The Institute of Chartered Accountants in Australia

2008 Report to members
Including full financial statements
About the Institute

The Institute of Chartered Accountants in Australia is the professional body representing Chartered Accountants. Our reach extends to over 60,000 members and aspiring members – more than 48,000 Chartered Accountants and more than 12,000 candidates currently enrolled in our postgraduate Chartered Accountants Program.

Our members work in diverse roles across commerce and industry, public practice, academia and government throughout Australia and in 119 countries around the world.

The Institute is a founding member of the Global Accounting Alliance (GAA), an international accounting coalition of the world’s premier accounting bodies. The GAA has more than 700,000 members and membership of the eight global institutes is automatically available to members of the Institute in Australia without the requirement of further study.

The Institute was constituted by Royal Charter in 1928 and now operates under a Supplemental Royal Charter, granted by the Governor-General on behalf of Queen Elizabeth II on 19 August 2005.
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Vision

Leading the profession
The Institute will be:

> A visionary organisation with respected thought leadership and key business partnerships

> Setting the benchmark for the highest ethical and educational standards

> Providing a Chartered Accountants brand which is the passport for lifelong career success

> Representing and leading the members nationally and influencing regionally and globally.

Purpose
Through its leadership, the Institute enhances and promotes the reputation and role of Chartered Accountants, both individually and collectively, and ensures the highest professional quality of its current and future members, for the benefit of the business community and the public interest.

Organisational core values

P  Play it straight
R  Respect builds success
I  Improve and innovate
D  Deliver to win together
E  Expect the best
Business leaders are under more scrutiny and are more accountable than ever before. An integral part of our vision of leading the profession is to lobby on behalf of our members to reduce over-regulation and help businesses interpret the latest international reporting standards.

Over the last year, the Institute has published 10 leadership reports and hosted a range of workshops, forums and debates on issues such as ethics, differential auditing and extended performance reporting.

A welcome success for the Institute this year was the introduction of a national framework of schemes that limit the liability of our members. After 20 years of negotiation with state, territory and federal governments, we have secured a first for any Australian profession and a first among the accounting profession globally. This was a significant outcome for us, and for you, our members.

Thanks to the approval we secured in all states except Tasmania, the schemes are operative under state law. Commonwealth approval means that members are covered against claims made under the Trade Practices Act as well.

Another area of major international regulatory significance is sustainability and the need for businesses to be accountable for their environmental footprint.

Australia is playing an important role in international activities that are leading to emissions trading, the permanent storage of emissions through sequestration, and development of carbon credit offset activities.

With the focus on an Australian Emissions Trading System for 2010, the Institute is developing a number of projects in this area. For example, we worked with a member firm to prepare a report that will help the government identify the tax implications and develop tax incentives by assessing whether the existing tax framework will cope effectively with the proposed system. We are also identifying potential opportunities to use tax policy to drive behavioural change that reduces emissions usage.

The Institute’s strategic plan details our response to the current and long-term issues facing the Institute and sets out the initiatives that will help us achieve our vision of leading the profession.

These will ensure the Institute becomes even more relevant to members, maintains its influence with governments and regulators, is more competitive both here and globally, has a sustainable and growing membership and is able to attract and recruit the best staff.

To ensure the Institute is on the right track, the Board undertook a substantial strategic review during the year. This review confirmed our overall strategic plan and made necessary amendments to take us through to 2010.

These amendments reflect the changing environment, a greater focus on leadership positioning nationally and globally and the need for improved processes and infrastructure to better respond to members’ needs.

Assessing progress against delivery of the six objectives in our strategic plan is the best way to measure the Institute’s success in 2008, and we have structured the report to give members an understanding of how we have performed against our strategic goals.

As a founding member of the Global Accounting Alliance (GAA), we continue to work closely with our international peers in professional accounting bodies in shaping the profession on a global scale.

The Institute has recently completed work to confirm our full mutual recognition of eight GAA institutes’ qualifying programs with our Chartered Accountants Program. This ensures the process of going overseas with an Australian qualification is seamless and eliminates the need for a bridging course. Globalisation is a key part of business today and the GAA ensures our members’ transition to GAA countries knows no boundaries.

In 2008 the Institute celebrates its 80th year and we reflect on all that has been achieved since 1928 when His Majesty King George V constituted the Institute of Chartered Accountants in Australia by Royal Charter. We are justifiably proud of our heritage, our currency and our vision.

Andrew Arkell
President
CEO’s review

After an eventful year, I can report with pleasure that the Institute is well placed to continue fulfilling its charter to serve members, engage meaningfully with regulators and the community and contribute to excellence in standards of accounting.

As our many successful initiatives demonstrate, our voice is being heard. This is particularly true in areas in which we have actively sought to influence the regulatory environment to maximise the contribution the accountancy profession can make to building robust Australian businesses and by contributing to the efficiency and integrity of the public sector.

We will maintain this momentum by allocating additional resources to these efforts in the year ahead – a year in which conditions are likely to remain volatile.

Why do we find ourselves in such a strong position? A prime reason has been our continued focus on maintaining standards and building on good existing relationships with government. The Institute has contributed in a constructive way to public policy development in the year under review by engaging actively with policy makers through, inter alia, written submissions and appearances before parliamentary committees.

I am delighted that the excellent work of our representatives in lobbying and providing thought leadership on tax, audit, accounting and financial planning has delivered real benefits for members and is helping to ensure a prosperous future for our profession.

Our thought leadership initiatives have been supported by a broad variety of papers for commercial and professional disciplines on areas of particular interest. A good example was the recent paper, The Benefits of Assuring Carbon Emissions Disclosures, which outlined the case for a global assurance standard on this issue and the benefits of having these disclosures assured by an independent expert.

Serving the national interest

While we remain responsive to the concerns of members, we understand that as a peak body in a vital services sector we have a responsibility to put forward proposals that are in the national interest as well as our own. To that end the areas on which we maintain special focus are taxation, superannuation, corporate governance and ethics, regulatory and workplace reform.

In our pre-budget submission to the federal government, for instance, we placed business tax reform high on the agenda. As an initial step we have asked that certain tax measures already in train by the previous government be dealt with as a priority, to underpin a competitive tax system which is vital to attract venture capital and long-term investment.

We continue to develop the Chartered Accountants Program to ensure its relevance to today’s business needs. This postgraduate diploma continues to attract the highest quality students and helps prepare them to be tomorrow’s business advisors and leaders. Enrolments in the Chartered Accountants Program go some way to alleviating the accounting skills shortage which continues to challenge Australian business.

After years of considering the best means of broadening the entry pathway to the Chartered Accountants Program, the Institute has recently introduced pathways for non-accounting graduates to be eligible for the Chartered Accountants Program. The Graduate Certificate of Chartered Accounting Foundations (GCCAF) is a one-year online Graduate Certificate, presently offered by Deakin University. We also offer an entrance exam for non-accounting graduates with industry experience to enter the Program. This signifies a new era of accounting, where diversity in the profession, both in the role and the people it attracts, is being encouraged and nurtured.

Spreading the word

Meanwhile other programs like our ‘Achiever Work Experience’ and ‘Meet the Business Leader’ are helping broaden young people’s knowledge of our profession and further boosting its image. The coming year will see us maintaining the momentum of these endeavours, which are more appropriate than ever in an era of unprecedented skills shortages.

A key issue for our profession at universities and high schools remains a general lack of understanding about accountancy. In some areas it is still perceived to be a ‘brown cardigan and calculator’ profession rather than a dynamic one with exciting possibilities. Indeed we are determined to change those perceptions and are working hard to do so.

For example, an online campaign on the social networking site Facebook was introduced to engage students in a deeper conversation on their career opportunities and the value of the Chartered Accountant designation. Similarly, the online Student Challenge, which attracted more than 11,000 visitors, was designed to introduce students to practical accounting at a critical time in their career decision process.
CEO’s review (continued)

New premises
Our staff have been settling in well in our new buildings in Sydney, Brisbane and Canberra. These offices, along with the existing space in Melbourne, Perth, Adelaide and Hobart, provide excellent, hi-tech conference and meeting room facilities for members.

Community links
Finally, I would like to thank wholeheartedly everyone who has worked so willingly in our business and community involvement programs and who have cheerfully given their time to help make a difference. Our Business Leader Awards, which recognise excellence in the business community, our sponsorship of the Transparency Awards, and our workplace giving program ‘Everybody Counts’ have been unqualified successes. I commend these efforts once again and seek ongoing support for them.

The Institute is in the process of setting clearer targets and indicators against which we can measure and report our performance, including in the environmental area, to ensure we are able to deliver the best practice standards that we advocate.

I look forward to another interesting and challenging year, in which the Institute can build on strong foundations to aggregate further its relevance and importance to the Australian economy and to provide leadership in many areas that will impact the future wellbeing of the accounting profession, both locally and globally.

Graham Meyer
Chief Executive Officer
> Delivered some 700 workshops, forums, debates and events on issues such as ethics, differential auditing, extended performance reporting, legally enforceable auditing standards, standard legislative framework for tax agents and anti-money laundering

> Introduced two new conferences: an accounting conference focusing on financial reporting and management accounting and a self managed superannuation funds (SMSFs) conference, both of which exceeded registration and revenue targets

> Launched an audit manual to help auditors, particularly those dealing with small to medium sized entities; a Business Software Guide that provides information on 45 tailored business software solutions; and a refreshed library service called the Knowledge Centre

> Expanded the Institute’s in-house training and grew client engagement by an average of 89 per cent

> Piloted a practical Graduate Development Program in response to demand from members

> Further strengthened the Institute’s lobbying, advocacy and thought leadership role with involvement in:
  - the Henry Review of Australia’s taxation system
  - the introduction of a carbon emissions trading scheme
  - liability capping schemes
  - the Government’s review of governance of self managed superannuation funds
  - the disclosure regime for not-for-profit organisations
  - anti-money laundering legislation
  - a non-product based fee-for-service model for the financial planning industry.

> Completed 480 reviews of different sized practices under the Institute’s Quality Review Program and undertook 259 investigations into formal complaints or other issues concerning the conduct of members

> Redesigned the practical experience component of the Chartered Accountants Program in consultation with candidates, mentors and employers

> Broadened the entry pathway for non-accounting graduates with the Graduate Certificate of Chartered Accounting Foundations offered by Deakin University and the entrance exam for graduates with extensive on-the-job experience working for an Institute-approved employer

> Recorded an all-time high candidate and employer satisfaction rate, with candidates at 75 per cent in December 2007 and employers at 87 per cent in June 2008

> Engaged with 19,423 students compared with 9828 at the same time last year through careers marketing events and initiatives

> Secured places for 210 first-year students in more than 100 accounting organisations during the 2007/2008 summer break as part of the Institute’s Achiever Work Experience program

> Gained recognition for the Chartered Accountants Program and reciprocal membership with seven institutes in Canada, Hong Kong, South Africa, England and Wales, Ireland, Scotland and South Africa

> Successfully completed the sale of the York Street premises, relocated to Erskine Street in Sydney and negotiated new leases of premises in Brisbane and Canberra.
Strategic initiatives

Relevance to members and stakeholders
> A differentiated segmentation strategy which delivers value to members throughout their life cycle
> Effective and valued interaction with members
> Ongoing development and revision of products and services to ensure value to members
> Mutually beneficial partnerships with leading industry bodies and stakeholder groups.

Leadership and competitive positioning
> A focused leadership strategy which ensures influence nationally, regionally and internationally
> Effective, visionary and well-publicised thought leadership initiatives which profoundly and positively impact business and the accounting profession
> A well-recognised and differentiated Chartered Accountants brand
> Continuing regard for the importance of discipline, ethics and conduct for the profession.

Growth to ensure a sustainable future for the Institute and Chartered Accountants
> Ongoing review of the Chartered Accountants Program to ensure relevance and pre-eminence
> Innovative and influential careers marketing to ensure the attractiveness of a professional career in chartered accounting
> Ongoing brand promotion to attract new members
> Addressing the skills shortage and ensuring ongoing recruitment and retention of members.

Global positioning
> Influencing the initiatives of the Global Accounting Alliance
> Thinking globally and acting locally
> Supporting the development of the profession globally
> Ensuring participation in Asia and international forums is relevant and targeted.

Ensuring the Institute is fit for the future
> A sound financial base to enable investment in key strategic issues
> Appropriate infrastructure and processes to be responsive to member needs
> A nimble governance structure
> Targeted and relevant committees providing quality input
> Strategic thinking which identifies and responds to emerging trends and markets.

People and culture
> A culture which is proactive, responsive and innovative with strong leadership
> Best practice in recruitment, retention and rewards
> Rigorous succession planning with high achievers identified and mentored for staff and committees
> Key people recognised as experts in their fields.

Ensuring the Institute is fit for the future via strategic thinking which identifies and responds to emerging trends and markets.
Relevance to members and stakeholders
How we delivered in 2008

Interacting effectively with our members

The Institute interacts with members through events, conferences, roadshows, website, print and broadcast media, e-Bulletins and technical newsletters, manuals, toolkits, guides, Charter magazine, Institute updates and training sessions.

During 2008 the Institute delivered some 700 workshops, forums, debates and events on issues such as ethics, differential auditing, extended performance reporting, legally enforceable auditing standards, standard legislative framework for tax agents and anti-money laundering.

More than 4700 accounting and business professionals across all major capital cities attended our popular Business Forums, while our Force of Law national roadshow events attracted more than 300 delegates.

The Institute’s Public Sector Forum, designed to present contemporary management issues to members who work in, or closely with, government was again well received. Initially targeted at middle management, the forum now attracts a broader audience from the public sector, with attendance averaging between 80 and 100 for the five-program event.

A combination of quality content and speakers, together with a robust marketing strategy and excellent teamwork contributed to the success of the Institute’s conferences this year.

A new Accounting Conference was introduced and held in Sydney, Melbourne, Brisbane and Perth, focusing on financial reporting and management accounting. It attracted 572 delegates, exceeding registration targets by 43 per cent and revenue targets by 30 per cent. The inaugural SMSFs Conference held in Sydney attracted 223 delegates, 50 per cent over registration targets and 30 per cent ahead of revenue targets.

Also successful were our Public Practice conferences, attendance at which nearly doubled this year.

