

# Financial statements

for the year ended  
30 June 2010

ABN 50 084 642 571

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The Institute of  
Chartered Accountants  
in Australia

# Financial commentary

For the year ended 30 June 2010

## Principal activities

This year, the principal activities of the Institute were providing education and training to members, potential members and the broader business community, and providing 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 \$6.7 million for the year (2009: \$4.8 million). Revenue rose by 8.3% to \$86.1 million, while expenditure increased by 6.2%.

## Revenue and expenditure

The major movements in revenue were as follows:

- > Growth in membership revenue was primarily due to a net increase in member numbers of 5% combined with an increase in subscription rates of 2.9%, which produced \$2.6 million of increased revenue from membership fees and related activities
- > There was growth in the Chartered Accountants Program revenue of \$2.2 million. The program received higher overall enrolments and module fees increased by 4%
- > Learning and Business Solutions revenue increased by 13.7% due to the increase in revenue generated from Live One Training, customised in-house training solutions and increased attendance figures at Business Forum and other conferences
- > Other revenue decreased by 2.3%, primarily from decreased *Charter* magazine advertising revenue and decreased sponsorship revenue
- > Interest revenue increased due to increased cash balances during the year combined with an increase in deposit rates.

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

- > Service expenses increased by 11.3%, primarily as a result of additional expenses in delivering the Chartered Accountants Program, and Learning and Business Solutions delivery costs
- > Administration expenses decreased by 2.3%, primarily due to one-off expenditure in the previous year on the website design concept
- > IT expenses increased by 16.8%, primarily due to costs associated with two stages of a major IT overhaul (known as the 'IT foundation project' and the 'IT renewal program')
- > Other expenses increased by 22.2%, primarily due to consulting fees associated with the strategic review of the Chartered Accountants Program, appointment of advocates in government and academic relations, increased costs associated with additional Thought Leadership papers and additional marketing expenditure.

## Capital expenditure

Capital expenditure overall remained static in comparison to the prior year. The major expenditure was software and hardware for the IT renewal program and other IT-related costs, namely replacement servers in Sydney and Melbourne and hardware costs in setting up a disaster recovery site.

## Cash flow and liquidity

At balance date, the Institute had cash of \$26.8 million of which \$26.1 million is due to the receipt of membership subscriptions in May and June. The increase in the cash position at balance date reflects the increase in revenue from the Chartered Accountants Program and membership subscriptions. The Institute did not utilise its overdraft facility during the year and borrowings are not expected to be required in the upcoming financial year.

The build-up of cash reserves will allow the Institute to fund the investment in the Institute's IT systems over the coming years. The IT renewal program commenced in June 2010 with anticipated completion in November 2011 and a five-year total cost of ownership of \$8.5 million.

## Five-year summary

	2010 \$'000	2009 \$'000	2008 \$'000	2007 \$'000	2006 \$'000
Revenue from operating activities	83,835	77,709	73,985	68,070	59,508
Revenue from non-operating activities	2,277	1,835	1,612	1,519	2,371
<b>Total revenue</b>	<b>86,112</b>	<b>79,544</b>	<b>75,597</b>	<b>69,589</b>	<b>61,879</b>
<b>Total expenses</b>	<b>79,392</b>	<b>74,723</b>	<b>73,773</b>	<b>67,600</b>	<b>61,429</b>
<b>Surplus from ordinary activities</b>	<b>6,720</b>	<b>4,821</b>	<b>1,824</b>	<b>1,989</b>	<b>450</b>
Current assets	32,117	19,885	10,217	18,205	21,187
Non-current assets	59,945	59,528	61,185	54,848	36,785
Current liabilities	(42,414)	(39,989)	(37,573)	(33,591)	(28,861)
Non-current liabilities	(1,255)	(943)	(661)	(10,822)	(2,460)
<b>Total net assets</b>	<b>48,393</b>	<b>38,481</b>	<b>33,168</b>	<b>28,640</b>	<b>26,651</b>
Reserves	6,388	3,196	2,704	–	7,367
Retained earnings	42,005	35,285	30,464	28,640	19,284
<b>Total members' funds</b>	<b>48,393</b>	<b>38,481</b>	<b>33,168</b>	<b>28,640</b>	<b>26,651</b>

