



Business Across Borders

NOTICE IS HEREBY GIVEN
that the
ANNUAL GENERAL MEETING
of the National Institute of
Accountants (NIA)
will be held at:

Boardroom 2
The Sofitel Wentworth
61–101 Phillip Street
Sydney NSW

on
Friday 11 November 2005
Commencing at 5.30 pm

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David Hickman – National President

The NIA has worked hard this year to put the spotlight on issues affecting members and to make improvements to meet the evolving needs of today's global accounting professionals.

Our commitment to enhancing the National Institute of Accountants's (NIA's) status and to delivering quality of service has been reflected in outstanding membership growth for 2004–05 and consistently high feedback from our membership surveys. NIA membership has now reached 14,000, including more than 1,000 overseas members. This significant achievement has been consolidated by the opening of new office premises in Sydney, Canberra, Brisbane and Kuala Lumpur.

In line with our policy to strengthen the NIA's position as a key accounting association through building brand recognition, the Board has approved five major funding initiatives aimed at increasing the NIA's standing through affiliations with recruitment agencies, universities and key overseas markets.

This year significant recognition has come with our successful application for membership of the International Federation of Accountants (IFAC). We would like to remind members that as a result of IFAC membership there have been changes to NIA membership requirements.

Another focus of this year's activities has been the fostering of high-level government and industry relationships. As part of our goal to ensure policy, legislation and other regulatory issues are addressed as early as possible, we have made new staff appointments that have improved our capacity to contribute to technical forums, particularly in the area of accounting and auditing standards.

It has been a rewarding year for the NIA team and I am delighted to announce the extension of CEO Roger Cotton's contract for a second term. Roger's efforts have been instrumental in growing the NIA's profile and initiating a range of projects for the benefit of all members. I express my sincere thanks to him for his hard work and dedication.

Leadership Launch

The Board of Directors met in early 2005 and agreed to the five following initiatives funded from consolidated revenue:

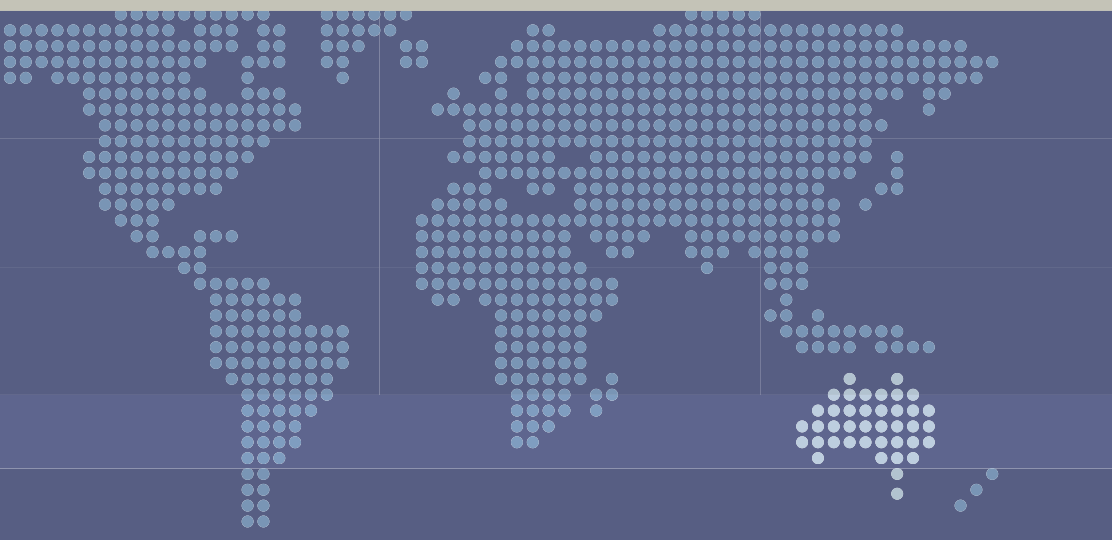
1. To hold a Board meeting in Malaysia early in 2006 in conjunction with another high-profile event.
2. To drive the NIA profile in university faculties and departments through greater involvement in prize-giving, the provision of research grants and other events.
3. To ensure the success of the NIA international conference, 'Business Across Borders', by attracting VIP speakers and providing the necessary marketing resources.
4. To raise the prestige of the NIA in key overseas markets, making it a viable alternative to other, larger bodies and promoting the benefits of NIA education courses.
5. To increase the NIA profile within the recruitment industry and with Human Resources (HR) decision-makers, with a view to reducing and, over time, eliminating discrimination.

Corporate Credentials

The NIA has continued to engage with the corporate world at the highest level. This year we were delighted to be invited to the G100 meeting in Adelaide, where we successfully presented the credentials of the NIA and promoted the benefits to the accounting and financial services of a vibrant Association of Accounting Technicians (AAT). The G100 comprises the Chief Financial Officers of Australia's top private and public business enterprises.

High-Level Recognition

This year the NIA was formally recognised within the *Corporations Act 2001* as one of the three professional Australian accounting bodies, whose members qualify as 'Recognised Accountants'. We are confident



this legislative recognition will bode well for the future when further amendments are contemplated for the *Financial Services Reform Act (FSRA)*.

IFAC Membership

Obtaining membership to IFAC reinforces the NIA's commitment to addressing the needs of members in the global business environment and enables far greater sharing of resources and information with overseas member organisations.

IFAC represents 159 professional accounting associations throughout the world, who in turn represent more than 2.5 million accountants.

Members need to be aware of changes to membership requirements for ANIA, MNIA and PNA membership, Continuous Professional Education (CPE) obligations and the introduction of the Mentored Experience Program (MEP). We strongly recommend members read the transitional arrangements made available by the NIA on our website, located in the 'About the NIA', 'Membership' and 'Professional Development' sections.

A significant result of Australia's increasingly global outlook has been the introduction and implementation of the International Financial Reporting Standards (IFRS), which is expected to fuel greater global demand for accountants. One of the challenges for the NIA is ensuring its members are well-versed on the changes that the IFRS brings.

Combined Forum

The Divisional Presidents met with the Board of Directors in Melbourne on 27 and 28 August 2004. This presented a fantastic opportunity to exchange feedback on our strategic direction, and share views on current and proposed policy framework.

The forum boasted an impressive line-up of government and industry representatives, and included a number of interesting presentations that highlighted a range of issues and future challenges for the profession. Professor David Boymal, Chairman of the Australian Accounting Standards Board (AASB), spoke on the important issue of Australia's role within global accounting standard-setting.