Tools

The Institute recently launched an audit manual to help auditors, particularly those dealing with small to medium sized entities (SMEs), apply the current Australian Auditing Standards (ASAs).

The manual is based on the International Federation of Accountants (IFAC) Guide to using international standards. It is freely available on the Institute website and is supplemented by a toolkit, complete with forms, checklists and programs necessary for conducting an audit, and training sessions in several states. This has been widely accepted as a significant step in assisting practitioners to maintain consistently high auditing standards and practices.

To help Chartered Accountants find their way through the myriad of software choices available, the Institute introduced a Business Software Guide that provides information on 45 tailored business software solutions. This comprehensive tool, which allows members to cross-reference by industry and function, was distributed to all members with Charter magazine.

Publications

Charter magazine, e-Bulletins and other corporate communication channels provide useful tools to inform and update members, with 87 per cent of our membership claiming to be satisfied with the communications received.

The fortnightly e-Bulletins provide relevant information and news to members who work in the Big 4, public practice, business and government. Many topical issues were covered during the year including the implications of carbon emissions trading, the liability capping scheme, the launch of the new CPP tool, and regular lobbying updates. In addition, Chartered Accountants Local News, an essential tool used by members in all regions for local information and updates, was successfully relaunched.

The three technical e-newsletters, CA Tax Bulletin, Accounting and Assurance Today, and the relaunched Chartered Accountants Superannuation Bulletin, continue to provide relevant information to subscribers, and member satisfaction levels are high (88 per cent, 86 per cent and 85 per cent respectively).

Charter, the Institute’s flagship publication, continues to attract new readers with circulation now totalling more than 48,000. The magazine’s quality, credibility and targeted reach also make it attractive to advertisers.
Relevance to members and stakeholders (continued)

Revising and developing our products and services
As a leading body in the financial services industry, the Institute delivers relevant educational products and services to keep members up to date with the evolving global environment.

The Institute’s library service was recently reviewed and updated. Now called the Knowledge Centre, it offers members and candidates the information they need, when and where they need it – online, via telephone or in person at our Sydney office. With access to some of the most comprehensive business and accounting hard copy and online resources available, the Knowledge Centre’s team takes information from around the world, and delivers it via desktop or in hard copy.

Changes included the addition of an online news articles service from the electronic journals provider EBSCO, available direct to members via the website. A team of dedicated experts is also available to complete searches for customers. The Knowledge Centre can be contacted on 1800 809 828 or knowledge@charteredaccountants.com.au

Training
The decision taken in 2007 to expand our in-house training has yielded positive results, with client engagement growing by an average of 89 per cent. The mix of clients now includes large corporations such as Seven Network, Medibank, Australian Capital Equity and additional federal and state government departments. We have also signed our first national contract with Grant Thornton for the delivery of tax training.

Of particular note was the launch of the full accounting and audit offering including Audit of SMSF, Audit Conference and DVD, Accounting and Auditing for Aged Care Industry, Audit Update for AFS Licensees Seminar, and Accounting for Income Tax workshops. With the large demand and high satisfaction from members and firms, the range will continue to expand.

Graduate Development Program
The Institute has recognised and responded to a demand from members and developed a powerful and practical program to which candidates have responded favourably.

With a mix of soft skills and technical knowledge, this program was developed as a pilot with three firms in 2007 and provides an alternative product in the market to help candidates as they undertake the Chartered Accountants Program. The feedback to date has been positive.

A key benefit is the ability for candidates to tailor the program to suit non-traditional public practice firms such as insolvency, and merger and acquisition firms. It is also well placed to service firms that do not specialise in particular areas within the Chartered Accountants Program, such as audit firms needing extra help in the tax area.

The program will be fully launched in the third term of 2008 with the potential to offer a public program at the beginning of 2009.
Academic partnerships
The Institute has had a long and mutually beneficial relationship with the university sector for some years. Over time the relationship has been strengthened by our continued support as Platinum sponsors of the Accounting and Finance Association of Australia and New Zealand (AFAANZ). This support not only provides essential funds for the accounting and finance academics’ annual conference but in particular awards PhD scholarships to candidates whom the Institute has a role in selecting. The success of this scheme is demonstrated by the high number of scholarships that lead to PhD completion and, as importantly, give impetus to successful academic careers. Other contributions made during the year include direct funding of research and a significant involvement of Institute staff and members to projects aimed at improving the relevance of undergraduate accounting degrees.

Throughout the year, the Institute continued with the university accreditation process. As part of this we visited a number of universities, where interaction from vice chancellor level to front line accounting lecturers and students enables the alignment and articulation of learning objectives between undergraduate courses and the Chartered Accountants Program.

Business Leader Awards
In March, the Institute announced Leighton CEO Wal King as the 2008 Chartered Accountants Business Leader Award winner. Now in its ninth year, the award attracted nominees representing a wealth of business talent in Australia who were judged on their ability to demonstrate visionary leadership, exhibit best practice, show innovation, take risks, foster positive employee relations and contribute to the community. Michael Ullmer, Deputy Chief Executive Officer, National Australia Bank and winner of the Outstanding Chartered Accountant in Business award said: ‘Receiving the award was very much a surprise and a great honour. I think it is a really good initiative for the Institute to be seen to be reaching out to business, both in the context of recognising Chartered Accountants in business and as a good opportunity to host CFOs from key clients, who were pleased to participate in the event’.

Other winners on the night included Andrew Mohl, former Chief Executive Officer, AMP who won in the Banking and Finance sector and Owen Hegarty, Managing Director and Chief Executive Officer, Oxiana, who won the Mining and Resources sector.

The success of the PhD scholarship scheme is demonstrated by the high number of scholarships that lead to PhD completion.
The Income Tax Assessment Act 1936, weighing in at just 120 pages, heralds a new era of federal tax collections. The need to prepare statements spurs greater demand for accounting professionals. In response, the Institute issues its first Code of Ethics to all members and its first statement on accounting practice.
Leadership activities are designed to increase our influence with government and regulators and position the Institute as leaders in the profession and the wider business community. By partnering with key stakeholders in public practice, the corporate world and academia on joint leadership activities we build relationships and enhance our leadership positioning.

Lobbying
The Institute focuses its lobbying efforts on advocating public policy that is not only in the interests of members and the accounting profession but also in the national interest. This year saw a change of federal government and the opportunity to engage with new ministers and political stakeholders on their policy priorities.

The government has initiated several major policy reviews which are still ongoing. Some of these, such as the Henry Review of Australia’s taxation system and the introduction of a carbon emissions trading scheme, have potentially wide-reaching and long-lasting impacts on our economy. The Institute is an active participant in these reviews and is also involved in the work that the government has initiated on the governance of SMSFs and the disclosure regime for not-for-profit organisations.

Liability capping schemes
Members received the good news that the schemes had received Commonwealth prescription in all states and territories except Tasmania.

Commonwealth prescription makes the schemes effective in relation to claims under the Trade Practices Act 1974 (Cwlth), as well as in relation to any state-based claim, something that will give members and the public added peace of mind.

This represents the final stage in the establishment of an effective national framework for limitation of liability for the schemes in Queensland, Victoria, South Australia, the Northern Territory, Western Australia, New South Wales, and the Australian Capital Territory.

We will continue to lobby to achieve the legislative reform that will allow a consistent scheme to be approved in Tasmania.

Leadership and competitive positioning
How we delivered in 2008

Simplifying business for SMEs
In June 2008, the Minister for Small Business Craig Emerson announced that the government would consider two new measures to simplify taxation and reduce compliance costs for small business.

One, the entity flow-through (EFT) taxation regime, developed jointly by the Institute and Deloitte, has been referred to government as part of the Australia’s Future Tax System review, headed by Treasury Secretary Ken Henry.

This was a major win for the Institute, given that we have long advocated for the simplification of tax laws and easing of the compliance burden for small and medium enterprises (SMEs).

We have also been active on other fronts in the financial reporting area. Earlier in the year, we produced a report, in conjunction with CPA Australia and the National Institute of Accountants, calling on the International Accounting Standards Board (IASB) to further reduce the burden on SMEs in its Proposed International Financial Reporting Standards for SMEs.

The field tests of the proposed international SME standard, commissioned by the three bodies and conducted by mid-tier accounting firm Moore Stephens, actually reviewed three entities in Australia and converted them into the newly proposed Financial Reporting Standard for SMEs. The report summarised the outcome of these tests.

All three accounting bodies agree that the proposed IFRS for SMEs (or IFRS for private entities, as it is now known) raises issues for some enterprises who may not have the skills or capacity to transition to the proposed standard without some external assistance.

Raising our brand profile
During the year, the Institute invested in an advertising campaign designed to attract young people into the profession and address the skills shortage.

Through a multi-channel advertising campaign we were able to heavily promote our ‘Riddle’ advertisement which showcased the prestige of the Chartered Accountants brand. This was boosted by the launch of a new digital campaign.

Media coverage is another important method of growing our brand and profile. During the year, we achieved a record 1536 media hits, largely attributable to the stronger relationships we have developed with key journalists, particularly in the broadcast media, and the quality of our spokespeople who provided insightful commentary. The ongoing skills shortage debate in the press also gave us the opportunity to raise the profile of the Chartered Accountants Program.

Undertaking thought leadership initiatives
The benefits of our lobbying and thought leadership activities were in evidence this year with a number of important developments.

Leadership activities are designed to increase our influence with government and regulators and position the Institute as leaders in the profession and the wider business community. By partnering with key stakeholders in public practice, the corporate world and academia on joint leadership activities we build relationships and enhance our leadership positioning.
Leadership and competitive positioning (continued)

The field tests were conducted in addition to the separate submissions made earlier this year by each of the professional bodies to the IASB and the Australian Accounting Standards Board (AASB) with regard to the proposed standard, demonstrating the commitment of the Australian accounting profession to have a voice in the international and Australian debates.

These submissions, as well as the report based on the field tests, and our submission on the Australian differential reporting proposals, argue that the burden on SMEs will only be reduced if the proposed reporting standards significantly reduce the disclosure requirements.

Further activity on reducing the burden on small business has seen the Institute become involved in the government’s Standard Business Reporting (SBR) initiative; and in fact become a key member of the Business Advisory Forum. The Business Advisory Forum acts as a reality check on the activities of the SBR team, ensuring effective communication with the business community and ensuring it remains on track to meet its objective of reducing the reporting burden on business.

Carbon emissions trading

The release of an Institute leadership report shortly after year end calling for the inclusion of a global assurance framework for carbon emissions disclosures was the latest in a suite of leadership and lobbying initiatives we undertook in 2008 in the area of carbon emissions trading. The report, entitled The Benefits of Assuring Carbon Emission Disclosures, was produced in association with Professor Roger Simnett, Head of Accounting at the Australian School of Business, and argued for generally accepted international reporting criteria to ensure consistency between jurisdictions and facilitate understanding of the depth of the issues.

The Institute also hosted the first of two round table forums on the topic of ‘Assurance on Disclosures of Carbon Emissions Information’, which were conducted under the auspices of the International Auditing and Assurance Standards Board to hear from users, preparers and assurance providers.

The intention is to inform the planned development of an International Standard or Practice Statement on assuring carbon emissions information.

We responded to the Garnaut Report with a submission in April and in the same month released a leadership paper, produced jointly with Ernst & Young, on the tax treatment of carbon emissions trading.

This paper argued that the existing regime would not properly deal with an emissions trading scheme. Consideration should be given to amending legislation relating to income tax, the GST, Petroleum Resources Rent Tax, state stamp duties and other taxes and charges. It also identified potential tax incentives to reduce the burden on business of the significant capital expenditures and adjustments that will be required following the introduction of mandatory targets and an emissions trading scheme.

Financial planning industry

In July, the Institute released a white paper following a financial planning industry forum we facilitated to discuss Reinventing financial planning, a paper we had commissioned. The forum brought together industry associations, consumer advocates, regulators, product manufacturers, ‘dealer’ groups and practitioners.

We believe the adoption of a genuine, non-product-based fee-for-service model would improve the professionalism of the financial planning industry and the trust between financial advisers and their clients. This in turn would lead to less prescriptive legislation, lower costs for advice, and wider access to affordable, independent advice.

Sub-prime mortgage market and international reporting standards

In April, the Institute released a report on the Collapse of the United States sub-prime mortgage market and the impacts under International Financial Reporting Standards (IFRS).

The report detailed how the collapse occurred and affected the financial statements of banks, other financial institutions and investors in mortgage-backed securities around the world.

A number of lessons can be learned from the experience in areas of regulation and legislation, financial reporting, bank lending practices, indebtedness of individuals and in the area of investment decision making. Discussions are already in progress at both the International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB) to improve financial reporting and disclosures in the areas impacted by the credit crisis.

Anti-money laundering

The latest in a number of meetings between the Institute and government took place in May this year. These discussions are helping to shape the second tranche of anti-money laundering legislation, which should be released later this year.
Government procurement
The Institute instigated and drove the development of a submission to address ongoing procurement issues within government. We hosted several roundtable events attended by senior government officials, key stakeholders and members in the Big 4. The submission was presented to the Department of Finance and Administration in November 2007. The Department has acknowledged receipt of the submission and negotiations are continuing.

Governance of superannuation funds
A survey undertaken by the Institute and Deloitte between October and December 2007 to understand the governance of super funds and recommend further improvements, found most industry experts believe governance practices and standards had improved.

The drive for continuous improvement in governance practices is important given that funds under management have almost doubled in three years, growing from $631bn in July 2004 to $1,187bn towards the end of 2007 when the survey was initiated.

Moreover, the forecast is for this figure to more than triple by 2021, reaching in excess of $4,000bn. An Institute report based on the survey, The Governance of Superannuation Funds – three years on from trustee licensing, identified three areas where training was required: the need to understand the difference between directing and managing; alternative investments; and the value of risk management.

Self-managed superannuation funds (SMSFs)
The self-managed funds industry has enjoyed significant growth over the past year. There are now 372,000 SMSFs in Australia representing the interests of 718,000 individuals. Assets grew to $300.2bn in the last year alone.

In February this year, the Institute, in association with CPA Australia Limited and the National Institute of Accountants, developed and released a set of competency requirements that clarify the skills auditors need to ensure trustees are fulfilling their legal obligations.