# Statement of comprehensive income

For the year ended 30 June 2010

	Notes	2010 \$'000	2009 \$'000
Revenue from operating activities		83,835	77,709
Revenue from non-operating activities		2,277	1,835
<b>Total revenue from ordinary activities</b>	4	<b>86,112</b>	79,544
Service expenses		(18,882)	(16,964)
Occupancy expenses		(5,068)	(5,075)
Administration expenses		(34,261)	(35,082)
Information technology expenses		(7,071)	(6,053)
Other expenses		(14,110)	(11,549)
<b>Total expenses from ordinary activities</b>		<b>(79,392)</b>	(74,723)
<b>Surplus from ordinary activities</b>		<b>6,720</b>	4,821
<b>Other comprehensive income</b>			
Fair value revaluation of freehold property		3,192	492
<b>Total other comprehensive income</b>		<b>3,192</b>	492
<b>Total comprehensive income for the year</b>		<b>9,912</b>	5,313
<b>Total surplus for the year is attributable to members of the Institute</b>		<b>6,720</b>	4,821
<b>Total comprehensive income for the year is attributable to members of the Institute</b>		<b>9,912</b>	5,313

The above Statement of comprehensive income should be read in conjunction with the accompanying notes.

# Statement of financial position

As at 30 June 2010

	Notes	2010 \$'000	2009 \$'000
<b>Current assets</b>			
Cash and cash equivalents	6	26,754	15,146
Trade and other receivables	7	5,363	4,739
<b>Total current assets</b>		<b>32,117</b>	<b>19,885</b>
<b>Non-current assets</b>			
Receivables	7	–	350
Property, plant and equipment	8	59,360	58,877
Intangible assets	9	585	301
<b>Total non-current assets</b>		<b>59,945</b>	<b>59,528</b>
<b>Total assets</b>		<b>92,062</b>	<b>79,413</b>
<b>Current liabilities</b>			
Receipts in advance	10	35,548	33,296
Trade and other payables	11	4,896	4,887
Provisions	12	1,970	1,806
<b>Total current liabilities</b>		<b>42,414</b>	<b>39,989</b>
<b>Non-current liabilities</b>			
Trade and other payables	11	597	429
Provisions	12	658	514
<b>Total non-current liabilities</b>		<b>1,255</b>	<b>943</b>
<b>Total liabilities</b>		<b>43,669</b>	<b>40,932</b>
<b>Net assets</b>		<b>48,393</b>	<b>38,481</b>
<b>Members' funds</b>			
Reserves	13	6,388	3,196
Retained earnings	13	42,005	35,285
<b>Total members' funds</b>		<b>48,393</b>	<b>38,481</b>

The above Statement of financial position should be read in conjunction with the accompanying notes.

## Statement of changes in equity

For the year ended 30 June 2010

	Reserves \$'000	Retained earnings \$'000	Total \$'000
<b>At 1 July 2009</b>	<b>3,196</b>	<b>35,285</b>	<b>38,481</b>
<b>Profit for the year</b>	–	6,720	6,720
<b>Other comprehensive income</b>	3,192	–	3,192
<b>Total comprehensive income</b>	<b>3,192</b>	<b>6,720</b>	<b>9,912</b>
<b>At 30 June 2010</b>	<b>6,388</b>	<b>42,005</b>	<b>48,393</b>
	Reserves \$'000	Retained earnings \$'000	Total \$'000
<b>At 1 July 2008</b>	2,704	30,464	33,168
<b>Profit for the year</b>	–	4,821	4,821
<b>Other comprehensive income</b>	492	–	492
<b>Total comprehensive income</b>	<b>492</b>	<b>4,821</b>	<b>5,313</b>
<b>At 30 June 2009</b>	<b>3,196</b>	<b>35,285</b>	<b>38,481</b>

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

# Statement of cash flows

For the year ended 30 June 2010

	Notes	2010 \$'000	2009 \$'000
<b>Cash flows from operating activities</b>			
Receipts from members' subscriptions		44,590	46,170
Receipts from Institute activities		48,351	46,101
Payments to suppliers and employees		(79,559)	(80,283)
Net payments for GST		(1,294)	(344)
<b>Net cash flows from operating activities</b>	6	<b>12,088</b>	11,644
<b>Cash flows from investing activities</b>			
Proceeds from sale of property, plant and equipment		11	16
Payment for property, plant and equipment		(616)	(949)
Payments for intangibles		(530)	(242)
Interest received		655	224
<b>Net cash flows from/(used in) investing activities</b>		<b>(480)</b>	(951)
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		–	5,409
Repayment of borrowings		–	(5,409)
Interest paid		–	(22)
<b>Net cash flows from/(used in) financing activities</b>		<b>–</b>	(22)
Net increase/(decrease) in cash and cash equivalents		11,608	10,671
Cash and cash equivalents at the beginning of the financial year		15,146	4,475
<b>Cash and cash equivalents at the end of the financial year</b>	6	<b>26,754</b>	15,146

The above Statement of cash flows should be read in conjunction with the accompanying notes.