Skills Recognition

We are pleased to report that the NIA's contribution to the National Office of Overseas Skills Recognition (NOOSR) program has exceeded expectations, with 2,343 applications processed in 2004–05, a substantial increase from last year.

In recognition of the value of practical experience that cannot be gained in a formal classroom environment, the NIA has introduced the MEP. Rewarding for both the mentor and mentee, the MEP provides an opportunity for experienced members to give something back to the profession by sharing their skills and knowledge with other members who may be 'just starting out'.

This year a substantial increase in spending on CPE to \$1,274,682 has brought benefits to members across all divisions and reflects the NIA's strong educational platform.

Acknowledgement

I would like to express what a privilege it has been to work with Klaus Zimmermann during his five years on the Board. We thank him for the leadership he has shown as President from 2002 through to the end of 2004, and are grateful for his contribution towards raising the NIA's profile and strengthening our membership. Klaus remains a valued Board member and I look forward to working with him in the future.



Roger Cotton – Chief Executive Officer

In today's global environment it is vital that Australia forge alliances with other accounting standard setters. This year, NIA visits to Malaysia, China, Hong Kong, Vietnam and Europe have continued to raise our international profile and build key relationships.

This year the NIA has continued our quest to ensure our members' voices are heard on local, regional and international stages. Our advocacy efforts were rewarded with increased legislative influence, and our commitment to achieving strong representation provided a significant presence across the accounting, financial and business communities.

Our position as a leading professional accounting association will be further enhanced by the upcoming inaugural international conference, 'Business Across Borders', to be held 9–11 November at the Hotel Sofitel, Sydney. This conference brings together an impressive line-up of national and international luminaries from the business, accounting and regulatory communities, and is an ideal opportunity for members to participate in the exchange of information and ideas around the impacts of globalisation.

In today's global environment it is vital that Australia forge alliances with other accounting standard-setters. This year, NIA visits to Malaysia, China, Hong Kong, Vietnam and Europe have continued to raise our international profile and build key relationships.

The NIA's international standing has also grown through the receipt of NIA membership of the prestigious accounting organisation, IFAC. I am delighted that the NIA is now equally positioned in all respects with the CPA and the ICAA.

On a national level, we have initiated and consolidated relationships with government ministers and departmental heads, opinion leaders and professional bodies in the financial and business sectors, working closely with the Australian Tax Office (ATO), the Inspector-General, Treasury, Educational providers, the Department of Education, Science and Training (DEST) and the Office of Small Business to name a few.

Significant achievements have increased awareness of the NIA over the past twelve months and put us in an excellent position to play an important role in thought leadership in the future. We look forward to continuing this ongoing dialogue with our members and supporters at the 'Business Across Borders' conference, where there will also be time to network, socialise and enjoy the beauty of Sydney Harbour.

Global Promotion

The NIA's strengthening ties with Asia were consolidated this year by strategic visits to Hong Kong, Malaysia, Vietnam and China, and marked a significant step forward in enhancing our profile and membership in the region.

On a visit to Malaysia and Hong Kong in March of this year, the NIA hosted the annual members' dinner in Kuala Lumpur, where our guest of honour was the Malaysian Minister for Science, Technology and Innovation, the Hon. Dr Jamaluddin Jarjis. At this event, I spoke on the future of accounting standards on a global basis and had the great honour to present the Chairman of the Malaysian Accounting Standards Board, Dato' Zainal Abidin Putih, with NIA honorary membership.

In Hong Kong, the guest of honour at a cocktail function hosted by the NIA was the Hon. Tam Heung-Man, who represents the accounting profession in the Legislative Council of the Hong Kong Special Administrative Region.

In Hong Kong I also participated in a strategic planning conference with members of our local branch council and senior representatives from our China branch. In October, I visited Hong Kong and Malaysia as well as China, Vietnam, Oman, the UK and France en route to the IFAC Board and Council meeting where NIA membership was being considered. In each country I made a number of presentations outlining the NIA's position in the market place and our vision for the future. Feedback



from these trips was positive and I am confident NIA relationships and activities with educational institutions in Asia will continue to develop and grow.

I also had the great pleasure to meet with Malaysian Prime Minister, the Hon. Dato' Seri Abdullah Ahmad Badawi, on his recent trip to Australia for meetings with the Prime Minister and Ministers. A subsequent invitation to meet with the Malaysian Minister for Higher Education, the Hon. Dato' Dr Shafie Salleh, was an excellent opportunity for me to advance the call for further recognition of the NIA in Malaysia.

Educational Expansion

With education now Australia's third largest services export, it is important to nurture overseas alliances with international educational institutions.

A major achievement over the past twelve months has been the expansion of the NIA's educational pursuits in China, Vietnam and Malaysia.

The NIA continues to liaise with China's Tianjin University of Technology for the implementation of our International Advanced Diploma in Accounting, to be taught through five separate teaching points. A similar course has begun at the Pine Academy in Malaysia and plans for the commencement of the Advanced Diploma at the UniTAFE in Vietnam are proceeding well.

We are also delighted to announce an agreement with Thomson Education which utilises NIA learning materials in the delivery of an Advanced Diploma of Accounting in China. There are also plans to expand this arrangement into a Degree and a Masters program.

At home, the NIA Bookkeepers Certificate was launched in July. We are also pleased that the number of assessments for Accounting Education Australia (AEA) has increased markedly. The extensive promotion of Workplace Assessments (WPA) and improvements to the WPA model has also proven successful.

Representation

We continue to achieve legislative recognition in niche areas of the accounting profession through advocacy efforts including submission writing and representation to government, forums and media releases. A substantial increase in the number of media releases in the past twelve months reflects the NIA's commitment to providing opportunities for members through public recognition of the organisation.

The NIA has signed a Memorandum of Understanding (MOU) with the Financial Reporting Council (FRC) after it adopted its new responsibilities outlined by the CLERP 9 reforms. Under this agreement, the NIA will provide information and general outcomes regarding our Quality Assurance Reviews of auditor independence and disciplinary processes.

An application for membership of the Confederation of Asian and Pacific Accountants (CAPA) is in process and participation in forums with ASIC, Treasury, the ATO and the Ministerial Small Business Forum have been instrumental in establishing our position and relationship with government and industry sectors.

The NIA also has a continuing dialogue with the Office of Employment Advocate, 'Small Business Program', in connection with a range of initiatives to provide information and services around needs specific to small business, including Industrial Relations reforms.