These requirements prescribe the competencies for members of the three professional accounting bodies who audit SMSFs. They provide clarification, guidance and assistance to auditors of SMSFs, and are expected to contribute greatly to the assurance that trustees, beneficiaries and the regulator gain.

This was followed in April by a forum which discussed the key recommendations made in a discussion paper entitled Review of the existing regulatory and governance framework. We used the issues raised at the forum, and in the discussion paper, to develop policy positions in a submission to Senator the Hon Nick Sherry in the same month. The submission also included data collected from a recent member questionnaire.

Legislative Instruments Act
In May this year, the Institute, with the other professional accounting bodies, lodged a joint submission on the review of the Legislative Instruments Act 2003. Since the Australian Auditing Standards Board (AASB) and the Auditing and Assurance Standards Board (AUASB) standards are legislative instruments, this review affects those involved in financial reporting and assurance.

The submission suggested ways of streamlining the process of reviewing legislative instruments to provide certainty for those wishing to adopt standards based on international equivalents earlier than their mandatory applicable date. The review is still in progress.

Threshold for unlisted public companies
We continue to hold talks with Treasury on the subject of introducing a threshold for financial reporting and auditing requirements for unlisted public companies, including companies limited by guarantee, similar to that used for proprietary companies. Last year, the Institute, with the other professional accounting bodies, made a submission to Treasury supporting a reduction in red tape in this area.

The submission supported the introduction of differential lodgment which would eliminate the need for entities under a prescribed threshold to prepare general purpose financial reports. However, it also encouraged Treasury to set up a governance structure for these smaller unlisted public companies to maintain public accountability.

Auditing standards and registration
The IAASB is on track with its upcoming ‘Clarity Project’, which entails revising and reissuing all of the International Auditing Standards using the new clarified drafting style by December 2008. We maintain regular communication with the AUASB regarding changes to Australian Standards, which are planned to be effective for financial reporting periods from 1 January 2010. We are also engaged in discussions on auditor registration with relevant government stakeholders and will keep members informed as meetings progress.
Results have been analysed and are available in the 2008 Annual Report on the Quality Review Program.

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<th>Number of reviews completed</th>
<th>2008</th>
<th>2007</th>
<th>2006</th>
<th>2005</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>480</td>
<td>478</td>
<td>482</td>
<td>480</td>
<td>472</td>
</tr>
</tbody>
</table>

Professional conduct

In addition to reviewing the quality control policies and procedures of practices, we also rigorously enforce the ethical, technical and professional obligations of members by investigating complaints and, where necessary, imposing sanctions.

In the year to 30 June 2008, the Institute undertook 259 investigations into formal complaints or other issues concerning the conduct of members. Of these, 27 members were called to appear before the Professional Conduct Tribunal, which imposed sanctions ranging from expulsion from membership to a mandated quality review.

More information is available in our 2008 Annual Report on Professional Conduct.

<table>
<thead>
<tr>
<th>Investigations into formal complaints or other issues concerning members’ conduct</th>
<th>2008</th>
<th>2007</th>
<th>2006</th>
<th>2005</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>259</td>
<td>317</td>
<td>298</td>
<td>407</td>
<td>394</td>
</tr>
</tbody>
</table>

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</thead>
<tbody>
<tr>
<td></td>
<td>27</td>
<td>11</td>
<td>31</td>
<td>21</td>
<td>44</td>
</tr>
</tbody>
</table>
New war and payroll taxes roll out during the 1940s while the Commonwealth begins collecting all income tax on a uniform basis. Pay-As-You-Earn and provisional tax systems come into effect and the Institute begins issuing formal accounting guidance to its members.
Growth to ensure a sustainable future
How we delivered in 2008

Uniquely among professional accounting bodies, the Institute is an accredited higher education provider. This means that the Chartered Accountants Program earns candidates a Graduate Diploma of Chartered Accounting – a qualification that can be used to gain exemptions to Masters degrees offered by universities around Australia.

Ensuring the relevance of the Chartered Accountants Program
In 2008 the Institute successfully gained re-accreditation of the Graduate Diploma of Chartered Accounting in all Australian states.

A new approach to practical experience
In consultation with candidates, mentors and employers, the Institute redesigned the practical experience component of the Chartered Accountants pathway. This meets international standards set by the International Federation of Accountants requiring a competency-based, structured approach to developing professional knowledge and skills in the workplace.

Another reason for the redesign was to fulfil candidate and mentor requests for more information and guidance on their roles and responsibilities during the three-year practical experience period.

The new Practical Experience Program came into effect for all candidates who commenced their first module from the third term of 2007.

Addressing the skills shortage
The Institute is a leader in enabling non-accounting graduates to enter the profession. The broadening of the entry pathway is providing solutions for addressing the skills shortage.

Broadening the pathway to enter the Program retains the quality and standing of Chartered Accountants, while extending the pool of talent available to employers who have found it challenging in recent years to fill accounting roles.

More importantly, this also realises the Institute’s long-held view that a Chartered Accountant qualification should be available to all high achieving graduates who wish to qualify as accountants, rather than being available only to high achieving accounting graduates who wish to qualify as accountants. This represents a significant step forward for the profession in Australia and is in alignment with global practice.

From 2007, prospective candidates from non-accounting degrees are offered two additional pathways.

Graduate Certificate of Chartered Accounting Foundations (GCCAF)
The Graduate Certificate of Chartered Accounting Foundations offered by Deakin University meets all the academic entry requirements of the Institute. Strong support for the GCCAF has come from all segments of the membership. More than 416 students enrolled in the eight unit online course this year. The Graduate Certificate enables students to acquire a basic grounding in financial accounting, management accounting, finance, taxation, audits and corporations law, so that they are eligible to enrol in the Chartered Accountants Program.

Entrance exam
The entrance exam is targeted at non-accounting graduates currently employed by an Institute-approved employer who have extensive on-the-job experience. The entrance exam assesses a candidate’s readiness for the Program and identifies any further study they may need. A total of 60 applicants sat the entrance exam in the first 12 months, a number of whom immediately enrolled in the Program.

Skilled Migration Internship Program – Accounting
In a further move designed to ease the current skills shortage in accounting, the Institute, with other accounting bodies, responded to a request from the Department of Immigration and Citizenship (DIAC) to develop a Skilled Migration Internship Program.

The objective of the Program is to help international accounting graduates gain the business communication skills required for the Australian workplace. It will be delivered by existing educational institutions with the professional bodies taking responsibility for approving suitable providers and overseeing the provision of the Program.

Enrolments
A relatively modest increase (2.9 per cent) in new enrolments this year partly reflects static growth in domestic students graduating from accounting degrees. To address this and increase the available pool of talent, we expect the broadened entry pathway to the Chartered Accountants Program to make an impact from next year.

Candidate and employer satisfaction
Candidate and employer satisfaction with the Chartered Accountants Program is at an all-time high, with candidates at 75 per cent in December 2007 and employers at 87 per cent in June 2008. Advocacy, defined as ‘likely to’ or ‘proactively to’ recommend the Chartered Accountants Program, is also at a very high level: employers at 94 per cent and candidates at 86 per cent.
Events included the Chartered Accountants Employment Evening and Achiever Work Experience programs, as well as the Chartered Accountants Cadetship evening and Chartered Accountants Vacation Evening in New South Wales, Victoria, Western Australia and Queensland. Overall, as at July 2008 student engagement stood at an impressive 19,423 compared with 9,828 at the same time last year.

Chartered Accountants Employment Evening

Employment evenings are aimed at third-year university students. The event was held for the first time in the Australian Capital Territory. This year, in Western Australia attendance numbers were up, but in all other states there was a decrease, reflecting changing recruitment practices by employers.

Achiever Work Experience

This year 210 first-year students secured places in more than 100 accounting organisations during the 2007/2008 summer break as part of our Achiever Work Experience, the Institute’s annual initiative that recognises outstanding up and coming accounting talent across Australia.

The online challenges were exceptionally well received with over 11,106 visitors to the site.

Recent research has shown that we have positioned the Chartered Accountants brand as the ‘preferred postgraduate accounting qualification’ and ‘the qualification best for your career’ with the target student community.

Careers marketing

Careers marketing events and initiatives were used to great effect during the year to promote accounting as a career and ‘Chartered Accountant’ as the premier designation of choice to university and school students and such key influencers as academics, employers, career advisors and teachers.

Initiatives included the recruitment of 11 student brand champs who worked on campus to help secure registrations, and the launch of the Day in the Life interactive DVD targeted at high school students, teachers and careers advisors, and which profiles five Chartered Accountants working in diverse industries.

Candidate program satisfaction ratings 2006 – 2008 (latest measure as at December 2007)

<table>
<thead>
<tr>
<th>Year</th>
<th>Overall satisfaction %</th>
<th>Would recommend %</th>
<th>Advocacy %</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006/2007</td>
<td>65</td>
<td>88</td>
<td>71</td>
</tr>
<tr>
<td>2007/2008</td>
<td>75</td>
<td>86</td>
<td>70</td>
</tr>
</tbody>
</table>

Employer program satisfaction ratings 2006 – 2008 (latest measure as at June 2008)

<table>
<thead>
<tr>
<th>Year</th>
<th>Overall satisfaction %</th>
<th>Advocacy %</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006/2007</td>
<td>79</td>
<td>88</td>
</tr>
<tr>
<td>2007/2008</td>
<td>87</td>
<td>94</td>
</tr>
</tbody>
</table>

Attracting new members and recruits to the profession

The skills shortage in the accounting profession is an ongoing issue that continues to be felt by practices and commerce nationwide. The Institute has been working to ensure students recognise the Chartered Accountant brand as the pre-eminent accounting designation in Australia.

Brand campaign

One of the more high profile initiatives was a brand campaign, developed out of student focus groups, which used multiple channels including television and a dedicated online program to reach our target audience.

The television campaign targeted key programs viewed by our youth demographic and showcased the career opportunities that can be achieved through a career as a Chartered Accountant. This annual television campaign was coupled with a three-phase online campaign.

The online campaign commenced with a social networking site on Facebook, and was designed to engage students in a deeper conversation around their career choice and the brand. It emphasised how a quality qualification can help them achieve success in their careers. Phase two involved the launch of an online application (calendar) for students and phase three saw the launch of a student challenge.

In a series of three challenges, the competition allowed students to develop real-life business solutions for three global not-for-profit organisations, introducing them to practical Chartered Accounting at a critical time in their career decision process.

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The program helps many students chasing work experience opportunities and employers attempting to secure new accounting talent early on in their development so they are less reliant on competitive graduate recruitment periods. The placements are from two to 12 weeks with Institute-accredited firms ranging from the Big 4, small to mid tier public practice firms, government and commerce organisations.
Growth to ensure a sustainable future (continued)

Chartered Accountants Cadetship Evening
Queensland held its first cadetship evening this year and achieved a healthy student attendance, while in New South Wales and Victoria the evenings were standout events, with attendance increasing by 14 per cent.

Chartered Accountants Vacation Evening
Vacation Employment evenings give second and third year university students the opportunity to find paid work experience during the summer holidays, which can lead to an opportunity to secure graduate employment. The Vacation Employment is a simple, cost-efficient way for employers from public practice, government and commerce to meet large numbers of potential recruits in a targeted manner.

Meet the Business Leader
Meet the Business Leader is another excellent and cost-effective way to promote accounting, this time to secondary school students. It gives students the opportunity to meet, network and talk with leaders from across public practice and business about their careers. The objective is to highlight to students the broad range of opportunities and career paths available to professional accountants, from stockbroking or forensic accounting to working as the chief financial officer of a listed corporation.

The Institute has been working to ensure students recognise the Chartered Accountant brand as the pre-eminent accounting designation in Australia.
Global positioning
How we delivered in 2008

As a founding member of the Global Accounting Alliance (GAA), we continue to work closely with other pre-eminent international professional accounting bodies to shape the profession on a global scale.

Of the Institute’s 48,000 Chartered Accountants, 14 per cent are presently living overseas, spanning 119 countries from Canada to Kazakhstan.

As working overseas and connecting globally becomes an increasingly important part of everyday business, our GAA membership is delivering more and more opportunities for our members.

This year, for example, we gained recognition for our Chartered Accountants Program and reciprocal membership with eight institutes in Canada, Hong Kong, South Africa, England and Wales, Ireland, Scotland and South Africa. This means members do not have to undertake bridging courses such as tax and company law to have their qualification recognised, or become reciprocal members of these institutes, when they move to a GAA country.

An Institute survey conducted during the year showed that 43 per cent of young accountants intended to travel overseas in the next two years. Of those, just less than half were younger than 25 years old. The results were similar to those of the 2006 survey.

The latest survey polled 680 of the 12,400 young accountants presently studying the Chartered Accountants Program.

The most popular destination at 66 per cent remained the UK, again the same as the 2006 survey. However, the second most popular destination was found to be Asia, pushing last year’s second choice, USA, to third place.

For GAA members living in Australia, we aim to provide home-away-from-home benefits that make the transition to working here seamless. To date, the Institute has received more than 2500 registrations from other GAA institute members to receive services from us.

The GAA’s focus for 2008 was on leadership and issues of convergence, in particular in the capital markets. We shared information, research and strategies on issues of relevance to the profession and collaborated on solutions for common challenges.

Individually and through the GAA we also continue to contribute to the International Federation of Accountants.

The GAA, formed in April 2006, is an alliance between:

> American Institute of Certified Public Accountants (AICPA)
> Canadian Institute of Chartered Accountants (CICA)
> Hong Kong Institute of Certified Public Accountants (HKICPA)
> Institute of Chartered Accountants in Australia (ICAA)
> Institute of Chartered Accountants in England and Wales (ICAEW)
> Institute of Chartered Accountants in Ireland (ICAI)
> Institute of Chartered Accountants of Scotland (ICAS)
> New Zealand Institute of Chartered Accountants (NZICA)
> South African Institute of Chartered Accountants (SAICA).
Ensuring the Institute is fit for the future

How we delivered in 2008

Fiscal year 2008 was a busy and active year for the Institute. We established a new customer service division, which included the creation of a national service centre with improved service standards. We merged teams, implemented new practices and procedures, improved turnaround times for migration assessments and organised more than 700 events during a period of significant change.

We successfully completed the sale of our York Street premises, relocated to Erskine Street in Sydney and negotiated new leases of our premises in Brisbane and Canberra. We implemented service level agreements to ensure a quality customer experience, increased the use of multimedia in our Chartered Accountants Program to enhance the learning environment and improved our risk management systems.