# Notes to the financial statements

For the year ended 30 June 2010

## 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 incorporated and 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.

## 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 that 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.

### Adoption of new accounting standards

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 2010. The interpretations as relevant to the Institute are set out below.

AASB 9 *Financial Instruments* includes requirements for the classification and measurement of financial assets resulting

from the first part of Phase 1 of the project to replace AASB 139 *Financial Instruments: Recognition and Measurement*. AASB 9 will become mandatory for the Institute's 30 June 2014 financial statements. The Institute has not yet determined the potential effect of the standard.

AASB 124 *Related Party Disclosures* (revised December 2009) simplifies and clarifies the intended meaning of the definition of a related party and provides a partial exemption from the disclosure requirements for government-related entities. The amendments, which will become mandatory for the Institute's 30 June 2012 financial statements, are not expected to have any impact on the financial statements.

AASB 2009-5 *Further amendments to Australian Accounting Standards arising from the Annual Improvements Process* affects various AASBs resulting in minor changes for presentation, disclosure, recognition and measurement purposes. The amendments, which will become mandatory for the Institute's 30 June 2011 financial statements, are not expected to have a significant impact on the financial statements.

### (c) Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position, which comprise cash at bank and in hand and short-term deposits, are stated at their nominal amount.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above and include 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.

### (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 that 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 land, is calculated on a straight-line basis at rates that 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 Statement of Comprehensive Income. 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 that 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 Statement of Financial Position, except to the extent that it reverses a revaluation decrement for the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss.

Any revaluation decrement is recognised in profit or loss, except to the extent that it offsets a previous revaluation

increment for the same asset, in which case the decrement is debited directly to the property revaluation reserve to the extent of the credit balance existing in the revaluation reserve for that asset.

#### (iii) Derecognition and disposal

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

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

#### (f) Intangibles

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

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

Intangibles are amortised as follows:

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

#### (g) Receipts in advance

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

## Notes to the financial statements (continued)

For the year ended 30 June 2010

### (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.

### (i) Employee leave benefits

#### (i) Wages, salaries and annual leave

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

#### (ii) Long service leave

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

### (j) Revenue and expense recognition

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

#### (i) Member fees

The Institute's membership subscription year is 1 July to 30 June. Fees are payable annually in advance. Only those member fee receipts that 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 Statement of Financial Position as receipts in advance under the heading of current liabilities.

#### (ii) Other revenue-generating activities

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

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

Revenue in regard to certain activities is deferred in cases where it is anticipated that refunds will be made in regard to discontinuation by attendees. The deferred amount is carried forward in the Statement of Financial Position within receipts in advance.

For activities that 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) Member benefits revenue**

The Institute receives revenue in the form of trailing or upfront commissions on member generated activity through its member benefit program offers. Income is accounted for on an accrual basis.

#### **(v) 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.

#### **(vi) 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. The exception is when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor the taxable profit or loss.

The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

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

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

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

##### **(ii) Goods and services tax (GST)**

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

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

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

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 Statement of Cash Flows 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.

## Notes to the financial statements (continued)

For the year ended 30 June 2010

### (l) Operating leases

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

### (q) 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.

## **3. Financial risk management objectives and policies**

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

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 seasonal overdraft facility with a financial institution with a limit of \$14,000,000. 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. The Institute did not utilise the overdraft during the current year and it is anticipated that the overdraft facility will not be utilised in the 2010–2011 financial year. The Institute will be seeking to reduce the overdraft facility limit at the next scheduled review date in late 2010. In order to minimise interest costs and consistent with previous years during the period that the Institute has surplus cash, the Institute has chosen not to fix any component of its borrowings.

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 that are generally settled through credit card transactions at the time of incurrence, contributions to IFAC, contributions to overseas member groups, and software licensing.

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

**Notes to the financial statements** (continued)

For the year ended 30 June 2010

**3. Financial risk management objectives and policies** (continued)

	Principal subject to floating interest rate \$'000	Principal subject to fixed interest rate \$'000	Non-interest bearing \$'000	Total \$'000	Average interest rate	
					Floating	Fixed
<b>2010</b>						
<b>Financial assets</b>						
Cash and cash equivalents	5,212	21,542	–	26,754	3.00%	3.80%
Trade receivables	–	–	2,598	2,598	–	–
Other receivables	–	–	1,663	1,663	4.59%	–
<b>Total financial assets</b>	<b>5,212</b>	<b>21,542</b>	<b>4,261</b>	<b>31,015</b>		
<b>Financial liabilities</b>						
Trade and other payables	–	–	(5,493)	(5,493)	–	–
<b>Total financial liabilities</b>	<b>–</b>	<b>–</b>	<b>(5,493)</b>	<b>(5,493)</b>		