Online Upgrade

The NIA is dedicated to improving member services. Since mid-May, members have been able to book, register and pay for the NIA CPE courses online via the NIA website. A further extension of this project was the upgrade of the NIA payment gateway interface used by members to pay subscriptions online. I also encourage all members to utilise the forum pages of our website where information coming from a wide range of expertise may be of assistance.

Acknowledgement

This year I wish to express my heartfelt thanks to the NIA team, who have all worked tirelessly to initiate and consolidate a range of projects that have and will continue to benefit members. I wish to welcome President David Hickman and Board member, Greg Parr, to their new roles. Greg Parr returns as an independent appointee. I would also like to thank past President Klaus Zimmermann for his tireless contribution to the FRC agendas.

My team and I look forward to working closely with all of the National Board and Divisional Councils and committees over the next twelve months and beyond. Special thanks must go to the many members who willingly provided constructive comment and input to assist the team in our delivery of the Board vision.

EDUCATION

Accounting Education Australia

It has been an important year for Accounting Education Australia (AEA), the NIA's Registered Training Organisation (RTO). AEA is focussed on the delivery of the Certificate III, Certificate IV, Diploma in Accounting and the Advanced Diploma in Accounting, all part of the National Financial Services Training Package endorsed by the Australian National Training Authority (ANTA).

We have seen strong growth in AEA's workplace assessment model during the year with over 350 applications for assessment received. Over 100 qualifications have now been conferred by AEA and many of the recipients have now joined the NIA or AAT. Workplace assessment tools and methodologies have been developed in accordance with the Australian Quality Training Framework and will assist those without formal qualifications to have their skills and competencies recognised.

Formal Educational Products

The NIA's learning materials and assessment tools, which support our educational activities in Australia and overseas, have been revised for the second, and in some cases, the third, time. These tools are substantially stand-alone and independent of textbooks, and are appropriate for use in overseas projects such as in China, Vietnam and Malaysia.

The materials also support the NIA's workplace assessment process by providing gap training for individuals who have not achieved all the competencies required to be awarded a particular qualification. Publishers have also expressed interest in the learning materials for use in TAFE colleges and private RTOs. At this stage, three NIA textbooks are in their final development for publication by Pearson Education for promotion within the TAFE system.

Professional Education Program

The University of New England is now entering its second year of providing the NIA Professional Education Program (PEP). The program comprises eight subjects provided in two segments. The first part of four subjects completed at UNE results in the conferral of a Graduate Certificate in Professional Accounting (GCPA). The second component, also comprising four subjects, results in the conferral of a Master of Commerce (Professional Accounting). At the present time over 250 students are enrolled in the program and the first graduates have been conferred with their Masters of Commerce.

Continuing Professional Education

The provision of quality Continuing Professional Education (CPE) events for members has continued to be one of the core services provided by the NIA. In 2004-05, more than 260 sessions were delivered to almost 5,200 participants. This represents an increase in attendance, and in the number of events conducted, of 9% and 6% respectively.

The biennial CPE audit was conducted in October 2004 and followed up with telephone and face-to-face interviews with members. This process has provided the NIA with valuable insight into members' views on the NIA's provision of CPE. A further research project is scheduled for late 2005 to elicit feedback from members on the PEP.

NIA members must complete 40 hours of CPE a year or 80 hours over a two-year period (biennium). At the end of each biennium, members are audited to confirm compliance and the data is analysed so as to improve programs and make them more responsive to members' needs.

<i>National summary</i>	<i>Total attendees</i>	<i>Total sessions</i>	<i>Average no. participants</i>
2004-05	5183	261	20
2003-04	4875	240	20
% increase from 2004 to 2005	6.30%	8.75%	

BUSINESS UNIT Reports

	2004-05			2003-04		
	No. of seminars	Attendees	Average attendance	No. of seminars	Attendees	Average attendance
SA	59	999	17	71	949	13
QLD	47	1120	24	34	919	27
NSW	45	1309	29	36	1117	31
WA	24	657	27	29	799	28
TAS	15	322	21	19	447	24
ACT	17	117	7	13	127	10
VIC	54	659	12	38	517	14
	261	5183	20	240	4875	20

	No. of events			
	2004-05	2003-04	Variance	% change
SA	59	71	-12	-20.34%
QLD	47	34	13	27.66%
NSW	45	36	9	20.00%
WA	24	29	-5	-20.83%
TAS	15	19	-4	-26.67%
ACT	17	13	4	23.53%
VIC	54	38	16	29.63%
	261	240	21	

	No. of attendees			
	2004-05	2003-04	Variance	% change
SA	999	949	50	5.01%
QLD	1120	919	201	17.95%
NSW	1309	1117	192	14.67%
WA	657	799	-142	-21.61%
TAS	322	447	-125	-38.82%
ACT	117	127	-10	-8.55%
VIC	659	517	142	21.55%
	5183	4875	308	

Assessment of Educational Qualifications for Immigration Purposes

The NIA qualifications assessment program for immigration purposes continues to grow strongly. Our program is accredited by the Australian Education International (AEI) – National Office of Skills Assessment (NOOSR). The NIA is highly regarded for its fair, consistent and timely processing of applications and has developed a very positive professional relationship with immigration agents locally and overseas. During the year we have received 2,343 applications for assessment, of these 1,902 have been completed.

Public Practice Orientation Program

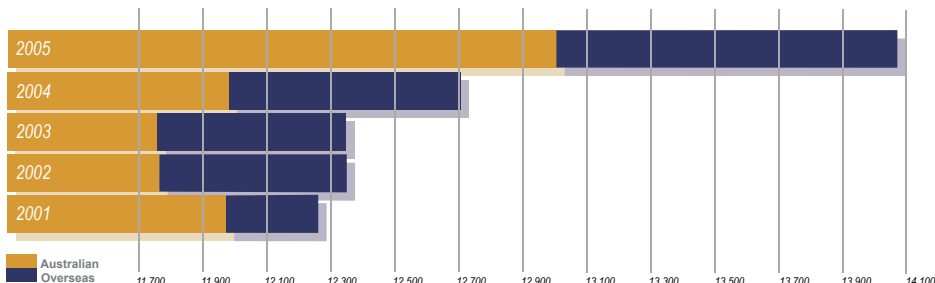
The NIA Public Practice Orientation Program (PPOP) was delivered in the following locations: Tasmania, Western Australia, Queensland, Victoria, South Australia, and New South Wales. NSW included the Bookkeepers Orientation Program.