Providing a sound financial base

The Institute achieved a surplus of $1.82m for the year compared with last year’s $1.99m. Revenue rose by $6.01m thanks to a growth in membership revenue (7.8 per cent), Chartered Accountants Program revenue (14.7 per cent) and growth in other revenue as a result of the initial Professional Standards Council levy being charged nationally, which produced additional revenue of $1.1m. Expenses increased by 9.1 per cent compared to last year.

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2007</th>
<th>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue from</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>operating activities</td>
<td>73,985</td>
<td>68,070</td>
<td>59,508</td>
<td>55,516</td>
</tr>
<tr>
<td>non-operating activities</td>
<td>1,612</td>
<td>1,519</td>
<td>2,371</td>
<td>2,214</td>
</tr>
<tr>
<td><strong>Total revenue</strong></td>
<td>75,597</td>
<td>69,589</td>
<td>61,879</td>
<td>57,730</td>
</tr>
<tr>
<td><strong>Service expenses</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>17,859</td>
<td>20,175</td>
<td>14,820</td>
<td>13,445</td>
</tr>
<tr>
<td>Marketing, promotion and publications expenses</td>
<td>2,998</td>
<td>3,599</td>
<td>4,289</td>
<td>4,213</td>
</tr>
<tr>
<td>Occupancy expenses</td>
<td>4,657</td>
<td>4,157</td>
<td>3,795</td>
<td>2,559</td>
</tr>
<tr>
<td>Administration expenses</td>
<td>38,858</td>
<td>31,970</td>
<td>29,642</td>
<td>25,879</td>
</tr>
<tr>
<td>Other expenses</td>
<td>9,401</td>
<td>7,699</td>
<td>8,883</td>
<td>7,611</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td>73,773</td>
<td>67,600</td>
<td>61,429</td>
<td>53,707</td>
</tr>
<tr>
<td><strong>Surplus from</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ordinary activities</td>
<td>1,824</td>
<td>1,989</td>
<td>450</td>
<td>4,023</td>
</tr>
</tbody>
</table>

For further details see the financial commentary on page 45.
Ensuring the Institute is fit for the future (continued)

Building appropriate infrastructure and processes

Facilities

The new Canberra office fit out was completed on time and within budget.

Risk management

A review of the Institute’s risk management procedures and systems by Ernst & Young produced a report that was, in the main, positive. The majority of recommendations from a previous report have been adopted. The latest review provides a new platform for improvement: recommendations to enhance reporting and identify risks by business objectives instead of function have already been incorporated in the risk updates now being completed.

Risk updates are completed every six months with all divisional managers. A meeting with each division’s general manager is then held to agree and sign-off on risks identified.

Significant risks are discussed at divisional risk workshops. These not only engage all staff in the risk management process, but are also helping to embed an understanding of risk across the Institute.

During the year a Business Continuity and Disaster Recovery Plan was developed and communicated to staff. The plan resides on the intranet for easy access.

Technology

A review by Deloitte of the Institute’s technology has prioritised current needs, evaluated future needs and recommended programs and activities. The review has given the Institute a starting point to standardise equipment and processes and create a solid foundation for the future.

An upgrade of our systems this year has provided faster internet access, the opportunity to evaluate traffic usage and costs and the capacity to undertake more detailed research and analysis of members’ needs.

Responding to emerging trends and markets

The Institute’s business intelligence unit monitors the environment and provides information and analysis to the rest of the organisation on emerging trends and key business issues. This is used by the Board and the leadership team in strategic and operational decision making. Key information on the skills shortage and the supply of, and demand for, accounting students which helps to drive the careers marketing strategy has been generated by this area.

To improve strategic thinking, the Board has dedicated part of each meeting to a session dealing with one of the six issues in the strategic plan. This enables it to consider emerging issues and respond to them more rapidly.
People and culture
How we delivered in 2008

During the year we renewed efforts to embed our PRIDE values into our organisational DNA so we can continue to build strong leadership and ensure proactive, responsive and innovative behaviours among staff.

These values are at the heart of our internal communications and staff development programs and inform our recruitment processes, performance planning and reward and recognition structures.

Attracting, recruiting and retaining staff

During the year we successfully recruited additional key roles in our Standards and Public Affairs division including Head of Audit, Head of Reporting and Manager Chartered Accountants in Business, as well as a General Manager Membership Marketing to increase our focus on member value proposition and growth.

Our organisational PRIDE values:

> We play it straight by taking responsibility for open, honest and direct two-way communication and operate with utmost integrity in interactions with members, fellow staff and other stakeholders

> Respect builds success within the Institute as we engage and support each other and capitalise on our internal expertise and talents to provide the best service and information for members

> We constantly strive to improve and innovate. To grow with our members and other stakeholders, we must anticipate and lead change and look for improvements across our business

> We deliver to win together through developing and delivering the best quality tools and solutions to members that support both their personal and business success

> We set our standards high and expect the best results across all operations. We strive to be the best in all markets we operate in and set ourselves ‘stretch goals’.

1970s
A national approach to regulation

The Commonwealth passes payroll tax to the states. The Rae Committee recommends a national approach to legislation and regulation of companies. The first Australian Accounting Standard is published. Hot on the heels of the standard, the Asprey Report recommends a broad-based consumption tax. The National Companies and Securities Commission (NCSC) begins operating and Sydney hosts the International Congress of Accountants.
Sustainability review

The Institute’s annual report is compiled to communicate our achievements to members, demonstrate how and where we are making a difference and provide information on how our members’ contributions are being used. This is the first year we have included sustainability information in our report.

We have been actively involved in many areas of sustainability – the leadership and lobbying initiatives in the area of carbon emissions trading and our work with the not-for-profit sector to encourage transparency in reporting are just two examples, but to date we have not reported on our own activities in this area.

We do however understand the importance of work practices that are sustainable from an environmental, social and governance perspective. With regards to the environment, a new environmental policy is under development and we are in the process of establishing a range of environmental indicators and targets to formalise the Institute’s sustainability commitment in this area.

Since we are only at the beginning of this journey, we have not sought to have this information assured. However, best practice demands we report this information in as rigorous a way as possible. To this end, we have used the Global Reporting Initiative (GRI) G3 guidelines as a reference to frame its contents.

1980s
The rise and rise of regulation

The 1980s sees the increasing role of regulatory bodies including the newly formed NCSC (regulating the states’ application of Commonwealth laws), the AAS, ASRB and the Australian Securities Commission. Capital gains and fringe benefits taxes are introduced and the Corporations Act 1989 commences operation. The Institute rules CPE is a mandatory requirement for membership as well as a raft of standards including work addressing the so called ‘bottom of the harbour’ tax avoidance schemes.
Environment

During the year we engaged an external consultancy to summarise the carbon emissions from our Sydney, Melbourne, Brisbane, Perth and Adelaide offices. These emissions were calculated based on employee flights and electricity consumption at all offices, together with paper and water consumption at the Sydney office.

<table>
<thead>
<tr>
<th>Source</th>
<th>Emission type</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scope 1* N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Scope 2** Electricity</td>
<td>Emissions from the burning of fossil fuels to generate electricity</td>
</tr>
<tr>
<td>Scope 3*** Transport</td>
<td>Emissions from air travel</td>
</tr>
<tr>
<td>Water</td>
<td>Emissions derived from the supply and discharge of water (Sydney only)</td>
</tr>
<tr>
<td>Paper</td>
<td>Emissions derived from the manufacture and transport of A4 office paper (Sydney only)</td>
</tr>
</tbody>
</table>

Total electricity consumed was 2,142 megawatts or CO2e (carbon dioxide equivalent) of 2,287 tonnes. Total water was 9,360 kilolitres or CO2e of 3.6 tonnes. Total flights were 4,265,986 kilometres or CO2e of 544 tonnes. Total paper was 7,800 reams or CO2e of 55 tonnes.

Overall, the total CO2e emissions for the 2007/2008 financial year were estimated to be 2,889 tonnes.

Greenhouse Gas Proportions

The guiding premises for quantifying and reporting on carbon emissions were based on the "Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard" published by the World Resources Institute (WRI) and World Business Council for Sustainable Development (WBCSD).

* Scope 1 – Direct GHG emissions: these occur from sources owned or controlled by the company, such as emissions from boilers, furnaces, vehicles, or chemical production.
** Scope 2 – Indirect emissions: derived from the generation of purchased electricity consumed by the company.
*** Scope 3 – Other Indirect emissions: are a consequence of the activities of the company, but occur from sources not owned or controlled by the company.
Stakeholder engagement
Stakeholder engagement is an important part of our sustainability agenda. To enhance and promote the role and reputation of Chartered Accountants we actively engage with a wide range of stakeholders.

Federal and state governments
Business community
Academia
University and school students
Corporates
Regulators
Members
Global Accounting Alliance
Other professional accounting bodies
Business partners
Accounting firms
> Big 4 > Mid-tier firms > SMEs
Candidates
Employees
Social (continued)

Stakeholder dialogue takes many forms. Some examples are:

Members
We provide members with timely access to information about the activities of the business, management and governance, as well as changes in legislation that may affect the profession. Key communication channels include 11 issues of Charter magazine; regular technical e-newsletters for tax, accounting and audit, financial planning and superannuation; fortnightly segmented e-Bulletins; monthly local e-newsletters; face-to-face visits from a dedicated member relations team; training and development seminars; conferences; and our website.

The annual general meeting is held in Sydney, New South Wales, with an open invitation for members to attend and question the president, deputy president and CEO. The external auditor is also required to attend and is available to answer members’ questions regarding the conduct of the audit and preparation and content of the audit report.

The Chartered Accountants Advisory Group provides confidential free counselling for members experiencing difficult ethical or professional situations. This year it assisted more than 80 members across the country.

Young Chartered Accountants
Our Young Members Committees help young Chartered Accountants establish themselves in the accounting profession by enhancing professional skills and mentoring them. The committee aims through its programs to also help members network across the legal, engineering and finance professions, as well as with local politicians. During the year the Institute commissioned research to better understand factors affecting recruitment, performance, retention and attrition rates among young members.

Membership distribution by branch

<table>
<thead>
<tr>
<th>Branch</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>ACT</td>
<td>2</td>
</tr>
<tr>
<td>NSW</td>
<td>36</td>
</tr>
<tr>
<td>NT</td>
<td>1</td>
</tr>
<tr>
<td>Overseas</td>
<td>14</td>
</tr>
<tr>
<td>Qld</td>
<td>12</td>
</tr>
<tr>
<td>WA</td>
<td>5</td>
</tr>
<tr>
<td>Tas</td>
<td>1</td>
</tr>
<tr>
<td>Vic</td>
<td>22</td>
</tr>
<tr>
<td>WA</td>
<td>1</td>
</tr>
</tbody>
</table>

Membership by age band

<table>
<thead>
<tr>
<th>Age Band</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>40 and under</td>
<td>52</td>
</tr>
<tr>
<td>41–65</td>
<td>42</td>
</tr>
<tr>
<td>Over 65</td>
<td>6</td>
</tr>
</tbody>
</table>

Membership by business segment

<table>
<thead>
<tr>
<th>Business Segment</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Practice</td>
<td>36</td>
</tr>
<tr>
<td>Commerce (including government and academia)</td>
<td>37</td>
</tr>
<tr>
<td>Overseas</td>
<td>14</td>
</tr>
<tr>
<td>Other</td>
<td>13</td>
</tr>
</tbody>
</table>
Women in accounting
A more balanced gender membership base is good news for the accounting industry. This is of particular importance and significance in the current skills shortage environment in which we operate. To date the proportion of Chartered Accountants who are women stands at 32 per cent, while in 1998 it stood at only 19.7 per cent.

<table>
<thead>
<tr>
<th>Membership by gender</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Female</td>
<td>32</td>
</tr>
<tr>
<td>Male</td>
<td>68</td>
</tr>
</tbody>
</table>

Government, industry bodies and regulators
We maintain strong relationships with leading industry bodies and stakeholder groups. We have a seat at the table of the:

> Regulatory Discussion Group, dealing with matters affecting financial reporting and auditing
> Australian Securities Exchange Corporate Governance Council
> Australian Institute of Company Directors Financial Reporting Committee
> Business Coalition for Tax Reform
> All major ATO, the Inspector General of Taxation and Treasury taxation forums
> Trans-Tasman Accounting Standards Advisory Group.

We contribute to public policy development by engaging actively with policy makers through written submissions, appearances before parliamentary committees, face-to-face meetings, involvement in media debates and in legislation and regulation development.

Direct engagement with political stakeholders is conducted and coordinated by a manager of government relations, based in Canberra. Institute executive management and technical experts are also involved, as necessary.

To offer guidance on the practical implications of regulation and legislation, we also meet regularly with stakeholders across government, Treasury, the Financial Reporting Council, the Australian Auditing Standards Board, the Australian Accounting Standards Board, the Australian Securities and Investments Commission, and the Australian Prudential Regulation Authority.

The Institute is also represented on the Chairs Committee, which comprises ASIC, CEOs of the Big 4, representatives of the G100 and professional accounting bodies. The Committee aims to achieve better liaison between the profession and ASIC, with the Institute representing the interests of members outside the Big 4.

Global engagement
The Institute connects with global research and advocacy through our role as founding member of the GAA. Through the Joint Accounting Body (JAB) we ensure Australia is well represented on the International Federation of Accountants Board and its key committees and boards. The JAB also ensures representation on the Confederation of Asian and Pacific Accountants and the ASEAN Federation of Accountants.

Investing in our community
The Institute’s community investment activity is an integral part of our strategic objective to enhance the role of Chartered Accountants for the benefit of the business community and public interest.

The not-for-profit sector
We have long been active in helping not-for-profits (NFPs) improve their financial reporting. There are 700,000 NFP organisations in Australia that require guidance on the latest reporting standards.

Our first report in this area, Not-for-profit sector reporting: a research project, in 2006 reviewed NFP annual and financial reports. Our second report, Enhancing not-for-profit annual and financial reporting, published in February 2007, provided deeper practical guidance to help NFPs prepare and present annual and financial reports.

The report outlined how enhancements for annual and financial reporting detailed in the first NFP report may be implemented and provided an overview of legislation and resources and how to meet reporting obligations.