**2009**

<b>Financial assets</b>						
Cash and cash equivalents	6,646	8,500	–	15,146	2.62%	4.43%
Trade receivables	–	–	2,210	2,210	–	–
Other receivables	350	–	1,163	1,513	5.11%	–
<b>Total financial assets</b>	<b>6,996</b>	<b>8,500</b>	<b>3,373</b>	<b>18,869</b>		
<b>Financial liabilities</b>						
<b>Trade and other payables</b>	<b>–</b>	<b>–</b>	<b>(5,316)</b>	<b>(5,316)</b>	<b>–</b>	<b>–</b>
<b>Total financial liabilities</b>	<b>–</b>	<b>–</b>	<b>(5,316)</b>	<b>(5,316)</b>		

**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 2010, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post-tax surplus and members' funds would have been affected as follows:

	Post-tax surplus increase/(decrease)		Members' funds increase/(decrease)	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
If there was 50 basis points higher in interest rates with all other variables held constant	134	76	134	76
If there was 50 basis points lower in interest rates with all other variables held constant	(134)	(76)	(134)	(76)

## 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.

## 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
- > The Institute may be unable to settle or recover a financial asset at all.

To help reduce these risks, the Institute has:

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

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

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

	Less than 6 months \$'000	6 to 12 months \$'000	1 to 5 years \$'000	Total \$'000
<b>2010</b>				
<b>Financial liabilities</b>				
Trade and other payables	(4,896)	–	(597)	(5,493)
	(4,896)	–	(597)	(5,493)
<b>2009</b>				
<b>Financial liabilities</b>				
Trade and other payables	(4,887)	–	(429)	(5,316)
	(4,887)	–	(429)	(5,316)

**Notes to the financial statements** (continued)

For the year ended 30 June 2010

**4. Revenue and expenses**

	2010 \$'000	2009 \$'000
<b>(a) Revenue</b>		
<b>Revenue from operating activities:</b>		
Subscriptions and related revenue	40,369	37,748
Revenue from education and other services	43,466	39,961
<b>Total revenue from operating activities</b>	<b>83,835</b>	<b>77,709</b>
<b>Revenue from non-operating activities:</b>		
Rent	1,092	1,117
Royalties	565	494
Interest from other persons	655	224
Net (loss) on disposal of property, plant and equipment	(35)	–
<b>Total revenue from non-operating activities</b>	<b>2,277</b>	<b>1,835</b>
<b>Total revenue</b>	<b>86,112</b>	<b>79,544</b>
<b>(b) Expenses included in the Statement of comprehensive income</b>		
Depreciation and amortisation of non-current assets		
Freehold property	815	783
Furniture and equipment	593	750
Computer equipment	865	777
Fixtures and fittings on freehold premises	717	604
Fixtures and fittings on leasehold premises	287	307
Motor vehicles	2	6
Depreciation and amortisation of property, plant and equipment	3,279	3,227
Computer software	86	94
Depreciation and amortisation of non-current assets	3,365	3,321
Operating lease expense on premises	1,756	1,722
Employee benefits expense		
Wages and salaries	28,464	28,665
Superannuation	2,202	2,176
	<b>30,666</b>	<b>30,841</b>
Other expenses		
Bad debts written off	24	16
Finance costs		
Bank loans and overdraft	–	22

## 5. Income tax

	2010 \$'000	2009 \$'000
<b>(a) Income tax expense</b>		
The major components of income tax are:		
Current income tax	1,966	1,391
Adjustments in respect of current income tax of previous years	(1,196)	615
Benefit arising from previously unrecognised tax losses of prior periods used to reduce current income tax expense	(770)	(2,006)
<b>Aggregate income tax expense</b>	–	–
<b>(b) Numerical reconciliation between tax expense recognised in the Statement of comprehensive income and prima facie income tax</b>		
Surplus from ordinary activities	6,720	4,821
Prima facie tax expense at the rate of 30% (2009: 30%)	2,016	1,446
Adjustments in respect of current income tax of previous years	(1,196)	615
Entertainment	70	55
Depreciation of plant and equipment, and intangibles	1,009	996
Mutual activities	(1,129)	(1,106)
Benefit arising from previously unrecognised tax losses of prior periods used to reduce current income tax expense	(770)	(2,006)
<b>Aggregate income tax expense</b>	–	–

At balance date, accumulated revenue tax losses of \$13,657,000 (2009: \$13,920,000) 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 \$1,123,000 (2009: \$908,000).