David Sauer, a Chartered Accountant who specialises in Audit, Technical and Training, has updated and presented the program. The past year has seen many changes and improvements:

- With the introduction of the NIA Bookkeepers Certificate level of membership, the PPOP content has been expanded to incorporate the Bookkeepers Orientation Program.
- The national PPOP eight-page DL-sized brochure was updated. It contains specific dates for all PPOPs scheduled for 2005, giving members the opportunity and flexibility to attend programs in other locations throughout Australia.
- Generic A4, branded folders and inserts were again produced to contain the notes for all PPOP programs throughout the Divisions and to lift the professionalism of the seminars.
- The Public Practice Manual (PPM) update process has begun.

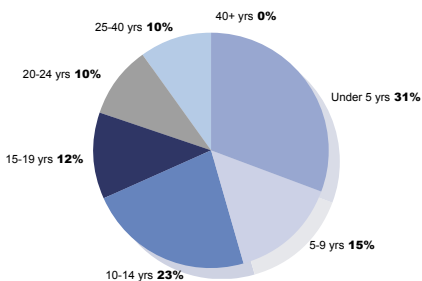
BUSINESS UNIT Reports

TOTAL MEMBERSHIP



The NIA continues to comply with the requirements of the Professional Standards Council (PSC) in New South Wales. An annual Risk Management Report was submitted to the PSC in March 2005, and there were no major issues to report. A compliance review was also conducted by the NSW Division on 24% of Public Practice Certificate holders resident in NSW as part of the NIA Scheme with the PSC. The results were positive and indicated that the majority of members were complying with all aspects of the Professional Standards Legislation. Any non-complying members were followed up.

YEARS OF MEMBERSHIP



MEMBERSHIP

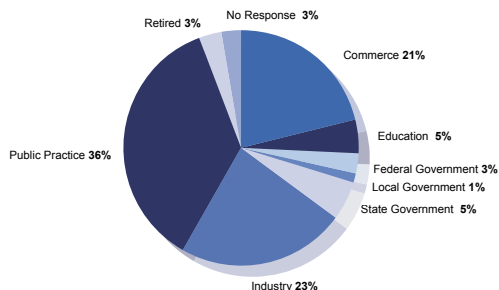
National Membership Committee

The National Membership Policy Committee (MCN) oversees the CPE Program, PPOP and the Public Practice Quality Reviews. It meets regularly to review policy matters, such as the requirements for membership and public practice admission, CPE and educational matters. It also acts as an appeals committee on these matters and considers requests for special consideration on membership applications.

Overseas Developments

Overseas activity has gathered momentum over the past financial year with total membership now exceeding 1,000 members. Branch Committees in Malaysia and Hong Kong are making a major contribution to the recognition of the NIA in these countries. Mr Tiger Liang has been appointed Chief Representative in China for membership and Mr Joseph Ng has been appointed Chief Representative in China for AEA. A strategic planning meeting was held in Hong Kong to establish future directions for the China branch.

FIELD OF EMPLOYMENT

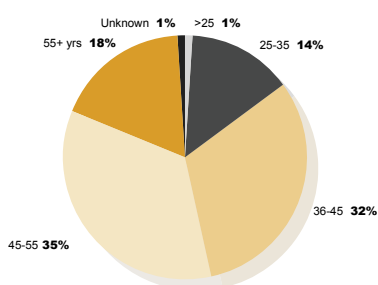


Public Practice Quality Reviews

The Public Practice Quality Assurance Reviews program is in full operation throughout Australia with 264 reviews completed during the 2004-05 financial year. The review process has gained wide acceptance with public practitioners as they are finding the process a useful tool for the improvement of their practice. As usual, the issues identified were the need for an expanded use of engagement letters for business clients, lack of independence for some members preparing and auditing the financial records for the same self-managed superannuation funds (SMSFs), and the need for improved CPE records. All members reviewed remedied any deficiencies during, or immediately after, their audit and were then issued a letter of compliance by the MCN.

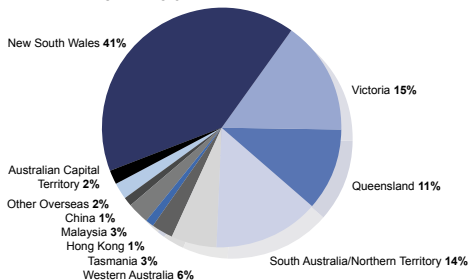
NIA educational activities overseas have expanded with the NIA International Advanced Diploma now being offered in Malaysia. Future projects in China and Vietnam are in process.

MEMBERS BY AGE

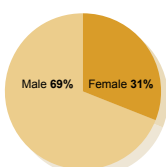


The annual NIA accounting lecture was held in Hong Kong and Malaysia. A wide range of other seminars were also held in China and Malaysia to assist overseas members' professional development.

MEMBERS BY REGION



MEMBERS BY GENDER



LEGISLATION & STANDARDS

The broad responsibilities of the Legislation and Standards section of the NIA is to monitor all matters concerning legislation (including accounting and auditing standards), professional and ethical requirements, and other issues impacting upon NIA members and the accounting profession more generally; to notify and consult with members on those matters; and, where appropriate, develop policies concerning those matters for communication to the relevant authority, agency or organisation. Such policy development aims to protect and enhance the standing of the NIA as a recognised and reputable professional accounting association.

In carrying out these broad responsibilities, the Legislation and Standards section is responsible for the preparation and lodgement of submissions and other correspondence to the relevant authority, minister, agency and organisation, and, in conjunction with the Chief Executive Officer, representing the concerns and suggestions of NIA members to the same. The Legislation and Standards section also coordinates and supports NIA representatives on policy, legislative and administrative forums organised by government or their agencies.

To do these important functions, the Legislation and Standards section monitors proposed and new legislation and administrative practices as well as the effectiveness of existing legislation and administrative practices. This information is communicated to members through the NIA website for member input.

Representations on accounting and auditing standards included the following:

- The employment of additional staff and other resources to lobby the International Accounting Standards Board, the Australian Accounting Standards Boards, the FRC and the Treasury on issues arising from Australia's adoption of the IFRS.
- The preparation of numerous submissions and media releases, and other representations, on various issues surrounding the introduction of the IFRS including Listed Property Trusts, a one-month extension for lodgement of ASIC returns, non-reporting entities and the future of the Urgent Issues Group.
- The preparation of a number of submissions, media releases and other representations on public sector accounting, particularly the Generally

Accepted Accounting Principals/ Government Financial Statistics (GAAP/GFS) Convergence project.