Transparency Awards
This year we extended our work in this area by partnering with PricewaterhouseCoopers to launch the inaugural Australian PwC Transparency Awards to recognise and encourage ongoing improvement in the quality and transparency of reporting in the not-for-profit (NFP) sector.

The winner of the inaugural award was the Juvenile Diabetes Research Foundation and runner up was the Australian Community Support Organisation.
Social (continued)

Everybody Counts

Everybody Counts is the way we partner with organisations on both a national and local level to give back to the community.

The program was launched in 2006, and Alzheimer’s Australia, Cancer Council, Camp Quality, Inspire Foundation and RSPCA were selected as our charity partners.

Staff participation in the program has grown from 19 per cent in 2006 to 31 per cent, with staff donations totalling $45,114, as at June 2008.

The Australian Charities Fund benchmarked Everybody Counts this year. Participation by 31 per cent of staff (and an average monthly donation of $35) placed the Institute ‘above average’ compared to similar sized organisations.

The program model has now evolved to cover three strands: workplace giving, volunteer opportunities and pro bono skills transfer at a national and local level.

Everybody Counts was launched in 2006, and Alzheimer’s Australia, Cancer Council, Camp Quality, Inspire Foundation and RSPCA were selected as our charity partners.

Community investment by cash

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Investment</th>
<th>Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006 – 2007</td>
<td>$24,000</td>
<td>250</td>
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<tr>
<td>2007 – 2008</td>
<td>$23,000</td>
<td>280</td>
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1990s

Funding retirement

Investing in our employees
Building an organisation that rewards performance, encourages commitment and where the overall focus is directed towards providing services to our members is fundamental to the Institute’s current and future sustainability.

Developing our people
During the year we introduced several new development opportunities for staff, including project planning skills, personal leadership development, managing performance, and presentation skills, in addition to our existing course program of development. Through the range of courses available, we provided internal training for the equivalent of 600 staff.

Member to staff ratio

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<tr>
<td>2007/2008</td>
<td>215</td>
<td>213</td>
<td>204</td>
<td>219</td>
<td>226</td>
</tr>
</tbody>
</table>

Employees by age and role

21st century

Internationalisation of reporting standards

Major changes to Australia’s tax system in 2000 saw the introduction of a 10 per cent goods and services tax (GST) on the majority of goods. Following some high profile corporate failures in Australia and overseas, a reform to the Corporations Act known as CLERP 9 becomes law on 1 July 2004. The reforms aim at strengthening the financial reporting framework and enhancing disclosure. The Institute continues to work strongly to support CLERP 9 and other initiatives. More recently the Institute has been working with government on proposals intended to reduce the regulatory burden including company reporting obligations and corporate governance issues.
Organisational chart

The Institute of Chartered Accountants
Organisational Chart

Chief Executive Officer
Graham Meyer

Board Secretariat
Led by Wendy Zammit

Deputy Chief Executive Officer
Elaine McFadzean

Human Resources
Led by Marie Maky

Standards & Public Affairs
Led by Bill Palmer

Brand & Communication
Led by Rebecca Stewart

Corporate Strategy
Led by Barbara Bell

Regional Offices

New South Wales
Led by Lisette Cochineas

Business Services
Led by Anne McCotter

Australian Capital Territory
Led by Renee Le Grande

Training & Development
Led by Sharon Kells

Queensland
Led by Simon Grant

Chartered Accountants Program
and Admissions
Led by Sheena Frenkel

Victoria
Led by Michael Nazzari

Support Services
Led by Pat Reddy

South Australia
Led by Mark Jones

Membership Marketing
Led by Julian Boram

Western Australia
Led by Con Abbott
Governance | The Board

Andrew Arkell  FCA  BCom  GDipAppFin  FAICD  FCIS  F FIN
President
Andrew is the company secretary and head of corporate and advisory services at Queensland Investment Corporation (QIC), with services covering accounting policy, tax, legal, investment compliance, risk management and company secretariat. He has worked across a number of segments, including the Big 4, small practice, government and more than 14 years in commerce with QIC. Andrew currently serves on the Queensland regional council. Andrew became a director in 2004. He is chair of the Executive Review Committee, joint chair of the Joint Standing Committee and a member of the Nominations Committee. Andrew is the Board’s representative on the Corporate Advisory Committee.

Fiona Bennett  FCA  BA (Hons)  FAICD  FAIM  MIIA
Fiona is a business consultant and a director of a number of boards including Bayside Health, WPC Group Limited and the Legal Services Board (Victoria). She has over 25 years experience in commercial and financial management, governance, risk management and audit. She has held senior executive positions at BHP Billiton Limited and Coles Group Limited, and has previously been the Chief Financial Officer of several organisations in the health sector. Fiona became a director in 2007. Fiona is the Board’s representative on the Corporate Advisory Committee and is a member of the Audit Committee.

Richard Deutsch  FCA  BEc  Deputy President
Richard is a member of the leadership team of PricewaterhouseCoopers Australia and is the firm’s National Assurance Leader. An APRA-approved auditor, he has more than 15 years experience specialising in insurance and investment management. He is also the lead engagement partner on external audits for a number of major listed Australian companies, and provides due diligence support to clients looking at potential acquisitions in the insurance and investment management industry. Richard became a director in 2004. He is a member of the Nominations, Joint Standing and Executive Review Committees.

Rachel Grimes  FCA  BBus (Acc)
Rachel is a director in the Mergers and Acquisition Team at Westpac. Rachel has 19 years experience across the financial services sector, working in commerce with Westpac/BT Financial Group for 10 years as well as in the Big 4 with Price Waterhouse. Rachel was the state chair of the New South Wales regional council in 2004 and became a director in 2006. She is chair of the Audit Committee.

Margaret Parker  FCA  BEc  GDip (Acc)  FTIA
Margaret is a partner at Hayes Knight Melbourne, specialising in tax and business services for medium-sized enterprises and high net worth individuals for the past 11 years. She has extensive experience in people management, business and finance, and serves as a director for Chunky Move Contemporary Dance Company, Jean Hailes Foundation and Storage & Warehousing Services. Margaret is a past Victorian state chair and became a director in 2005. She is the Board’s representative on the Public Practice Advisory Committee.

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Craig Farrow  FCA  BEc  DipFP  CPMgr  SA  Fin  FAICD
Craig is a partner in Brentnalls SA, Chartered Accountants and former National Chair of the Brentnalls National Affiliation of Accounting Firms. His focus is on business advisory and board services particularly in agribusiness and professional organisations. He is Non-Executive Chairman of M2 Telecommunications Group and Tonkin Consulting Engineers. Craig is a Fellow of the Governor’s Leadership Foundation and was awarded the Institute of Chartered Accountants 1999 National President’s Award for services to the Institute and the Profession, and the 2006 South Australian Outstanding Service to the Profession Award. Craig was chair of the Institute’s National Public Practice Committee for four years to the end of 2007. He became a director in 2008 and is a member of the Governance Committee.

Governance | The Board

Richard Deutsch  FCA  BEc  Deputy President
Richard is a member of the leadership team of PricewaterhouseCoopers Australia and is the firm’s National Assurance Leader. An APRA-approved auditor, he has more than 15 years experience specialising in insurance and investment management. He is also the lead engagement partner on external audits for a number of major listed Australian companies, and provides due diligence support to clients looking at potential acquisitions in the insurance and investment management industry. Richard became a director in 2004. He is a member of the Nominations, Joint Standing and Executive Review Committees.

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Governance | The Board (continued)

**Derek Parkin** FCA BCom CTA FAICD  
Derek is a professor of accounting at the University of Notre Dame Australia, Fremantle. His professional career has spanned four continents during the past three decades, beginning with Price Waterhouse in South Africa and moving to roles as partner at both Arthur Andersen and Ernst & Young in Australia.  
Derek’s current corporate roles involve both Board and audit committee positions in the resources, shipbuilding and building products sectors.  
A past state chair for the Western Australian council, Derek served on council for 12 years, and became a director in 2003. Derek is the Board’s representative on the Education Board and Audit Advisory Committee.

**Michael Watson** FCA  
Michael is an executive board member in the Australian National Audit Office. He jointly heads the audit and assurance area in the ANAO.  
Michael has more than 35 years experience specialising in public sector auditing. He has direct audit responsibilities in respect of government business entities and major public sector entities.  
Michael was an ACT regional councillor for six years and was chair for part of 2007. Michael is a member of the Audit Committee. He became a director in 2008.

**Jenny Morison** FCA BEc  
Jenny is currently a director of Morison Consulting and is also an independent member of a number of ACT and Commonwealth audit committees, deputy chairperson of the ACT Land Development Agency and board member of the Growth Centres Commission (Sydney).  
She has some 26 years’ experience in the areas of audit, tax, management consulting and accounting for government. Jenny is a leading specialist in the area of public sector financial management reform, having led teams for both the ACT and Commonwealth governments in implementing accrual output based budgeting reforms.  
Jenny has served as an ACT state chair and became a director in 2003.

**Board 2007**  
**Robert DiMonte** FCA BA (Acc)  
CMC MAICD  
Immediate Past President  
Robert is the managing partner for Deloitte in Adelaide specialising in management advisory services. He leads management consulting activities in South Australia for clients ranging from large corporations to small to medium enterprises.  
He has more than 24 years experience in small and large accounting practices, working in the key areas of audit, tax and business services.  
Robert became a director in 2004.

**Michael Spinks** FCA BCom (Acc) GDipAppFin (F FIN)  
Michael is a principal at Collins SBA, specialising in business structures, superannuation, wealth management and financial planning. He has more than 15 years experience in financial services, previously being a director of the financial planning group Garrisons.  
He has also served with the Royal Australian Navy, receiving an Active Service Medal for deployment in the Persian Gulf.  
Michael is chair of the Governance Committee and a member of the Joint Standing Committee and the Executive Review Committee. He became a director in 2006.
Governance (continued)

Board and advisory committees

Board

Committees of the Board
- Audit
- Governance
- Nominations
- Executive Review Committee

Standing Committees (Regulatory)
- Appeal
- Professional Conduct
- Education Board

Advisory Committees (Communication)
- Regional Councils
- Public Practice
- Corporate Advisory
- Audit Advisory

Task forces
- Management

Committees Advising Management
## Governance (continued)

### Board and committee meetings

Director attendance for 1 July 2007 to 30 June 2008

#### Board meetings

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<td>Richard Deutsch</td>
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<td>Derek Parkin</td>
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<td>Margaret Parker</td>
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<td>Michael Spinks</td>
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<td>Michael Watson</td>
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#### Nominations committee meetings

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#### Audit committee meetings

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<td>Fiona Bennett</td>
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<td>Michael Watson</td>
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#### Governance committee meetings

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<td>Michael Spinks</td>
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<td>Craig Farrow</td>
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#### Executive review meetings

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<td>Richard Deutsch</td>
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<tr>
<td>Michael Spinks</td>
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</tbody>
</table>
Governance / Corporate Governance Statement

The Institute of Chartered Accountants in Australia is a leading advocate of high standards of corporate governance. It is committed to best practice through its representation on the Australian Stock Exchange Corporate Governance Council and its efforts to adhere to the highest standards in regulating its own affairs and complying with relevant Commonwealth and state legislation.

The Institute occupies a unique position as a reporting entity. As a not-for-profit membership organisation, its structure does not share the same level of complexity as listed companies. However, in line with its vision to lead the profession, the Institute has adopted rigorous systems of control and accountability as the basis of the administration of corporate governance.

These systems are clearly outlined in the Institute’s supplemental Royal Charter, by-laws, governance manual and code of conduct, which are available at charteredaccountants.com.au.

Where appropriate, the systems follow practices that comply with the revised corporate governance principles and the corresponding best practice recommendations, as developed by the Australian Stock Exchange Corporate Governance Council. During the year, the Institute’s governance committee monitors these systems, and on an annual basis the Board reviews compliance with the principles and recommendations. On the basis of ‘if not, why not’, the Board is satisfied that current practices reflect the council’s expectations.

A solid foundation for management oversight

Board of directors

The Institute’s Board comprises entirely non-executive directors. Non-executive directors or past presidents chair all four committees of the Board.

The Board and its committees operate in accordance with a Charter. These Charters are reviewed annually to ensure alignment with the Institute’s strategic objectives.

The Board meets at least seven times a year for scheduled meetings, and has the facility to meet without the chief executive (CEO) if required. The Board is committed to holding at least two of these meetings interstate, with the balance held at the Institute’s head office in Sydney. A register of disclosures for each director is tabled at every Board meeting.

The Board and management establish a three-year strategic plan and corporate strategy, and detailed annual business plans are established to set the priorities, direction and performance targets for the organisation.

Day-to-day management of the organisation’s affairs and implementation of corporate strategy and policy initiatives are the responsibility of the CEO and management.

Chief executive

The CEO’s responsibilities include advising the Board on strategic direction, ensuring business activities are in alignment with the Institute’s strategic plan, ensuring the organisation conducts its affairs within the law, and keeping the Board informed of all major business proposals and developments through regular reports.

Board composition

The Board comprises seven members, who are elected by Chartered Accountants on regional registers. Up to four additional members can be Board-appointed.

Directors serve a maximum of two terms of three years each. Each year the Board elects a president and deputy president.

All directors must comply with the Board’s code of conduct and the accompanying guidelines. This code covers issues such as the requirement to act in good faith, duties of due care and diligence, conflict of interest, issues of improper use of power and information, independence, confidentiality and the obligation to uphold the law.

Board meeting attendance is shown on page 38.

Board committees

There are four committees of the Board, membership of which comprises directors, the CEO and past presidents. There are a further three advisory committees, six regional councils and five overseas member groups which report to the Board (see pages 36–37). These committees meet regularly throughout the year.

Attendance at the Board’s audit, governance, nomination and executive review committees is shown on page 38.
Governance (continued)

Indemnification and insurance for directors and officers
The Institute’s by-laws provide for an indemnity to each person who is or has been a director, councillor or committee member or officer against any liability which results from any act or deed done in the discharge of the individual’s duties.

The Institute’s insurance policy serves to indemnify the directors, councillors, committee members and officers against liabilities for costs and expenses incurred by them in defending legal proceedings arising out of the performance of their normal duties for the Institute.