**Notes to the financial statements** (continued)

For the year ended 30 June 2010

**6. Cash and cash equivalents**

	2010 \$'000	2009 \$'000
Cash at bank and on hand	5,212	6,646
Short-term deposits	21,542	8,500
	<b>26,754</b>	<b>15,146</b>

Cash and cash equivalents comprise cash on hand and cash at bank which is at call and which earned interest at floating rates and short-term deposits which earned interest at fixed rates.

The Institute has entered into an approved overdraft facility with a financial institution with a limit of \$14,000,000 and secured by a registered mortgage over the property situated at 33 Erskine Street, Sydney NSW. The effective interest rate is based upon the 30-day bank bill swap rate plus a margin.

At 30 June 2010, the Institute had available \$14,000,000 (2009: \$19,000,000) of undrawn committed borrowing facilities.

**Reconciliation to Statement of Cash Flows**

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

Cash and cash equivalents (per Statement of financial position)	26,754	15,146
Cash and cash equivalents (per Statement of cash flows)	26,754	15,146

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

Net surplus from ordinary activities	6,720	4,821
Adjustment:		
Depreciation and amortisation of property, plant and equipment	3,279	3,227
Net (gain)/loss on disposal of property, plant and equipment and intangibles	35	3
Amortisation and impairment of intangible assets	246	94
Net bad debt expense	–	(86)
Interest received	(655)	(224)
Interest paid	–	22
	<b>2,905</b>	<b>3,036</b>
Changes in working capital:		
Decrease/(increase) in receivables	(274)	1,089
Increase/(decrease) in payables	177	(4,334)
Increase in provisions	308	251
Increase in receipts in advance	2,252	6,781
	<b>2,463</b>	<b>3,787</b>
<b>Net cash flows from operating activities</b>	<b>12,088</b>	<b>11,644</b>

## 7. Trade and other receivables

	2010 \$'000	2009 \$'000
<b>Current</b>		
Trade receivables (a)	2,771	2,383
Allowance for impairment loss	(173)	(173)
	<b>2,598</b>	<b>2,210</b>
<b>Non-trade receivables (b)</b>		
Other receivables	1,663	1,163
Prepayments	1,102	1,366
Total trade and other receivables	<b>5,363</b>	<b>4,739</b>
<b>Non-current</b>		
<b>Non-trade receivables (c)</b>		
Loan receivable	350	350
Provision for impairment	(350)	–
Net loan receivable	–	350

(a) Trade receivables are non-interest bearing and are generally on 30-day terms. A provision for impairment loss has been made for estimated irrecoverable trade receivables determined by assessment made by management when there is objective evidence that an individual trade receivable is impaired. An impairment charge of \$24,000 (2009: impairment writeback of \$70,000) has been recognised by the Institute in the current year. These amounts have been included in the other expenses line item in the Statement of comprehensive income.

Included in the Institute's trade receivables are debtors with a carrying amount of \$994,000 (2009: \$738,000) 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.

(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.

(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 that is charged monthly based on the 90-day bank bill rate plus 0.5%. Management has assessed the AAT loan, and an impairment provision has been created for the entire amount. Negotiations will be conducted with the AAT in conjunction with CPA Australia and the National Institute of Accountants to extend the repayment of the original loan.

**Notes to the financial statements** (continued)

For the year ended 30 June 2010

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

	2010 \$'000	2009 \$'000
At 30 June, the ageing analysis of trade debtors is as follows:		
Neither past due nor impaired	1,604	1,472
Past due but not impaired:		
31–60 days	651	473
61–90 days	279	249
> 90 days	64	16
	994	738
Past due and impaired:		
31–60 days	75	70
61–90 days	30	4
> 90 days	68	99
	173	173
<b>Total</b>	<b>2,771</b>	<b>2,383</b>
Movements in the provision for impairment loss were as follows:		
At 1 July	173	259
Net (writeback)/charge for the year	24	(70)
Amounts written off	(24)	(16)
At 30 June	173	173

## 8. Property, plant and equipment

	2010 \$'000	2009 \$'000
Freehold property – at fair value	49,431	47,055
Furniture and equipment – at cost	4,556	4,512
Less: Accumulated depreciation	(2,090)	(2,245)
	2,466	2,267
Computer equipment – at cost	3,970	4,360
Less: Accumulated depreciation	(3,059)	(3,003)
	911	1,357
Fixtures and fittings on freehold premises – at cost	7,165	7,980
Less: Accumulated depreciation	(2,100)	(1,532)
	5,065	6,448
Fixtures and fittings on leasehold premises – at cost	3,141	3,177
Less: Accumulated amortisation	(1,676)	(1,427)
	1,465	1,750
Motor vehicles – at cost	62	86
Less: Accumulated depreciation	(40)	(86)
	22	–
<b>Total property, plant and equipment</b>	<b>59,360</b>	<b>58,877</b>

### Motor vehicles

Motor vehicles are either provided to certain senior staff in accordance with approved employment arrangements or purchased for marketing purposes.