- Ensuring the NIA was fully represented in the Accounting Auditing Standard setting forums including the Urgent Issues Group.

Results

The employment of additional staff has substantially increased the NIA's profile in the accounting and auditing Standard-Setting environment. This has increased the influence of the NIA over the standards-setters for the benefit of members and the profession. For example, the NIA secured a one-month extension for the lodgement of ASIC returns during the IFRS transition and the NIA persuaded ASIC to closely review the implications of the first-time adoption of accounting standards for non-reporting entities that are required to lodge with ASIC.

The NIA activity in public sector accounting has ignited debate over how the GAAP/GFS project should proceed (if at all). This closer involvement in public sector accounting has lead the NIA to begin working with the Heads of Treasuries Accounting and Reporting Advisory Committee on public sector accounting issues.

International representations included the following:

- The devotion of considerable resources to the preparation and lodgement of the NIA submission for membership of IFAC.
- Contributions to the raising of the global profile of the NIA by preparing and lodging submissions with the International Accounting Standards Board, the Hong Kong Government, the Confederation of Asian and Pacific Accountants and the proposed Malaysia-Australia free trade agreement.

Results

The NIA achieved membership of IFAC, which should assist the NIA through access to the latest developments in the profession. The Legislation and Standards section supported the NIA's strategy of building a global presence by making a number of submissions to overseas and international bodies on accounting standards issues.

Representations on the Financial Services Reform Act 2001 (FSRA) included the following:

- The continuation of direct lobbying to Government and other parties on the FSRA, particularly the restriction on accountants advising on superannuation structures beyond SMSFs.
- Numerous joint and NIA-only submissions and representations to the government, the opposition, other parties and Treasury.
- Update of the Accounting Industry Guide and making the updated guide available to members through the NIA website.

Results

Despite this activity, the Government has not altered its position on accountants gaining exemption from the FSRA in relation to superannuation structure advice, except where such advice relates to SMSFs. The government has recognised the significant compliance burden the FSRA regime has placed on financial advisers, and is considering recommendations to reduce those compliance burdens.

Representations on tax and tax administration included the following:

- Continuing to actively seek changes to how the ATO administers the tax system.
- Continuing to be actively involved in discussions with the ATO and the other professional bodies on the future of the tax profession.
- Continuing to raise issues about the standards of service the ATO provides to tax agents.
- On-going involvement in the Review of Standards for the tax profession.
- Significant involvement in the debate over the regulation of tax advice and who can give such tax advice.
- A number of submissions and representations on the ATO's proposed re-definition of how tax law applies to service entities.
- Continuing to raise issues of concern regarding tax technical and tax administration.
- Providing responses to various draft rulings and determinations.

Results

The ATO continues to improve the level of service to tax agents and the improvements (both implemented and planned) to their information systems should result in far better service for tax agents and hence

taxpayers. The ATO seems to have taken a more practical approach to their proposed audit activities around service entities after considerable representation from the profession, including the NIA. Progress on the regulation of the profession on who can give tax advice remained frustratingly slow.

Other representations included the following:

- Continuing to push for wholesale recasting of Australia's superannuation system.
- Representing the interests of members in respect of possible changes to the requirements for auditing SMSFs.
- Development of draft material for member comment on the NIA's independence requirements for auditors of SMSFs.
- Continued representation and submissions to the FRC; the NIA signed a MOU with the FRC.
- Continued support of Divisional approaches to State Governments and their agencies, particularly in NSW, where a number of areas of legislation where the NIA was not recognised were overcome.
- Submissions to a Parliamentary Committee inquiry into property investment advice.
- Participation in efforts to develop an international standard for the financial planning industry.
- Submissions on *Bankruptcy Act* reforms.
- Continued support and maintenance of a strong NIA presence on numerous tax, accounting, auditing, superannuation, corporate governance and small business liaison forums with the Commonwealth Government and its agencies and State Governments and their agencies.

The NIA is represented on the following forums and Boards. (In addition, the NIA is represented on state and territory forums, too numerous to mention):

Committee	NIA Representative
Financial Reporting Council	Klaus Zimmermann/Roger Cotton
AASB Consultative Group	David Sauer/Tom Ravlic
AASB Urgent Issue Group	Keith Reilly*
National Tax Liaison Group	Gavan Ord/Lance Cunningham
Superannuation Industry Liaison Group	Reece Agland
Superannuation National Audit Consultative Committee	Reece Agland
AUASB Consultative Group	Tom Ravlic
Fringe Benefits Tax Subcommittee	Lance Cunningham
TaxPack Advisory Panel	Geoff Rook
GST Subcommittee	Leigh Conlan
National ATO/Tax Practitioner Forum	Gavan Ord
Lodgement Working Party	Gavan Ord
Accounting Working Group	Toby Mellor
Technical Issues Management Subcommittee	Gavan Ord
ATO Tax Reform Working Party	Gavan Ord
ATO Research Steering Committee	Roger Cotton/Gavan Ord
ATO Commissioner/CEO's Forum	Roger Cotton
Small Business Forum	Roger Cotton
Small Business Coalition	Roger Cotton
ASX Corporate Governance Council	Owen Beattie/Roger Cotton
Capital Gains Tax and Losses Subcommittee	Lance Cunningham
ATO NTLG International Financial Reporting Standards Subcommittee	Tom Ravlic
Review of Standards for the Tax Profession	Gavan Ord
Standards Australia Financial Planning Subcommittee	Reece Agland
Bookkeeper Industry Advisory Group	Gavan Ord

* Joint representative of the NIA, CPA Australia and Institute of Chartered of Accountants in Australia

PROFESSIONAL CONDUCT

Investigations Process

The NIA views the investigation process as essential for ensuring members are of high standing and providing their clients and/or employers with assurance about the professionalism of NIA members. The number of complaints against NIA members increased slightly over last year.

In the period from 1 July 2004 to 30 June 2005 the NIA received 41 new complaints (32 new complaints lodged from 1 July 2003 to 30 June 2004). The nature of these complaints were as follows:

- 28 complaints about professional conduct of members
- 4 complaints for alleged breach of NIA requirements for PPC/PPOP
- 2 bankrupt members
- 3 SMSF complaints
- 2 members in relation to action taken by regulator
- 1 errors in Trust Account audit
- 1 in relation to action taken by a Regulatory Tribunal

Of these 41 complaints, as at 30 June 2005:

- 23 complaints were still under investigation
- 4 members were found to have 'a case to answer' and were referred to the NIA Disciplinary Tribunal for determination
- 10 complaints were found to have 'no case to answer' or were resolved by the parties to the complainant
- 4 members were found to have 'a case to answer'; however, it was determined administrative action best resolved the breach or they have rectified the breach e.g. undertook PPOP/PPC.

