	10,000
	–	10,000

Bill facility

The Institute has entered into an approved overdraft facility with a financial institution with a limit of \$25,000,000 and is secured by a registered mortgage over the property situated at 33 Erskine Street, Sydney NSW. The facility review commenced on 8 July 2008. The effective interest rate is based upon the 30-day bank bill swap rate plus a margin.

At balance date, the Institute had repaid fully the bill facility (2007: \$10,000,000).

The Institute of Chartered Accountants in Australia
Notes to the Financial Statements (continued)
 For the year ended 30 June 2008

	Notes	2008 \$'000	2007 \$'000
13. Provisions			
Current			
Employee entitlements	19	1,749	1,569
Non-current			
Employee entitlements	19	75	228
Make good provision		245	356
		320	584
Reconciliation make good provision			
Balance at beginning of year		356	248
Arising during year		31	83
Utilised during the year		(159)	–
Discount rate adjustment		17	25
		245	356

In accordance with the lease agreements with various third parties, the Institute must restore leased premises in various locations to their original condition before the cessation of their respective lease terms.

Because of the long-term nature of the liability, the greatest uncertainty in estimating the make good provision is the costs that will ultimately be incurred. The provision has been calculated using a discount rate of 7.5 per cent.

14. Reserves and retained earnings

Nature and purpose of reserves

The property revaluation reserve is used to record increments and decrements in the value of the property. The reserve is not distributable to members under the terms of the Supplemental Royal Charter of the Institute. The balance relating to the revaluation of the property at 37 York Street, Sydney was transferred to retained earnings on 30 June 2007.

Movements in reserves:

Property revaluation reserve

Balance at beginning of the financial year	–	7,367
Increment on revaluation of property (refer Note 8)	2,704	–
Transfer to retained earnings	–	(7,367)
Balance at end of the financial year	2,704	–

Movements in retained earnings:

Retained earnings

Balance at beginning of the financial year	28,640	19,284
Surplus from ordinary activities	1,824	1,989
Transfer from property revaluation reserve	–	7,367
Balance at end of the financial year	30,464	28,640

The Institute of Chartered Accountants in Australia
Notes to the Financial Statements (continued)
 For the year ended 30 June 2008

	2008 \$'000	2007 \$'000
15. Commitments		
Operating leases – state branch office space		
Within one year	1,582	1,390
After one year but not later than five years	6,356	5,312
After more than five years	5,600	5,736
	13,538	12,438

The leases are all non-cancellable operating leases. Three leases do not have a renewal option and are subject to market review at set intervals.

Expenditure commitments – within one year		
Fit-out – Freehold property at 33 Erskine Street, Sydney	190	1,867
Marketing and advertising	1,500	1,232
	1,690	3,099

Australian Accounting Standards Board (AASB) and Auditing and Assurance Standards Board (AuASB)

The Institute contributes towards the funding of the operations of two federal bodies, namely AASB and AuASB. Contributions in the 2009 financial year are expected to be \$133,000 to AASB and \$342,000 to AuASB.

Australian Professional Ethics and Standards Board (APESB)

The Institute, in conjunction with CPA Australia and the National Institute of Accountants, contributes funds to APESB as agreed under the Memorandum of Agreement. The Institute expects to contribute an amount of \$340,000 during the 2009 financial year.

16. Contingent liabilities

Indemnities for bank guarantees to the lessors of premises occupied under operating leases and security for rectification of damage to footpaths bounding the premises at 33 Erskine Street, Sydney.	754	1,003
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The Institute of Chartered Accountants in Australia
Notes to the Financial Statements (continued)
 For the year ended 30 June 2008

	2008	2007
	\$	\$
17. Auditors' remuneration		
Audit services	159,220	139,000
Other services:		
Services in respect of Professional Standards Council contributions	-	5,562
Training & Development presentations	61,800	1,750
Tax and accounting advisory	129,264	5,500
	191,064	12,812

18. Unlisted shares in other entities

The Institute has an interest in the following corporation:

Name of Corporation	Country of Incorporation	Percentage of Ownership	
		2008	2007
ICAA Nominees Pty Limited	Australia	100%	100%

The corporation is dormant and has not been consolidated as it is considered to be immaterial.

	Notes	2008	2007
		\$'000	\$'000
19. Employee entitlements and superannuation arrangements			
The aggregate employment liability is comprised of:			
Accrued wages, salaries and on-costs		749	976
Provisions (current)	13	1,749	1,569
Provisions (non-current)	13	75	228
		2,573	2,773

The Institute contributes at least 9 per cent (2007: 9 per cent) to a variety of superannuation funds on behalf of its staff.