### 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 2010 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 2010

**8. Property, plant and equipment** (continued)

**Reconciliations**

Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:

	2010 \$'000	2009 \$'000
<b>Freehold property</b>		
Carrying amount at beginning of the financial year	47,055	47,346
Additions	–	–
Reclassification	(1)	–
Revaluation	3,192	492
Depreciation expense	(815)	(783)
	<b>49,431</b>	<b>47,055</b>
<b>Furniture and equipment</b>		
Carrying amount at beginning of the financial year	2,267	1,153
Additions	141	276
Reclassification	666	1,601
Disposals	(15)	(13)
Depreciation expense	(593)	(750)
	<b>2,466</b>	<b>2,267</b>
<b>Computer equipment</b>		
Carrying amount at beginning of the financial year	1,357	1,704
Additions	450	434
Disposals	(31)	(4)
Depreciation expense	(865)	(777)
	<b>911</b>	<b>1,357</b>
<b>Fixtures and fittings on freehold premises</b>		
Carrying amount at beginning of the financial year	6,448	8,508
Additions	–	145
Reclassification	(666)	(1,601)
Depreciation expense	(717)	(604)
	<b>5,065</b>	<b>6,448</b>

## Reconciliations (continued)

	2010 \$'000	2009 \$'000
<b>Fixtures and fittings on leasehold premises</b>		
Carrying amount at beginning of the financial year	1,750	1,963
Additions	1	94
Reclassification	1	–
Disposals	–	–
Amortisation	(287)	(307)
	<b>1,465</b>	<b>1,750</b>
<b>Motor vehicles</b>		
Carrying amount at beginning of the financial year	–	8
Additions	24	–
Disposals	–	(2)
Depreciation expense	(2)	(6)
	<b>22</b>	<b>–</b>
<b>Total</b>		
Carrying amount at beginning of the financial year	58,877	60,682
Additions	616	949
Revaluation	3,192	492
Disposals	(46)	(19)
Depreciation expense	(2,992)	(2,920)
Amortisation expense	(287)	(307)
	<b>59,360</b>	<b>58,877</b>

**Notes to the financial statements** (continued)

For the year ended 30 June 2010

**9. Intangibles**

	2010 \$'000	2009 \$'000
Computer software	2,483	2,113
Less: Accumulated amortisation	(1,898)	(1,812)
	<b>585</b>	<b>301</b>
<b>Reconciliation</b>		
Carrying value at beginning of the financial year	301	153
Additions	530	242
Disposals	–	–
Impairment expense	(160)	–
Amortisation	(86)	(94)
	<b>585</b>	<b>301</b>

**10. Receipts in advance**

Members' fees	26,147	25,559
Development course fees	7,729	7,356
Other	1,672	381
	<b>35,548</b>	<b>33,296</b>

**11. Trade and other payables**

**Current**

Trade payables	4,442	4,023
Other payables	392	696
Lease liabilities	62	168
	<b>4,896</b>	<b>4,887</b>

**Non-current**

Lease liabilities	597	429
	<b>597</b>	<b>429</b>

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. Provisions

	2010 \$'000	2009 \$'000
<b>Current</b>		
Employee entitlements	1,970	1,806
	<b>1,970</b>	<b>1,806</b>
<b>Non-current</b>		
Employee entitlements	375	251
Make good provision	283	263
	<b>658</b>	<b>514</b>
<b>Reconciliation make good provision</b>		
Balance at beginning of the financial year	263	245
Arising during the year	-	-
Utilised during the year	-	-
Discount rate adjustment	20	18
	<b>283</b>	<b>263</b>

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%.

## 13. Reserves and retained earnings

### Nature and purpose of reserves

The property revaluation reserve is used to record increments and decrements in the value of the property. The reserve is not distributable to members under the terms of the Supplemental Royal Charter of the Institute.