Of the 23 complaints still under investigation:

- 9 have been under investigation for less than three months
- 11 have been under investigation for longer than three months but less than six months
- 3 have been under investigation for longer than six months.

Of the 14 cases where no case was found or administrative action was taken:

- 5 cases were finalised within three months
- 7 cases were finalised between three and six months
- 2 cases took longer than six months to finalise.

Disciplinary Process

The NIA Disciplinary Tribunal hears complaints against members brought forward by the Investigation Officer and the Investigation Review Officer.

In 2004–05 the Disciplinary Tribunal heard complaints against 12 members. Of these:

- The cases against three members were not proved.
- 6 members had the case against them proved and their membership was forfeited.
- The case against one member was proved and his membership was forfeited and costs of \$2,000 were imposed.
- One member received a censure and a fine of \$1,000.
- One member was required to attend a PPOP.

Details of these cases have been published in *National Accountant*.

Appeal Process

In 2004–05 there were two appeals against the decisions of the Disciplinary Tribunal.

One appeal was unsuccessful and the finding against the member was upheld. At the second appeal, the finding was upheld but the penalty was reduced from forfeiture to suspension of membership.

MARKETING

Advertising, Sponsorship and Commission Income

Although advertising sales for *National Accountant* for the first half of the reporting period were disappointing, by the February–March issue there was a noticeable upward trend due to the appointment of a new publisher, Indigo Arch. The close of the year saw a slight increase of advertising income earned over the previous period.

An unanticipated back payment of commission from the National Australia Bank Credit Card scheme of \$47,000 helped to increase revenue derived from member services and products by over 21% on 2003–04.

The NIA expresses its appreciation to its long-time sponsors Thomson Publications, American Express, Quicken, Hertz and the AMP Bank for their continued support.

Online Development

The NIA website continues to grow as an important member communication medium, setting a new monthly record in December of over 15,000 unique visitors. The total number of unique visitors for the year was over 152,000 – representing a 35.17% increase over the same period last year. The NIA continues to develop the website and improve the online functionality for members.

This financial year saw the completion of two important web initiatives. Members are now able to book, register and pay for CPE courses on line via the NIA website. The NIA payment gateway interface used by members to pay subscriptions online was also upgraded. The objective of these projects was to cut down on the time required by Divisional and National office staff on processing CPE applications and banking member payments.

An online poll function was also added to the website to gauge member sentiment on particular topics.

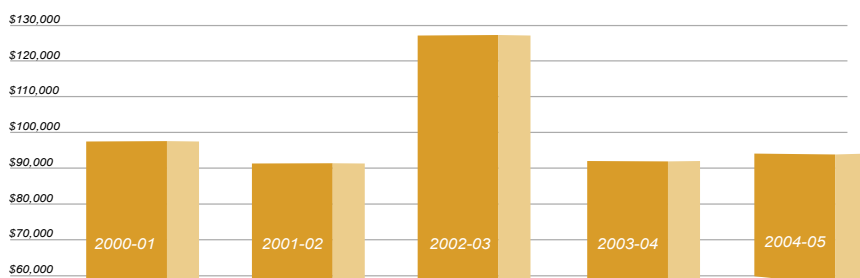
Further upgrades were undertaken to refresh the website and the classifieds section, while Business Entry Point, which provides syndicated information for small to medium businesses, was also added.

Product Development

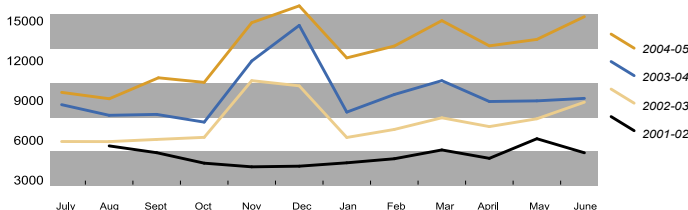
The NIA launched the Bookkeepers Certificate in July. This certificate is designed for Associates to apply for an exemption to the Public Practice Certificate as long as the Associate does not receive more than \$100,000 generated from bookkeeping fees and is undertaking the professional BAS services. In conjunction with Freeman McMurrick, the NIA also launched a low-cost online Professional Indemnity product specifically designed for certificate holders.

The *Tax on the Couch* CD-ROM initiative was recently launched. A joint venture between the NIA and the National Tax and Accountants' Association (NTAA), the CD-ROM product is designed to provide a monthly update on changes to income tax, FBT, CGT and GST, and other important taxation issues.

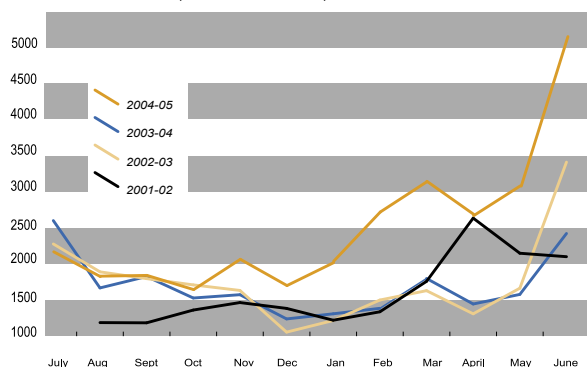
INCOME EARNED FROM PUBLICATION ADVERTISING



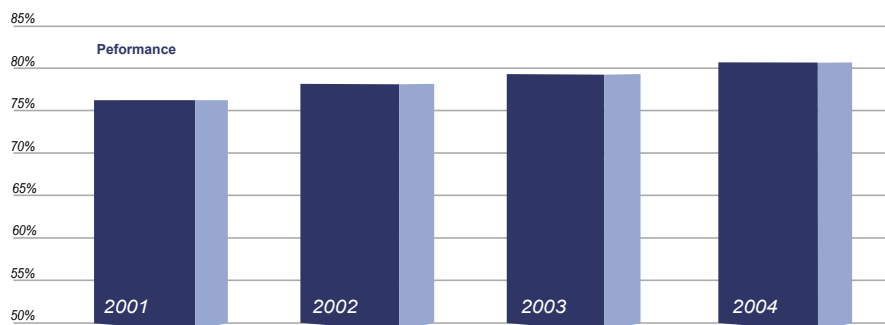
TOTAL UNIQUE VISITORS



MEMBER LOGINS (ex Staff and Students)



MEMBER ATTITUDE SURVEY



Publications

The NIA delivered the same number of publications this year as in the previous reporting period.