The Institute of Chartered Accountants in Australia
Notes to the Financial Statements (continued)
 For the year ended 30 June 2008

	Notes	Total \$'000	Loans and receivables \$'000	Financial liability measured at amortised cost \$'000
20. Financial instruments				
Fair values				
The estimated net fair values of financial assets and liabilities held at balance date are represented by their carrying amounts. The net fair value of a financial asset or liability is the amount at which the asset could be exchanged or the liability settled in a current transaction between willing parties after allowing for transaction costs.				
Financial assets and liabilities by categories:				
2008				
Current financial assets				
Cash and cash equivalents	6	4,475	4,475	–
Trade receivables	7	3,221	3,221	–
Other receivables	7	1,342	1,342	–
Total current financial assets		9,038	9,038	–
Non-current financial assets				
Receivables	7	350	350	–
Total financial assets		9,388	9,388	–
Current financial liabilities				
Trade and other payables	11	(9,309)	–	(9,309)
Non-current financial liabilities				
Trade and other payables	11	(341)	–	(341)
Total financial liabilities		(9,650)	–	(9,650)
Net financial assets/(liabilities)		(262)	9,388	(9,650)
2007				
Current financial assets				
Cash and cash equivalents	6	22	22	–
Trade receivables	7	1,764	1,764	–
Sundry debtors	7	13,966	13,966	–
Other receivables	7	1,297	1,297	–
Total current financial assets		17,049	17,049	–
Total financial assets		17,049	17,049	–
Current financial liabilities				
Trade and other payables	11	(9,296)	–	(9,296)
Bank overdraft	12	(49)	–	(49)
Total current financial liabilities		(9,345)	–	(9,345)
Non-current financial liabilities				
Trade and other payables	11	(238)	–	(238)
Bill facility	12	(10,000)	–	(10,000)
Total non-current financial liabilities		(10,238)	–	(10,238)
Total financial liabilities		(19,583)	–	(19,583)
Net financial assets/(liabilities)		(2,534)	17,049	(19,583)

The Institute of Chartered Accountants in Australia
Notes to the Financial Statements (continued)
 For the year ended 30 June 2008

	2008 \$'000	2007 \$'000		
21. Related parties				
<p>The Institute made payments of a nature detailed below to certain parties, including partners or employees of director-related entities. The payments were made to all parties on the same terms and conditions:</p> <ul style="list-style-type: none"> > Gifts and fees to guest speakers at Training & Development events > Author, group leader, reviewer, examination setting and examination marking fees in respect of the Chartered Accountants Program modules > Reviewer fees in respect of the Quality Review of certain practices. <p>The Institute also received the following fees from certain parties, including director-related entities.</p> <p>The fees were received from all parties under the same terms and conditions:</p> <ul style="list-style-type: none"> > Registration fees for attendance at Training & Development events > Fees in respect of enrolment of students in the Chartered Accountants Program modules > Fees in respect of the Quality Review of certain practices > Fees in respect of attendances at networking functions. <p>The following table provides the total amount of transactions that were entered into with director-related entities for the relevant financial year.</p> <p>All the following transactions were carried out on normal terms and conditions during the year.</p>				
Director	Director-related entity	Transaction details and terms		
R DiMonte	Deloitte Touche Tohmatsu	Preparation and presentation of educational courses	29	34
		Regional Roadshows	76	–
R D Deutsch	PricewaterhouseCoopers	Contribution to PwC Transparency Awards	68	–
		Presentation of educational courses	4	–
		Comperio licence fees	–	8
		Advertising	2	2

The above note reflects only those transactions incurred during the tenure of the respective director.

The Institute of Chartered Accountants in Australia
Notes to the Financial Statements (continued)
 For the year ended 30 June 2008

22. Director and executive disclosures

(a) Details of key management personnel

(i) Directors

A R Arkell	
R D Deutsch	
R DiMonte	Retired 31 December 2007
J M Morison	Retired 31 December 2007
D X Parkin	
M Spinks	
R M Grimes	
M E Parker	
F Bennett	Appointed 1 July 2007
C Farrow	Appointed 1 January 2008
M Watson	Appointed 1 January 2008