### Movements in reserves:

<b>Property revaluation reserve</b>		
Balance at beginning of the financial year	3,196	2,704
Increment on revaluation of property (refer Note 8)	3,192	492
Balance at end of the financial year	<b>6,388</b>	<b>3,196</b>

### Movements in retained earnings:

<b>Retained earnings</b>		
Balance at beginning of the financial year	35,285	30,464
Surplus from ordinary activities	6,720	4,821
Balance at end of the financial year	<b>42,005</b>	<b>35,285</b>

**Notes to the financial statements** (continued)

For the year ended 30 June 2010

**14. Commitments**

	2010 \$'000	2009 \$'000
<b>Operating leases – state branch office space</b>		
Within one year	1,718	1,699
After one year but not later than five years	6,343	6,448
More than five years	2,418	4,128
	<b>10,479</b>	<b>12,275</b>

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	1,150	–
After one year but not later than five years	1,101	–
More than five years	–	–
	<b>2,251</b>	<b>–</b>

Expenditure commitments relate to the Institute IT renewal program and the Live One online training program.

**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 2011 financial year are expected to be \$198,000 to AASB and \$22,000 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 \$425,670 during the 2011 financial year.

**15. Contingent liabilities**

	2010 \$'000	2009 \$'000
Indemnities for bank guarantees to the lessors of premises occupied under operating leases.	758	758

## 16. Auditors' remuneration

	2010 \$	2009 \$
Audit services	155,530	170,550
Other services:		
Training & Development presentations	2,765	33,000
Tax and accounting advisory	18,092	78,313
	20,857	111,313

## 17. Unlisted shares in other entities

The Institute has an interest in the following corporation:

Name of corporation	Country of incorporation	Percentage of ownership	
		2010	2009
ICAA Nominees Pty Limited	Australia	100%	100%

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

## 18. Employee entitlements and superannuation arrangements

	2010 \$'000	2009 \$'000
<b>The aggregate employment liability is comprised of:</b>		
Accrued wages, salaries and on-costs	141	452
Provisions (current)	1,970	1,806
Provisions (non-current)	375	251
	2,486	2,509

**Notes to the financial statements** (continued)

For the year ended 30 June 2010

**19. 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:

	Notes	Total \$'000	Loans and receivables \$'000	Financial liability measured at amortised cost \$'000
<b>2010</b>				
<b>Current financial assets</b>				
Cash and cash equivalents	6	26,754	26,754	–
Trade receivables	7	2,598	2,598	–
Other receivables	7	2,765	2,765	–
<b>Total current financial assets</b>		<b>32,117</b>	<b>32,117</b>	<b>–</b>
<b>Total financial assets</b>		<b>32,117</b>	<b>32,117</b>	<b>–</b>
<b>Current financial liabilities</b>				
Trade and other payables	11	(4,896)	–	(4,896)
<b>Non-current financial liabilities</b>				
Trade and other payables	11	(597)	–	(597)
<b>Total financial liabilities</b>		<b>(5,493)</b>	<b>–</b>	<b>(5,493)</b>
<b>Net financial assets/(liabilities)</b>		<b>26,624</b>	<b>32,117</b>	<b>(5,493)</b>
<b>2009</b>				
<b>Current financial assets</b>				
Cash and cash equivalents	6	15,146	15,146	–
Trade receivables	7	2,210	2,210	–
Other receivables	7	2,529	2,529	–
<b>Total current financial assets</b>		<b>19,885</b>	<b>19,885</b>	<b>–</b>
<b>Non-current financial assets</b>				
Receivables	7	350	350	–
<b>Total financial assets</b>		<b>20,235</b>	<b>20,235</b>	<b>–</b>
<b>Current financial liabilities</b>				
Trade and other payables	11	(4,887)	–	(4,887)
<b>Non-current financial liabilities</b>				
Trade and other payables	11	(429)	–	(429)
<b>Total financial liabilities</b>		<b>(5,316)</b>	<b>–</b>	<b>(5,316)</b>
<b>Net financial assets/(liabilities)</b>		<b>14,919</b>	<b>20,235</b>	<b>(5,316)</b>

## 20. Related party transactions

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.

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

Director	Director-related entity	Transaction detail and terms	2010 \$'000	2009 \$'000
<b>T Gullifer</b>	Deloitte Touche Tohmatsu	Preparation and presentation of educational courses	24	–
		Royalty	6	–
		Consultancy fees	165	–
<b>R Deutsch and N Wilson</b>	PricewaterhouseCoopers	Contribution to PwC Transparency Awards	91	91
		Presentation of educational courses	3	11
		Consultancy fees	20	–
<b>P Green</b>	University of Queensland	Contribution to research papers	14	7
		Venue hire	21	3
<b>A Waters</b>	KPMG	Preparation and presentation of educational courses	39	105

As of 30 June 2010, there is an amount payable of \$1,372 to the University of Queensland. The amount is within the trade and other payables on the statement of financial position.