Adding value through board structure and ethical and responsible decision making
The Board and its committees provide visionary leadership to the organisation and its global operations to ensure that the Institute sets and achieves strategic objectives and operates effectively and efficiently. Under the Institute’s by-laws, the Board is given power over:

> Maintaining and controlling the Institute’s affairs
> The appointment, removal and remuneration of the CEO
> The promotion of improvements in laws affecting the accounting profession
> The promulgation of regulations, including regulations prescribing rulings
> Providing guidance on standards of practice and professional conduct, including technical standards.

The Board governs the Institute by:

> Setting strategic direction
> Approving and monitoring delivery of the strategic plan
> Liaising with stakeholders
> Ensuring compliance with statutory obligations
> Managing risk
> Monitoring organisational performance
> Monitoring the financial position.

This Board structure comprises both member-elected and Board-elected directors. This balance ensures the Board comprises directors with appropriate skills, experience and attributes for the organisation and its business. The directors’ skills and expertise relevant to their position and their terms of office are described on pages 35–36.

Nominations committee
The Institute has a separate nominations committee with representation from the Board and membership. The committee assists the Board to identify potential candidates for appointment and removal as members of committees and other appointments, as deemed relevant by the Board. While the nominations committee is not able to formally make appointments to the Board, it can identify skills gaps and work with the Board to address these.

Ethical and responsible decision making
Members and staff are required to meet high standards of honesty and integrity, as outlined in the Institute’s code of conduct. New employees to the organisation are provided with a comprehensive information kit and face-to-face induction, which outline standards of behaviour expected of all employees. All staff also participate in the Institute’s two-day cultural program PRIDE and staff performance reviews, and the development process includes behavioural expectations in alignment with these PRIDE values (see page 26).

Risk management and audit
Audit committee
The audit committee comprises three Board members. In accordance with its Charter, the committee assists the Board to discharge its responsibility for financial reports, application of accounting policies, internal control systems and the operation of enterprise risk management processes.

External auditors
The Institute engages the services of Ernst & Young as the external auditor. The external auditor’s performance is reviewed annually.

An analysis of fees paid to the external auditors, including a breakdown of any non-audit fees, is provided in Note 17 of the financial report. It is the policy of the external auditors to provide an annual declaration of independence to the audit committee (see page 41). All proposed non-audit work by the external auditor is required to be approved by the audit committee prior to it being undertaken. The audit committee undertakes a full review of the audit engagement before deciding to reappoint the existing audit firm or seek tenders on the open market.

Auditor independence and non-audit services
The directors received a declaration from the auditor of the Institute, as printed on page 41.

Non-audit services
The non-audit services provided by the auditor, Sean Van Gorp, or his firm, Ernst & Young, are set out in Note 17, Auditors’ remuneration. The directors are satisfied that the provision of services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.
Risk management
The Institute’s executive business risk management committee is charged with identifying, assessing, monitoring and managing risk and compliance across the organisation. The committee reports to the audit committee on an ongoing basis.

This year, the Institute developed its business continuity and disaster recovery framework and detailed plans. A further review of the Institute’s risk management was conducted by an external consultant, and management is currently implementing recommendations. In the next financial year, the focus will be on business continuity and disaster testing and the IT recovery plan.

Financial reporting
The Board presents to members a report, signed by the president and deputy president, that the financial statements of the Institute for the full financial year give a true and fair view of the organisation’s financial position and operational results, and comply with accounting standards in Australia.

Respecting the rights of members, and timely and balanced disclosure

Enhanced performance
The Board completes a formal evaluation process annually. The results are provided to the governance and nominations committees for review and consideration, with a recommendation being provided to the Board.

Fair and responsible remuneration
The Board has an executive remuneration review committee that monitors the terms and conditions of employment of staff and staff remuneration. The committee considers the remuneration of the chief executive officer and senior management, agrees the remuneration strategy and structure and approves the annual remuneration budget. The five highest paid executives (non-directors) are paid within the salary range of A$179,900 – A$465,000.

No director of the Institute has, since the end of the previous financial year, received or become entitled to receive a benefit (other than a benefit included in the total amount of emoluments disclosed in

Note 22, Director and executive disclosures in the Notes to the Financial Statements) by reason of a contract made by the Institute with a director or with a firm of which the director is a member, or with any entity in which the director has a substantial financial interest except as set out in Note 21, Related parties in the Notes to the Financial Statements.

Recognise the legitimate interest of stakeholders
Directors are considered to be independent insofar as membership does not imply or constitute a relationship that would lead to material interference with their ability to act objectively and in the best interests of the Institute.

Directors whose firms undertake work for the Institute do not participate in negotiations or discussions around such work at Institute Board meetings, and abstain from any decisions that relate to their organisation. No director or their organisation is a material supplier to the Institute, although their organisations may be substantial customers.

Declaration of independence by the Institute’s auditor

Sean Van Gorp FCA
C/- Level 49, 680 George Street
Sydney NSW 2000

In relation to my audit of the financial report of the Institute of Chartered Accountants in Australia for the year ended 30 June 2008, to the best of my knowledge and belief, there has been no contravention of the auditor independence requirements of any applicable code of professional conduct.

19 August 2008

Liability Limited by a scheme approved under Professional Standards Legislation.
Committees

Joint accounting bodies committee
Institute members:
Andrew Arkell FCA (Joint Chair 2008)
Richard Deutsch FCA
Michael Spinks FCA
Robert DiMonte FCA (Joint Chair 2007)
There are also three committee members from the other professional accounting bodies.

Audit committee
Rachel Grimes FCA (Chair 2008)
Fiona Bennett FCA
Michael Watson FCA
Jenny Morison FCA
Richard Deutsch FCA (Chair 2007)

Governance committee
Michael Spinks FCA (Chair 2008)
Craig Farrow FCA
Jenny Morison FCA

Executive review committee
Andrew Arkell FCA (Chair 2008)
Richard Deutsch FCA
Michael Spinks FCA
Robert DiMonte FCA (Chair 2007)

Nominations committee
Robert DiMonte FCA (Chair 2008)
Andrew Arkell FCA
Richard Deutsch FCA
Garry Waldron FCA
Stuart Black FCA
Neil Faulkner FCA (Chair 2007)

Education board
Prof Stewart Leech FCA (Chair)
Dr Anne Wyatt CA
Dr Jacqueline McManus CA
Prof Allen Craswell CA
Prof Anne Lillis CA
Les Jones CA
Jenny Parker FCA
Jeffrey Bye CA
Frank Newman CA
Prof Derek Parkin FCA (Board representative)

Corporate advisory committee
Peter King FCA (Chair)
Alison Harrop FCA
Michael Cottier FCA
Yvonne Sneddon FCA
Thomas Gribble FCA
Jo-Ann Long FCA
Paul Urquhart FCA
Matt Harrington FCA
Andrew Arkell FCA (Board representative)
Fiona Bennett FCA (Board representative)

Public practice advisory committee
Darryl Jess CA (Chair)
Rob Atkinson FCA
Dianne Azoor Hughes CA
Peter Beames CA
Craig Farrow FCA (Retired)
Peter Hansen FCA
Brad Hellen FCA
Gail Kinsella FCA (Retired)
Arthur Kirk CA
Jenni Lewis FCA (Retired)
Robert Mayberry FCA
James Orchard CA
Joe Pierluigi FCA (Retired)
Salvatore Russo CA (Retired)
Caroline Wilcher CA (Retired)
Margaret Parker FCA (Board representative)

Audit advisory committee
Tony Whitfield FCA (chair)
Robert Forbes FCA
Barry Jameson FCA
Tieren O’Rourke CA
Dennis Robertson FCA
Graeme Rodda FCA
Rod Smith FCA(alternate Cathlin McCabe CA)
Prof Derek Parkin FCA (Board representative)
Dr Nonna Martinov-Bennie FCA
Julian Bishop CA (joined May 2008)

Regional councils

New South Wales council 2008
Chris George FCA (Chair 2008)
Jason Phillips CA (Vice Chair 2008)
Andrew Archer CA
Georgina Gaussen CA
Bruce Gleeson CA
Peter King FCA
Ian Rodrigues FCA
Jonathan Tyler CA
Lee White FCA
Anna Carrabs FCA (Chair 2007)

ACT council 2008
Steven McDonnell FCA (Chair)
Kelly Fenner FCA (Vice Chair)
David Black FCA
Richard Stewart FCA
Josephine Stevens FCA
Jodi George CA
Lisa Stone FCA
Chris Ikin FCA
Stephen Holmes CA

Tasmania council 2008
Mike Blake FCA (Chair)
Yvonne Rundle FCA (Vice Chair)
Nicholas Lunson CA (Retired)
Tim Maddock FCA
Tracy Matthews FCA
Sarah Merridew FCA

Victoria council 2008
Penny Hutchinson FCA (Chair)
Annette Kimmitt FCA (Vice Chair)
Paul Allen FCA (retired end 2007)
Garth Campbell-Cowen FCA (Retired end 2007)
Mark Davies FCA
Timothy Holden FCA
Bruce Mulvaney FCA (Retired)
Kevin Neville FCA (Retired 2008)
Martin Sammut FCA
Malcolm Simister FCA
Governance (continued)

South Australia/Northern Territory council 2008
Garry Whitelock FCA (Chair)
Ben Miels FCA (Vice Chair)
Lisa Powell FCA
Todd Roberts FCA
Horace Bila FCA
Thea Eszenyi FCA
Lynda Townsend CA
Mark Phelps CA
Yvonne Sneddon FCA (Chair 2007)

Western Australia council 2008
Judith Vos CA (Chair)
Tony Bevan CA (Vice Chair)
Andrea Hall CA
Ashok Desai FCA
Mel Ashton FCA
Nick Henry CA
Peter Hansen CA
Jo Ann Long CA
John Palermo CA

Queensland council 2008
Andrew Arkell FCA
Mary Boydell FCA (Chair)
Peter Catterson FCA (Vice Chair)
Simon Crane FCA
Adam Dierselhuis CA
Paula McLuskie CA
Bill Sheehan FCA
Julie Walker CA
Brendan Worrall FCA

Overseas joint committee representatives
Joycelyn Morton FCA
Lance Balcombe FCA
Brian Blood FCA
Peter Batten FCA
Alice McCleary FCA
Prof Kim Langfield-Smith FCA
Jim Dickson FCA
Ian McPhee FCA

International Federation of Accountants Board
Professional Accountants in Business
Confederation of Asian and Pacific Accountants
International Public Sector Accounting Standards Board
International Ethics and Standards Board for Accountants
International Accounting Education Standards Board
Compliance Advisory Panel
International Auditing and Assurance Standards Board

Overseas member group chairs
Hong Kong – Jason Lee CA
Malaysia – Peter Lim FCA
Singapore – Jonathan Chi FCA
United Kingdom – Tim Chan FCA
Contents

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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.
## Income Statement

**For the year ended 30 June 2008**

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

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

<table>
<thead>
<tr>
<th>Notes</th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$'000</td>
<td>$'000</td>
</tr>
<tr>
<td><strong>Current assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>6</td>
<td>4,475</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>7</td>
<td>5,742</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td></td>
<td>10,217</td>
</tr>
<tr>
<td><strong>Non-current assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Receivables</td>
<td>7</td>
<td>350</td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>8</td>
<td>60,682</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>9</td>
<td>153</td>
</tr>
<tr>
<td><strong>Total non-current assets</strong></td>
<td></td>
<td>61,185</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td></td>
<td>71,402</td>
</tr>
<tr>
<td><strong>Current liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Receipts in advance</td>
<td>10</td>
<td>26,515</td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>11</td>
<td>9,309</td>
</tr>
<tr>
<td>Interest-bearing loans and borrowings</td>
<td>12</td>
<td>–</td>
</tr>
<tr>
<td>Provisions</td>
<td>13</td>
<td>1,749</td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
<td></td>
<td>37,573</td>
</tr>
<tr>
<td><strong>Non-current liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>11</td>
<td>341</td>
</tr>
<tr>
<td>Interest-bearing loans and borrowings</td>
<td>12</td>
<td>–</td>
</tr>
<tr>
<td>Provisions</td>
<td>13</td>
<td>320</td>
</tr>
<tr>
<td><strong>Total non-current liabilities</strong></td>
<td></td>
<td>661</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td></td>
<td>38,234</td>
</tr>
<tr>
<td><strong>Net assets</strong></td>
<td></td>
<td>33,168</td>
</tr>
<tr>
<td><strong>Members’ funds</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reserves</td>
<td>14</td>
<td>2,704</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>14</td>
<td>30,464</td>
</tr>
<tr>
<td><strong>Total members’ funds</strong></td>
<td></td>
<td>33,168</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Description</th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fair value reversal of freehold property sold – recognised</td>
<td></td>
<td>7,367</td>
</tr>
<tr>
<td>directly in members’ funds</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td>Surplus for the year</td>
<td>1,824</td>
<td>1,989</td>
</tr>
<tr>
<td><strong>Total recognised income and expense for the year</strong></td>
<td>1,824</td>
<td>9,356</td>
</tr>
</tbody>
</table>

Total recognised income and expense for the year is attributable to:

<table>
<thead>
<tr>
<th>Members of the Institute</th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1,824</td>
<td>9,356</td>
</tr>
</tbody>
</table>

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

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

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.
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 decrease 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.

(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:

(ii) 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.

(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.