(ii) Executives

G B Meyer	Chief Executive Officer	
E McFadzean	Deputy Chief Executive Officer	
W J Palmer	General Manager Standards & Public Affairs	
A M McCotter	General Manager Business Services	
S E Frenkel	General Manager Chartered Accountants Program & Admissions	
S B M Grant	General Manager QLD	
M T Jones	General Manager SA/NT	
M J Nazzari	General Manager VIC/TAS	
C M Abbott	General Manager WA	
R J Stewart	General Manager Brand & Communications	
P Reddy	General Manager Support Services	
S G Kells	General Manager Training & Development	
L P Cochineas	General Manager NSW	
R Le Grande	General Manager ACT	Appointed 1 July 2007
M A Bevan	General Manager Customer Service Division	
B Bell	General Manager Corporate Strategy & Planning	
M A Maky	General Manager Human Resources	
J Boram	General Manager Member Marketing	Appointed 13 February 2008

The Institute of Chartered Accountants in Australia
Notes to the Financial Statements (continued)
 For the year ended 30 June 2008

	2008 \$'000	2007 \$'000
22. Director and executive disclosures (continued)		
(b) Compensation of key management personnel		
(i) Compensation policy		
Remuneration of the directors and senior management is determined by the Executive Review Committee, which also reviews remuneration levels for all staff. The Committee is appointed by the Board and consists of three members of the Board (currently the President, Deputy President, and the Chairman of the Governance Committee).		
(ii) Compensation of executives for the year		
Compensation by category		
Short term	3,501	3,125
Other long-term leave payments	-	31
	3,501	3,156

(iii) Loans to key management personnel

There are no loans between key management personnel and the Institute.

(iv) Other transactions of key management personnel and their personally related entities

There are no other transactions with key management personnel or their personally related entities.

23. Indemnification of directors and officers

The by-laws of the Institute indemnify the directors and officers, and provide that each director and officer:

- > Shall be indemnified against any losses or expenses that such a director or officer incurs or becomes liable to pay by reason of any act or deed done by the director or officer in the discharge of that director's or officer's duties except to the extent that such act or deed arises from the director's or officer's own wilful default
- > Shall not be liable for the acts of any person or for joining in any receipt or document or for any act of conformity or for any loss or expense happening to the Institute unless it arises from the director's or officer's own wilful default.

24. Members and members' liability

Total membership at 30 June 2008 is 48,713 (2007: 46,528).

In terms of the Institute's Charter and by-laws:

- > Members are not entitled to receive a dividend from the Institute
- > Members who cease to be members remain liable to the Institute for all monies which at the time of ceasing to be a member were due by that member to the Institute.

The Institute of Chartered Accountants in Australia
Notes to the Financial Statements (continued)
For the year ended 30 June 2008

25. Events after 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 of the Institute, to affect significantly the operations of the Institute or the state of affairs of the Institute in future financial years.

The Institute of Chartered Accountants in Australia Directors' declaration

The directors of the Institute of Chartered Accountants in Australia declare that the financial statements and notes set out on pages 46 to 74 which have been prepared as required under the by-laws of the Institute:

- > Comply with Australian Accounting Standards and other mandatory professional reporting requirements
- > Present fairly the financial position of the Institute as at 30 June 2008 and the results of its operations and its cash flows for the year ended on that date.

In the opinion of the directors, there are reasonable grounds to believe that the Institute will be able to pay its debts as and when they become due and payable.



A R Arkell FCA
President



R D Deutsch FCA
Deputy President

Sydney, 19 August 2008

The Institute of Chartered Accountants in Australia

Independent auditor's report to the members of the Institute of Chartered Accountants in Australia

I have audited the accompanying financial report of the Institute of Chartered Accountants in Australia (the Institute), which comprises the balance sheet as at 30 June 2008, and the income statement, statement of recognised income and expense and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the Directors' declaration.

Directors' responsibility for the financial report

The directors of the Institute are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and in accordance with the by-laws of the Institute. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2, the directors also state that the financial report, comprising the financial statements and notes, complies with Australian Accounting Standards.

Audit responsibility

My responsibility is to express an opinion on the financial report based on my audit. I conducted my audit in accordance with Australian Auditing Standards. These Auditing Standards require that I 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 my judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, I consider internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Independence

In conducting my audit I have met the independence requirements of the Australian professional accounting bodies. In addition to my audit of the financial report, I was engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired my independence.

Audit opinion

In my opinion:

- 1 The financial report presents fairly, in all material respects, the financial position of the Institute of Chartered Accountants in Australia as of 30 June 2008, and of its financial performance and cash flows for the year then ended in accordance with Australian Accounting Standards; and
- 2 The financial report also complies with Australian Accounting Standards.



Sean Van Gorp FCA
Auditor

Sydney, 19 August 2008