At the end of 2004, the NIA tendered for a new publisher to enter into a three-year agreement to publish *National Accountant*. The new publisher, Indigo Arch, managed a smooth transition from the previous publisher and has continued to deliver the same high standard of production values and article content expected by members and the industry at large.

The fortnightly *Technical Advantage* electronic newsletter continues to be highly valued by members in assisting them to keep up-to-date with the issues affecting the changing accounting profession.

e-Statements is delivered five times a year and provides the Divisional Managers with an opportunity to update members on local activities. The first *e-Statements* to be aimed at English-speaking Chinese members was also delivered.

The student newsletter *Directions* has found an important niche within the student register and is assisting with the rapid expansion of the online student category.

Member Services and Benefits

Although no new member services were added this year, the NIA continues to monitor and assess the performance of our business partners as well as reviewing any new opportunities that may emerge during the year.

Freeman McMurrick, the NIA preferred Professional Indemnity Insurance Provider, continued to deliver Professional Indemnity (PI) coverage for members including the development of the Associate online PI service.

Members are supporting the AMEX Gold Credit Card with an increase of 600 cards over the number for the same period last year. Total loan values of over \$16 million have been signed by members for the AMP Home Loan since its introduction.

Research and Development

The annual Member Attitude Survey conducted in late 2004 showed member perception of the NIA's performance remains high across all of surveyed categories, with members commenting favourably on the high quality of information and publications provided.

There was continued concern about the recognition the NIA receives compared to other industry associations; however, there was a positive belief that this was changing and that the NIA had been instrumental in assisting this change.

While the NIA's provision of CPE has improved in terms of member perception from survey to survey, it has not increased as positively as other survey factors.

Recognition and Brand Awareness

With the recent IFAC admission, the NIA updated the text, and the look and feel of the NIA brochures – both printed and downloadable from the website. New brochures were also produced to provide information about the Bookkeepers Certificate, *Tax on the Couch* and the MEP.

This year there was a significant increase in the number of press releases issued and coverage in suburban, national and business newspapers and magazines also increased. In 2004–05, there were 58 press releases issued and 154 articles covered relevant and timely news of the NIA.

Other brand-building activities included advertising in magazines and journals targeting human resource managers and the recruitment industry. The NIA was also represented at various recruitment industry events to build brand awareness and increase exposure to key decisions-makers for accountancy employment and placement.

Further brand awareness activities included placing advertisements and editorial in student handbooks, career advice magazines and websites targeting students and graduates.

BUSINESS UNIT Reports

FINANCIAL PERFORMANCE

	Forecast	Actual	Actual	Actual
	05-06	04-05	03-04	02-03
	\$'000	\$'000	\$'000	\$'000
NIA Members	14,273	14,078	12,706	12,335
Revenue	\$9,716	\$9,024	\$7,330	\$6,436
Expenses	\$10,008	\$8,377	\$6,803	\$6,136
Surplus/(Deficit)	(\$292)	\$647	\$527	\$300
Profitability	(3.0%)	7.2%	7.2%	4.7%
Net Assets	\$2,625	\$2,939	\$2,293	\$1,716
Asset Turnover	3.7	3.0	3.2	3.7
Return on Assets	(11%)	22%	23.0%	17.5%
Working Capital Ratio	1.50	1.62	1.49	1.32

STAFFING

	2004-05	2003-04	
Male	14	11	Increase by 27%
Female	31	25	Increase by 24%
Total Staff	45	36	Increase by 25%
Members:Staff Ratio	312	353	Decrease by 12%
Staff additions	12	6	Increase by 100%
Staff attrition	3	6	Decrease by 50%

FINANCE AND ADMINISTRATION

Finance

During 2005, the NIA's overseas presence continued to grow and the finance team completed a review of the overseas management reporting. Other activities included negotiating the sale of the Brisbane office and a review of the non-financial performance indicators included in the strategic plan and used as a basis for assessing organisational performance.

The finance team has extensively reviewed the implications of the introduction of the IFRS framework effective for financial years commencing 1 January 2005. The significance of these changes is expected to have limited impact on the reporting and disclosure requirements for comparative purposes and future financial reporting.

Human Resources

The annual NIA staff conference was held in Melbourne in December 2004. The conference continues to provide invaluable opportunities for all staff to network as a group and complete training for improving service delivery, training in NIA systems and provide feedback on the NIA strategic plan and growth strategies. The post-conference feedback was again very positive and improvements are evident in the key areas of membership growth and member services.

In January 2005 we arranged for Corporate Alignment to undertake the staff survey, *Corporate Alignment Profile and Alignment Indicator*. The survey measures whether the vision, mission and culture are being lived out in the everyday actions, behaviors and outcomes of the organisation. The NIA's 2005 results are most excellent and indicate a lot

of positives for the NIA managers and the way the strategy has been planned, delivered and owned by the staff in the last three years. When compared to other organisations in the Corporate Alignment global database the NIA is within the top 10% in the key areas of:

Clarity of vision 98%
Consistency of approach 96%
Commitment of staff 93%

The results of the survey were used in the development of the 2005-10 strategic plan and will continue to be used to further strengthen the alignment between staff and strategy.

Information Technology

During 2004-05 the IT group reviewed the Divisional offices' hardware infrastructure and connectivity to the National office servers. All offices are now using a common ADSL provider and have upgraded connections to improve speed and reliability.

The NIA is making more use of e-Commerce technologies to provide more flexible payment options for our members and also improve back office transaction processing. During 2005, the CPE registration system was fully integrated to the general ledger and member management system, and the members' subscriptions payment system was significantly enhanced to provide a more efficient and effective process for members paying online.

CORPORATE GOVERNANCE

Corporate Governance is the system by which the NIA and subsidiary companies are directed and managed by the Board of Directors and key executives. It influences how the objectives of the company are set and achieved, how risk is monitored and assessed, and how performance is measured and optimised. The NIA has been directly involved with the development of Corporate Governance issues by having a seat at the table of the Corporate Governance Committee facilitated by the ASX.

There are 10 essential Corporate Governance principles the ASX recommends for Australian enterprises. These recommendations have been articulated to apply to listed companies and other types of listed entities. Although the NIA is not a listed company, there are eight principles which have application to the organisation and its operations. The NIA is constantly reviewing the Corporate Governance framework to determine where there may be benefits in a change of approach, having regard to our particular circumstances and those of other stakeholders.