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.
(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 classified as part of operating cash flows. 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.
(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.
### 3. Financial risk management objectives and policies (continued)

#### 2008

**Financial assets**

<table>
<thead>
<tr>
<th></th>
<th>Principal subject to floating interest rate</th>
<th>Principal subject to fixed interest rate</th>
<th>Non-interest bearing</th>
<th>Total</th>
<th>Average interest rate</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$’000</td>
<td>$’000</td>
<td>$’000</td>
<td>$’000</td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>–</td>
<td>4,475</td>
<td>–</td>
<td>4,475</td>
<td>4.70%</td>
</tr>
<tr>
<td>Trade receivables</td>
<td>–</td>
<td>–</td>
<td>3,221</td>
<td>3,221</td>
<td>–</td>
</tr>
<tr>
<td>Other receivables</td>
<td>350</td>
<td>–</td>
<td>1,342</td>
<td>1,692</td>
<td>8.40%</td>
</tr>
<tr>
<td><strong>Total financial assets</strong></td>
<td><strong>350</strong></td>
<td><strong>4,475</strong></td>
<td><strong>4,563</strong></td>
<td><strong>9,388</strong></td>
<td></td>
</tr>
</tbody>
</table>

**Financial liabilities**

<p>| | | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>–</td>
<td>–</td>
<td>(9,650)</td>
<td>(9,650)</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total financial liabilities</strong></td>
<td><strong>–</strong></td>
<td><strong>–</strong></td>
<td><strong>(9,650)</strong></td>
<td><strong>(9,650)</strong></td>
<td></td>
</tr>
</tbody>
</table>

#### 2007

**Financial assets**

<p>| | | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>–</td>
<td>22</td>
<td>–</td>
<td>22</td>
<td>0.01%</td>
</tr>
<tr>
<td>Trade receivables</td>
<td>–</td>
<td>–</td>
<td>1,764</td>
<td>1,764</td>
<td>–</td>
</tr>
<tr>
<td>Sundry debtors</td>
<td>–</td>
<td>–</td>
<td>13,966</td>
<td>13,966</td>
<td>–</td>
</tr>
<tr>
<td>Other receivables</td>
<td>–</td>
<td>–</td>
<td>1,297</td>
<td>1,297</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total financial assets</strong></td>
<td><strong>–</strong></td>
<td><strong>22</strong></td>
<td><strong>17,027</strong></td>
<td><strong>17,049</strong></td>
<td></td>
</tr>
</tbody>
</table>

**Financial liabilities**

<p>| | | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>–</td>
<td>–</td>
<td>(9,534)</td>
<td>(9,534)</td>
<td>–</td>
</tr>
<tr>
<td>Bank overdraft</td>
<td>–</td>
<td>(49)</td>
<td>–</td>
<td>(49)</td>
<td>4.35%</td>
</tr>
<tr>
<td>Interest-bearing loans and borrowings</td>
<td>(10,000)</td>
<td>–</td>
<td>–</td>
<td>(10,000)</td>
<td>6.39%</td>
</tr>
<tr>
<td><strong>Total financial liabilities</strong></td>
<td><strong>(10,000)</strong></td>
<td><strong>(49)</strong></td>
<td><strong>(9,534)</strong></td>
<td><strong>(19,583)</strong></td>
<td></td>
</tr>
</tbody>
</table>
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:

<table>
<thead>
<tr>
<th>Post tax surplus increase/(decrease)</th>
<th>Members’ funds increase/(decrease)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008 $'000 2007 $'000</td>
<td>2008 $'000 2007 $'000</td>
</tr>
</tbody>
</table>

| 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.
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.

<table>
<thead>
<tr>
<th></th>
<th>Less than 6 months</th>
<th>6 to 12 months</th>
<th>1 to 5 years</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008 Financial liabilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>(9,309)</td>
<td>–</td>
<td>(341)</td>
<td>(9,650)</td>
</tr>
<tr>
<td>Interest-bearing loans and borrowings</td>
<td>(9,345)</td>
<td>–</td>
<td>(10,303)</td>
<td>(19,648)</td>
</tr>
<tr>
<td>2007 Financial liabilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>(9,296)</td>
<td>–</td>
<td>(238)</td>
<td>(9,534)</td>
</tr>
<tr>
<td>Interest-bearing loans and borrowings</td>
<td>(49)</td>
<td>–</td>
<td>(10,065)</td>
<td>(10,114)</td>
</tr>
</tbody>
</table>
### 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
5. Income tax

<table>
<thead>
<tr>
<th></th>
<th>2008 $’000</th>
<th>2007 $’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prima facie tax expense from ordinary activities</td>
<td>547</td>
<td>597</td>
</tr>
<tr>
<td>Depreciation of plant and equipment, and intangibles</td>
<td>863</td>
<td>377</td>
</tr>
<tr>
<td>Entertainment</td>
<td>32</td>
<td>20</td>
</tr>
<tr>
<td>Mutual activities</td>
<td>(616)</td>
<td>(477)</td>
</tr>
<tr>
<td>Utilisation of tax losses</td>
<td>(826)</td>
<td>(517)</td>
</tr>
</tbody>
</table>

**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).
6. Cash and cash equivalents

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:

<table>
<thead>
<tr>
<th>Description</th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents (per Balance Sheet)</td>
<td>4,475</td>
<td>22</td>
</tr>
<tr>
<td>Bank overdraft (Note 12)</td>
<td>–</td>
<td>(49)</td>
</tr>
<tr>
<td>Cash and cash equivalents (per Cash Flow Statement)</td>
<td>4,475</td>
<td>(27)</td>
</tr>
</tbody>
</table>

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

Net surplus from ordinary activities

<table>
<thead>
<tr>
<th>Description</th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net gain on disposal of property, plant and equipment and intangibles</td>
<td>2,793</td>
<td>1,205</td>
</tr>
<tr>
<td>Adjustments:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amortisation of intangible assets</td>
<td>82</td>
<td>53</td>
</tr>
<tr>
<td>Bad debts expense</td>
<td>65</td>
<td>(41)</td>
</tr>
<tr>
<td>Interest received</td>
<td>(205)</td>
<td>(227)</td>
</tr>
<tr>
<td>Interest paid</td>
<td>411</td>
<td>523</td>
</tr>
<tr>
<td>Changes in working capital</td>
<td>3,133</td>
<td>1,483</td>
</tr>
<tr>
<td>Decrease/(increase) in receivables*</td>
<td>(1,940)</td>
<td>717</td>
</tr>
<tr>
<td>Increase/(decrease) in payables</td>
<td>116</td>
<td>2,990</td>
</tr>
<tr>
<td>Increase/(decrease) in provisions</td>
<td>(84)</td>
<td>64</td>
</tr>
<tr>
<td>Increase in receipts in advance</td>
<td>3,838</td>
<td>1,639</td>
</tr>
<tr>
<td>Net cash flows from operating activities</td>
<td>1,930</td>
<td>5,410</td>
</tr>
<tr>
<td></td>
<td>6,887</td>
<td>8,882</td>
</tr>
</tbody>
</table>

* 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.
7. Trade and other receivables

### Current

<table>
<thead>
<tr>
<th>Description</th>
<th>2008 $'000</th>
<th>2007 $'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade receivables (a)</td>
<td>3,480</td>
<td>1,958</td>
</tr>
<tr>
<td>Allowance for impairment loss</td>
<td>(259)</td>
<td>(194)</td>
</tr>
<tr>
<td></td>
<td><strong>3,221</strong></td>
<td><strong>1,764</strong></td>
</tr>
</tbody>
</table>

Non-trade receivables (b)

<table>
<thead>
<tr>
<th>Description</th>
<th>2008 $'000</th>
<th>2007 $'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sundry debtor</td>
<td>–</td>
<td>13,966</td>
</tr>
<tr>
<td>Other receivables</td>
<td>1,342</td>
<td>1,297</td>
</tr>
<tr>
<td>Prepayments</td>
<td>1,179</td>
<td>1,156</td>
</tr>
<tr>
<td>Total</td>
<td><strong>5,742</strong></td>
<td><strong>18,183</strong></td>
</tr>
</tbody>
</table>

### Non-current

<table>
<thead>
<tr>
<th>Description</th>
<th>2008 $'000</th>
<th>2007 $'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loan</td>
<td>350</td>
<td>–</td>
</tr>
</tbody>
</table>

---

(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.
### 7. Trade and other receivables (continued)

At 30 June, the ageing analysis of trade debtors is as follows:

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Neither past due nor impaired</td>
<td>1,843</td>
<td>1,253</td>
</tr>
<tr>
<td>Past due but not impaired:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>31–60 days</td>
<td>1,107</td>
<td>168</td>
</tr>
<tr>
<td>61–90 days</td>
<td>101</td>
<td>299</td>
</tr>
<tr>
<td>&gt; 90 days</td>
<td>170</td>
<td>44</td>
</tr>
<tr>
<td>Total</td>
<td>1,378</td>
<td>511</td>
</tr>
<tr>
<td>Past due and impaired:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>31–60 days</td>
<td>111</td>
<td>9</td>
</tr>
<tr>
<td>61–90 days</td>
<td>90</td>
<td>80</td>
</tr>
<tr>
<td>&gt; 90 days</td>
<td>58</td>
<td>105</td>
</tr>
<tr>
<td>Total</td>
<td>259</td>
<td>194</td>
</tr>
<tr>
<td>Total</td>
<td>3,480</td>
<td>1,958</td>
</tr>
</tbody>
</table>

Movements in the provision for impairment loss were as follows:

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>At 1 July</td>
<td>194</td>
<td>235</td>
</tr>
<tr>
<td>Charge for the year</td>
<td>105</td>
<td>93</td>
</tr>
<tr>
<td>Amounts recovered</td>
<td>(29)</td>
<td>(17)</td>
</tr>
<tr>
<td>Amounts written off</td>
<td>(11)</td>
<td>(117)</td>
</tr>
<tr>
<td>At 30 June</td>
<td>259</td>
<td>194</td>
</tr>
</tbody>
</table>

(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.
### 8. Property, plant and equipment

<table>
<thead>
<tr>
<th>Description</th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Freehold property – at fair value</td>
<td>47,346</td>
<td>43,757</td>
</tr>
<tr>
<td>Furniture and equipment – at cost</td>
<td>2,819</td>
<td>2,652</td>
</tr>
<tr>
<td>Less: Accumulated depreciation</td>
<td>(1,666)</td>
<td>(1,569)</td>
</tr>
<tr>
<td></td>
<td>1,153</td>
<td>1,083</td>
</tr>
<tr>
<td>Computer equipment – at cost</td>
<td>4,049</td>
<td>3,351</td>
</tr>
<tr>
<td>Less: Accumulated depreciation</td>
<td>(2,345)</td>
<td>(2,276)</td>
</tr>
<tr>
<td></td>
<td>1,704</td>
<td>1,075</td>
</tr>
<tr>
<td>Fixtures and fittings on freehold premises – at cost</td>
<td>9,436</td>
<td>7,105</td>
</tr>
<tr>
<td>Less: Accumulated depreciation</td>
<td>(928)</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td>8,508</td>
<td>7,105</td>
</tr>
<tr>
<td>Fixtures and fittings on leasehold premises – at cost</td>
<td>3,087</td>
<td>2,819</td>
</tr>
<tr>
<td>Less: Accumulated amortisation</td>
<td>(1,124)</td>
<td>(1,124)</td>
</tr>
<tr>
<td></td>
<td>1,963</td>
<td>1,695</td>
</tr>
<tr>
<td>Motor vehicles – at cost</td>
<td>112</td>
<td>264</td>
</tr>
<tr>
<td>Less: Accumulated depreciation</td>
<td>(104)</td>
<td>(200)</td>
</tr>
<tr>
<td></td>
<td>8</td>
<td>64</td>
</tr>
</tbody>
</table>

**Total property, plant and equipment**

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>60,682</td>
<td>54,779</td>
</tr>
</tbody>
</table>

### 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.
### Notes to the Financial Statements (continued)

For the year ended 30 June 2008

#### 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**

<table>
<thead>
<tr>
<th>Description</th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carrying amount at beginning of the financial year</td>
<td>43,757</td>
<td>34,060</td>
</tr>
<tr>
<td>Additions</td>
<td>1,705</td>
<td>10,226</td>
</tr>
<tr>
<td>Revaluation</td>
<td>2,704</td>
<td>–</td>
</tr>
<tr>
<td>Depreciation expense</td>
<td>(820)</td>
<td>(529)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>47,346</td>
<td>43,757</td>
</tr>
</tbody>
</table>

**Furniture and equipment**

<table>
<thead>
<tr>
<th>Description</th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carrying amount at beginning of the financial year</td>
<td>1,083</td>
<td>711</td>
</tr>
<tr>
<td>Additions</td>
<td>303</td>
<td>594</td>
</tr>
<tr>
<td>Reclassification</td>
<td>–</td>
<td>(19)</td>
</tr>
<tr>
<td>Disposals</td>
<td>(4)</td>
<td>(11)</td>
</tr>
<tr>
<td>Depreciation expense</td>
<td>(229)</td>
<td>(192)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,153</td>
<td>1,083</td>
</tr>
</tbody>
</table>

**Computer equipment**

<table>
<thead>
<tr>
<th>Description</th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carrying amount at beginning of the financial year</td>
<td>1,075</td>
<td>467</td>
</tr>
<tr>
<td>Additions</td>
<td>1,202</td>
<td>918</td>
</tr>
<tr>
<td>Disposals</td>
<td>(19)</td>
<td>(9)</td>
</tr>
<tr>
<td>Depreciation expense</td>
<td>(554)</td>
<td>(301)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,704</td>
<td>1,075</td>
</tr>
</tbody>
</table>

**Fixtures and fittings on freehold premises**

<table>
<thead>
<tr>
<th>Description</th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carrying amount at beginning of the financial year</td>
<td>7,105</td>
<td>885</td>
</tr>
<tr>
<td>Additions</td>
<td>2,331</td>
<td>6,223</td>
</tr>
<tr>
<td>Depreciation expense</td>
<td>(928)</td>
<td>(3)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>8,508</td>
<td>7,105</td>
</tr>
</tbody>
</table>

**Fixtures and fittings on leasehold premises**

<table>
<thead>
<tr>
<th>Description</th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carrying amount at beginning of the financial year</td>
<td>1,695</td>
<td>418</td>
</tr>
<tr>
<td>Additions</td>
<td>504</td>
<td>1,391</td>
</tr>
<tr>
<td>Reclassification</td>
<td>–</td>
<td>19</td>
</tr>
<tr>
<td>Disposals</td>
<td>(5)</td>
<td>–</td>
</tr>
<tr>
<td>Amortisation expense</td>
<td>(231)</td>
<td>(133)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,963</td>
<td>1,695</td>
</tr>
</tbody>
</table>

**Motor vehicles**

<table>
<thead>
<tr>
<th>Description</th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carrying amount at beginning of the financial year</td>
<td>64</td>
<td>139</td>
</tr>
<tr>
<td>Additions</td>
<td>–</td>
<td>23</td>
</tr>
<tr>
<td>Disposals</td>
<td>(25)</td>
<td>(51)</td>
</tr>
<tr>
<td>Depreciation expense</td>
<td>(31)</td>
<td>(47)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>8</td>
<td>64</td>
</tr>
</tbody>
</table>