**Notes to the financial statements** (continued)

For the year ended 30 June 2010

**21. Director and executive disclosures**

**(a) Details of key management personnel**

(i) Directors

<b>R Deutsch</b>		Retired 31 December 2009
<b>M Spinks</b>		
<b>R Grimes</b>		
<b>C Farrow</b>		
<b>M Watson</b>		
<b>F Bennett</b>		
<b>P Green</b>		
<b>M Ashton</b>		
<b>A Waters</b>		
<b>T Gullifer</b>		Appointed 1 January 2010
<b>N Wilson</b>		Appointed 1 January 2010

(ii) Executives

<b>G B Meyer</b>	Chief Executive Officer	
<b>E McFadzean</b>	Deputy Chief Executive Officer	
<b>W J Palmer</b>	Director of Asia	
<b>A M McCotter</b>	General Manager Learning & Business Solutions	
<b>S E Frenkel</b>	General Manager Chartered Accountants Program & Admissions	Resigned 30 July 2010
<b>S B M Grant</b>	General Manager Qld	
<b>M T Jones</b>	General Manager SA/NT	
<b>D Pittard</b>	General Manager Vic/Tas	Appointed 24 March 2010
<b>G Arcus</b>	General Manager WA	
<b>P Reddy</b>	General Manager Corporate Services	
<b>A Evans</b>	General Manager NSW	
<b>R Le Grande</b>	General Manager ACT	
<b>B Bell</b>	General Manager Strategy & Business Excellence	
<b>M A Maky</b>	General Manager Human Resources	
<b>L White</b>	General Manager Leadership & Quality	
<b>T Fisher</b>	General Manager Sales & Marketing	Appointed 26 October 2009
<b>M Nazzari</b>	General Manager Vic/Tas	Resigned 8 January 2010

## (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).

To ensure equity in our remuneration decisions the Institute uses salary bands to establish remuneration ranges for jobs of similar value. The Institute benchmarks jobs for job sizing using a well-established methodology that provides remuneration ranges for salary bands based on job size. In structuring remuneration ranges the Institute aims to remain competitive and positioned appropriately for the scope and size of its operations.

The benchmark that the Institute bases directors' remuneration on is:

- > President – 25% to 40% of the total salary package of the Auditor-General of the Commonwealth of Australia
- > Deputy President – up to 50% of the remuneration of the President
- > Directors – up to 50% of the remuneration of the Deputy President.

### (ii) Compensation of directors and executives for the year

	2010 \$'000	2009 \$'000
<b>Compensation by category</b>		
Short term	4,071	3,866
Other long-term benefits	21	64
Termination benefits	102	207
	<b>4,194</b>	<b>4,137</b>
	<b>2010 Number</b>	<b>2009 Number</b>
<b>The number of directors whose remuneration falls within the following bands is:</b>		
\$0 – \$29,999	4	5
\$30,000 – \$59,999	5	5
\$60,000 – \$89,999	1	1
\$90,000 – \$99,999	1	–
<b>The number of executives whose remuneration falls within the following bands is:</b>		
\$30,000 – \$59,999	1	1
\$60,000 – \$89,999	1	1
\$90,000 – \$119,999	–	4
\$120,000 – \$149,999	4	2
\$150,000 – \$179,999	2	6
\$180,000 – \$209,999	4	1
\$210,000 – \$239,999	1	3
\$240,000 – \$269,999	1	–
\$270,000 – \$299,999	–	1
\$300,000 – \$329,999	1	1
\$330,000 – \$359,999	2	–
\$510,000 – \$539,999	–	1
\$540,000 – \$569,999	1	–

## **Notes to the financial statements** (continued)

For the year ended 30 June 2010

### **21. Director and executive disclosures** (continued)

#### **(b) Compensation of key management personnel** (continued)

##### (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.

### **22. 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.

### **23. Members and members' liability**

Total membership at 30 June 2010 is 54,044 (2009: 51,473).

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 that at the time of ceasing to be a member were due by that member to the Institute.

### **24. 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.

## 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:

- (a) Comply with Australian Accounting Standards and other mandatory professional reporting requirements
- (b) Present fairly the financial position of the Institute as at 30 June 2010 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.



**M Spinks FCA**  
President



**R Grimes FCA**  
Deputy President

Sydney, 23 August 2010

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

I have audited the accompanying financial report of the Institute of Chartered Accountants in Australia (the Institute), which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows 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.

## Auditor's 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 that 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.

## Auditor's opinion

In my opinion the financial report of the Institute of Chartered Accountants in Australia presents fairly, in all material respects, the financial position of the Institute of Chartered Accountants in Australia as of 30 June 2010 and of its performance for the year then ended on that date; and complies with Australian Accounting Standards (including the Australian Accounting Interpretations).



Sean Van Gorp FCA  
Auditor

Sydney, 23 August 2010

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