**Total**

<table>
<thead>
<tr>
<th>Description</th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carrying amount at beginning of the financial year</td>
<td>54,779</td>
<td>36,680</td>
</tr>
<tr>
<td>Additions</td>
<td>6,045</td>
<td>19,375</td>
</tr>
<tr>
<td>Revaluation</td>
<td>2,704</td>
<td>–</td>
</tr>
<tr>
<td>Disposals</td>
<td>(53)</td>
<td>(71)</td>
</tr>
<tr>
<td>Depreciation expense</td>
<td>(2,562)</td>
<td>(1,072)</td>
</tr>
<tr>
<td>Amortisation expense</td>
<td>(231)</td>
<td>(133)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>60,682</td>
<td>54,779</td>
</tr>
</tbody>
</table>
9. Intangible assets

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Computer software – at cost</td>
<td>1,870</td>
<td>1,705</td>
</tr>
<tr>
<td>Less: Accumulated amortisation</td>
<td>(1,717)</td>
<td>(1,636)</td>
</tr>
<tr>
<td></td>
<td>153</td>
<td>69</td>
</tr>
</tbody>
</table>

Reconciliation

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carrying value at beginning of the financial year</td>
<td>69</td>
<td>105</td>
</tr>
<tr>
<td>Additions</td>
<td>174</td>
<td>17</td>
</tr>
<tr>
<td>Disposals</td>
<td>(8)</td>
<td>–</td>
</tr>
<tr>
<td>Amortisation expense</td>
<td>(82)</td>
<td>(53)</td>
</tr>
<tr>
<td></td>
<td>153</td>
<td>69</td>
</tr>
</tbody>
</table>

10. Receipts in advance

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Members’ fees</td>
<td>20,534</td>
<td>16,905</td>
</tr>
<tr>
<td>Chartered Accountants Program and Training &amp; Development course fees</td>
<td>5,737</td>
<td>5,566</td>
</tr>
<tr>
<td>Other</td>
<td>244</td>
<td>206</td>
</tr>
<tr>
<td></td>
<td>26,515</td>
<td>22,677</td>
</tr>
</tbody>
</table>

11. Trade and other payables

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade payables</td>
<td>8,146</td>
<td>8,456</td>
</tr>
<tr>
<td>Other payables</td>
<td>1,075</td>
<td>787</td>
</tr>
<tr>
<td>Lease liabilities</td>
<td>88</td>
<td>53</td>
</tr>
<tr>
<td></td>
<td>9,309</td>
<td>9,296</td>
</tr>
<tr>
<td>Non-current</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lease liabilities</td>
<td>341</td>
<td>238</td>
</tr>
<tr>
<td></td>
<td>341</td>
<td>238</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bank overdraft</td>
<td>–</td>
<td>49</td>
</tr>
<tr>
<td>Non-current</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bill facility</td>
<td>–</td>
<td>10,000</td>
</tr>
</tbody>
</table>

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).
Notes to the Financial Statements (continued)
For the year ended 30 June 2008

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Notes</strong></td>
<td>$'000</td>
<td>$'000</td>
</tr>
<tr>
<td><strong>Current</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee entitlements</td>
<td>19</td>
<td>1,749</td>
</tr>
<tr>
<td><strong>Non-current</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee entitlements</td>
<td>19</td>
<td>75</td>
</tr>
<tr>
<td>Make good provision</td>
<td></td>
<td>245</td>
</tr>
<tr>
<td><strong>Reconciliation make good provision</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at beginning of year</td>
<td></td>
<td>356</td>
</tr>
<tr>
<td>Arising during year</td>
<td>31</td>
<td>83</td>
</tr>
<tr>
<td>Utilised during the year</td>
<td>(159)</td>
<td>–</td>
</tr>
<tr>
<td>Discount rate adjustment</td>
<td>17</td>
<td>25</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>245</td>
<td>356</td>
</tr>
</tbody>
</table>

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.

<table>
<thead>
<tr>
<th>14. Reserves and retained earnings</th>
</tr>
</thead>
</table>

### 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

<table>
<thead>
<tr>
<th>Description</th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at beginning of the financial year</td>
<td>–</td>
<td>7,367</td>
</tr>
<tr>
<td>Increment on revaluation of property (refer Note 8)</td>
<td>2,704</td>
<td>–</td>
</tr>
<tr>
<td>Transfer to retained earnings</td>
<td>–</td>
<td>(7,367)</td>
</tr>
<tr>
<td><strong>Balance at end of the financial year</strong></td>
<td>2,704</td>
<td>–</td>
</tr>
</tbody>
</table>

### Movements in retained earnings:

#### Retained earnings

<table>
<thead>
<tr>
<th>Description</th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at beginning of the financial year</td>
<td>28,640</td>
<td>19,284</td>
</tr>
<tr>
<td>Surplus from ordinary activities</td>
<td>1,824</td>
<td>1,989</td>
</tr>
<tr>
<td>Transfer from property revaluation reserve</td>
<td>–</td>
<td>7,367</td>
</tr>
<tr>
<td><strong>Balance at end of the financial year</strong></td>
<td>30,464</td>
<td>28,640</td>
</tr>
</tbody>
</table>
The Institute of Chartered Accountants in Australia
Notes to the Financial Statements (continued)
For the year ended 30 June 2008

<table>
<thead>
<tr>
<th></th>
<th>2008 '000</th>
<th>2007 '000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>15. Commitments</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating leases – state branch office space</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Within one year</td>
<td>1,582</td>
<td>1,390</td>
</tr>
<tr>
<td>After one year but not later than five years</td>
<td>6,356</td>
<td>5,312</td>
</tr>
<tr>
<td>After more than five years</td>
<td>5,600</td>
<td>5,736</td>
</tr>
<tr>
<td></td>
<td><strong>13,538</strong></td>
<td><strong>12,438</strong></td>
</tr>
</tbody>
</table>

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**

<table>
<thead>
<tr>
<th></th>
<th>2008 '000</th>
<th>2007 '000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fit-out – Freehold property at 33 Erskine Street, Sydney</td>
<td>190</td>
<td>1,867</td>
</tr>
<tr>
<td>Marketing and advertising</td>
<td>1,500</td>
<td>1,232</td>
</tr>
<tr>
<td></td>
<td><strong>1,690</strong></td>
<td><strong>3,099</strong></td>
</tr>
</tbody>
</table>

**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.

<table>
<thead>
<tr>
<th></th>
<th>2008 '000</th>
<th>2007 '000</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>754</strong></td>
<td><strong>1,003</strong></td>
</tr>
</tbody>
</table>
The Institute of Chartered Accountants in Australia

Notes to the Financial Statements (continued)
For the year ended 30 June 2008

17. Auditors' remuneration

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Audit services</td>
<td>159,220</td>
<td>139,000</td>
</tr>
<tr>
<td>Other services:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Services in respect of Professional Standards</td>
<td>–</td>
<td>5,562</td>
</tr>
<tr>
<td>Council contributions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Training &amp; Development presentations</td>
<td>61,800</td>
<td>1,750</td>
</tr>
<tr>
<td>Tax and accounting advisory</td>
<td>129,264</td>
<td>5,500</td>
</tr>
<tr>
<td></td>
<td>191,064</td>
<td>12,812</td>
</tr>
</tbody>
</table>

18. Unlisted shares in other entities

The Institute has an interest in the following corporation:

<table>
<thead>
<tr>
<th>Name of Corporation</th>
<th>Country of Incorporation</th>
<th>Percentage of Ownership</th>
</tr>
</thead>
<tbody>
<tr>
<td>ICAA Nominees Pty Limited</td>
<td>Australia</td>
<td>100%</td>
</tr>
</tbody>
</table>

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

19. Employee entitlements and superannuation arrangements

The aggregate employment liability is comprised of:

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accrued wages, salaries and on-costs</td>
<td>749</td>
<td>976</td>
</tr>
<tr>
<td>Provisions (current)</td>
<td>1,749</td>
<td>1,569</td>
</tr>
<tr>
<td>Provisions (non-current)</td>
<td>75</td>
<td>228</td>
</tr>
<tr>
<td></td>
<td>2,573</td>
<td>2,773</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Financial instruments</th>
<th>6/000</th>
<th>7/000</th>
<th>8/000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current financial assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>4,475</td>
<td>4,475</td>
<td>–</td>
</tr>
<tr>
<td>Trade receivables</td>
<td>3,221</td>
<td>3,221</td>
<td>–</td>
</tr>
<tr>
<td>Other receivables</td>
<td>1,342</td>
<td>1,342</td>
<td>–</td>
</tr>
<tr>
<td>Total current financial assets</td>
<td>9,038</td>
<td>9,038</td>
<td>–</td>
</tr>
<tr>
<td><strong>Non-current financial assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Receivables</td>
<td>350</td>
<td>350</td>
<td>–</td>
</tr>
<tr>
<td>Total financial assets</td>
<td>9,388</td>
<td>9,388</td>
<td>–</td>
</tr>
<tr>
<td><strong>Current financial liabilities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>(9,309)</td>
<td>–</td>
<td>(9,309)</td>
</tr>
<tr>
<td>Total current financial liabilities</td>
<td>(9,650)</td>
<td>–</td>
<td>(9,650)</td>
</tr>
<tr>
<td><strong>Net financial assets/(liabilities)</strong></td>
<td>(262)</td>
<td>9,388</td>
<td>(9,650)</td>
</tr>
</tbody>
</table>

#### 2007

<table>
<thead>
<tr>
<th>Financial instruments</th>
<th>6/000</th>
<th>7/000</th>
<th>8/000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current financial assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>22</td>
<td>22</td>
<td>–</td>
</tr>
<tr>
<td>Trade receivables</td>
<td>1,764</td>
<td>1,764</td>
<td>–</td>
</tr>
<tr>
<td>Sundry debtors</td>
<td>13,966</td>
<td>13,966</td>
<td>–</td>
</tr>
<tr>
<td>Other receivables</td>
<td>1,297</td>
<td>1,297</td>
<td>–</td>
</tr>
<tr>
<td>Total current financial assets</td>
<td>17,049</td>
<td>17,049</td>
<td>–</td>
</tr>
<tr>
<td><strong>Current financial liabilities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>(9,296)</td>
<td>–</td>
<td>(9,296)</td>
</tr>
<tr>
<td>Bank overdraft</td>
<td>(49)</td>
<td>–</td>
<td>(49)</td>
</tr>
<tr>
<td>Total current financial liabilities</td>
<td>(9,345)</td>
<td>–</td>
<td>(9,345)</td>
</tr>
<tr>
<td><strong>Net financial assets/(liabilities)</strong></td>
<td>(238)</td>
<td>17,049</td>
<td>(10,000)</td>
</tr>
</tbody>
</table>
21. Related parties

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:

- 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.

The Institute also received the following fees from certain parties, including director-related entities.

The fees were received from all parties under the same terms and conditions:

- 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.

The following table provides the total amount of transactions that were entered into with director-related entities for the relevant financial year.

<table>
<thead>
<tr>
<th>Director</th>
<th>Director-related entity</th>
<th>Transaction details and terms</th>
<th>2008 $’000</th>
<th>2007 $’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>R DiMonte</td>
<td>Deloitte Touche Tohmatsu</td>
<td>Preparation and presentation of educational courses</td>
<td>29</td>
<td>34</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Regional Roadshows</td>
<td>76</td>
<td>–</td>
</tr>
<tr>
<td>R D Deutsch</td>
<td>PricewaterhouseCoopers</td>
<td>Contribution to PwC Transparency Awards</td>
<td>68</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Presentation of educational courses</td>
<td>4</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Comperio licence fees</td>
<td>–</td>
<td>8</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Advertising</td>
<td>2</td>
<td>2</td>
</tr>
</tbody>
</table>

All the following transactions were carried out on normal terms and conditions during the year.

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

<table>
<thead>
<tr>
<th>Compensation by category</th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short term</td>
<td>3,501</td>
<td>3,125</td>
</tr>
<tr>
<td>Other long-term leave payments</td>
<td>–</td>
<td>31</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>3,501</td>
<td>3,156</td>
</tr>
</tbody>
</table>

(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.
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  R D Deutsch FCA
President  Deputy President
Sydney, 19 August 2008
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
Environmental sustainability

Until 2006, all Institute members received a hard copy of the Annual Report. However, in March 2007 the Institute’s by-laws were amended so that a hard copy would only be provided to members who specifically requested a copy (the report is also available to members online). Furthermore, all of the hard copies that were requested by members have been produced using recycled paper.
The Institute of Chartered Accountants in Australia
Contact details

National Office / New South Wales
33 Erskine Street
Sydney NSW 2000
GPO Box 3921, Sydney NSW 2001
Service 1300 137 322
Phone 02 9290 1344
Fax 02 9262 1512
Email service@charteredaccountants.com.au

Australian Capital Territory
Level 10, 60 Marcus Clarke Street
Canberra ACT 2601
GPO Box 396, Canberra ACT 2601
Service 1300 137 322
Phone 02 6122 6100
Fax 02 6122 6122
Email service@charteredaccountants.com.au

Queensland
Level 32, Central Plaza One
345 Queen Street
Brisbane Qld 4000
GPO Box 2054, Brisbane Qld 4001
Service 1300 137 322
Phone 07 3233 6500
Fax 07 3233 6555
Email service@charteredaccountants.com.au

South Australia / Northern Territory
Level 11, 1 King William Street
Adelaide SA 5000
Service 1300 137 322
Phone 08 8113 5500
Fax 08 8231 1982
Email service@charteredaccountants.com.au

Victoria / Tasmania
Level 3, 600 Bourke Street
Melbourne Vic 3000
GPO Box 1742, Melbourne Vic 3001
Service 1300 137 322
Phone 03 9641 7400
Fax 03 9670 3143
Email service@charteredaccountants.com.au

Western Australia
Ground Floor BGC Centre
28 The Esplanade
Perth WA 6000
PO Box Z5385, St Georges Terrace
Perth WA 6831
Service 1300 137 322
Phone 08 9420 0400
Fax 08 9321 5141
Email service@charteredaccountants.com.au

charteredaccountants.com.au