CORPORATE GOVERNANCE

Lay solid foundations for management and oversight

The functions reserved for the Board are detailed in chapter five of the NIA Constitution – ‘Powers and Duties of the Board of Directors’. The Board has also delegated certain authorities to the Chief Executive Officer and his managers in the ‘NIA Board of Directors Policy Manual’.

Structure the Board to add value

The NIA Board is made up of independent Directors nominated directly from various Divisional councils, which are in turn elected directly from the membership.

It is indicated at the beginning of each Board of Directors agenda under ‘Responsibility of Directors’ that a Director is personally responsible to the NIA in terms of the *Corporations Act* and must vote on all matters according to their beliefs.

Promote ethical and responsible decision making

The beginning of each Board of Directors agenda reminds Directors of clause 84 of the NIA Constitution relating to conflict of interest. All NIA employees are bound by contracts of employment outlining their duties including honesty, diligence and care, not to utilise their position for personal gain and the duty of confidentiality.

The NIA has a Code of Ethics for members based on the IFAC code. As all Directors are members of the NIA this code of conduct applies to their behaviour and actions as Directors.

Safeguard integrity in financial reporting

The Board of Directors has established an audit committee comprising two independent Directors including a chairperson who is not an office bearer. The terms of reference of the committee is outlined in the Board of Directors Policy manual. The audit committee provides oversight on the quality and reliability of financial and membership information, and reviews the Financial Statements of the NIA for compliance with statutory obligations, financial governance procedures and policies of the NIA.

Recognise and manage risk

The establishment of a number of key Board committees, each chaired by an independent Director, ensures the internal compliance and control system is effective in all material aspects. These committees include the Audit Committee, the Resources Committee and the Membership Committee. The Board also requires the CEO and Financial Controller to state to the Board in writing that the annual financial reports present a true and fair view of the financial position and that view is founded on a system of sound risk management and internal controls.

Encourage enhanced performance

All NIA executive staff, including the CEO, complete a comprehensive annual performance appraisal program. The process has a number of financial and non-financial key performance measures. The outcome of the appraisal is linked to the remuneration process. The key performance indicators are disclosed in the 2005–10 Strategic Plan.

Remunerate fairly and responsibly

As a result of the performance review, the executive remuneration may be reviewed and takes into account the overall performance, prevailing market forces and the financial position of NIA.

Directors are not paid fees. A Director’s employer may be reimbursed up to a maximum of \$1250 per Board meeting attended by their employee. These payments to employers are disclosed in the annual financial accounts.

Respect the rights of members

The NIA encourages wide participation of the members through effective communication structures. The bi-monthly NIA magazine, *National Accountant*, includes regular updates from the President and CEO, Divisional Councils meet regularly with key managers and member discussion groups are widely attended.

General meetings of members are held in the capital cities on a rotating basis to ensure members have an opportunity to meet with and ask questions of the Board.

REPORT TO THE STRATEGIC PLAN

Key Perspectives	Key Objectives	Strategic KPIs	Achievements
<i>Financial</i>	Improve financial viability	Profitability growth	2004–05 operating result increased by 23% to \$646,757
		Improvement in contribution margin across all business units	Contribution margin from business units increased by 10% to 7.9% in 2004–05
		Increase non-subscription revenue as a percentage of total revenue	Non-subscription revenue ratio increased by 6% to 34%
<i>Systems & Processes</i>	Maintain clear understanding of member needs	Member Attitude Survey results	Improved Member Attitude Survey results in NIA performance – increased to 81% satisfaction
	Create relevant, professional and accredited educational products	Investment in education modules	Increased member visitation to website by 35%
	Minimise operational problems with internal systems and processes	Agreements with other institutions	Commenced delivery of Master of Commerce at University of New England with 255 members enrolled to semester one, 2005
		Quality Assurance Review results	In the 2004–05 year more than 260 CPE sessions were delivered to almost 5,200 participants, an increase in the number of events conducted and attendance of 9% and 6% respectively
<i>Member</i>	Increase brand awareness	Rate of student transition to ANIA	Increased completed assessments of educational qualifications for immigration purposes by 55% to 2,343 assessments
		Rate of membership retention	Achieved membership of the International Federation of Accountants
	Improve member satisfaction of services	Results of Member Attitude Survey	Achieved transition of 7% of students to Associate level of membership
		Rate of growth in advertisers and sponsors	Increased student membership by 61%
			Membership retention rate remained steady at 94.6% in 2004–05
		Increased membership growth from 7.8% to 14.6% in 2004–05	
<i>Innovation & Learning</i>	Provide strategic direction and information to staff	Performance appraisal and review process	Improved Member Attitude Survey results in (i) Image & Recognition increased to 80% satisfaction (ii) Communication increased to 85% satisfaction
	Increase employee effectiveness	Training identification	Achieved increase in advertising, sponsorship and commission revenue by 21%
	Align staff goals with company vision	Cultural vitality survey	Held the annual NIA Staff Conference in Melbourne in December 2004
	Improve infrastructure to support new technologies	Internal communication	Implementation of the eCommerce systems: (i) members' subscription payment system (ii) CPE member registration
			Reduced staff turnover by 50%
			Completed the Corporate Alignment staff survey in January 2005

New South Wales



Rona Booth

The NSW Division has had an exceptional year. We continue our commitment to member services and are dedicated to promotion of the NIA brand, representing member expertise and supporting them to drive business success. Membership now exceeds 5700, an 11.5% growth, and we retained more than 95% of existing members. Our student register has continued to grow, with more than 1000 students registered.

Attendances at CPE seminars increased for the second year in a row with 50 events offered in Sydney, Albury–Wodonga, Newcastle and Coffs Harbour. Over 1300 delegates attended technical updates and seminars throughout the year.

The Student Mentor Program was re-launched, resulting in many successful placements and some full-time appointments. The program will be continued and we will assess the viability of expanding it to cover a larger number of students.

In May, the 'Two Day Technical Series' attracted more than 200 members, who received the latest updates and advice from industry experts through workshops and seminars.

Approximately 70 members attended a ceremony in December recognising 25 years of membership and those achieving Fellow status. A festive networking night in the NIA's Sydney function centre was hosted by the NIA CEO Roger Cotton.

A 'Membership Upgrade Information' night was held in the NIA Sydney premises in early 2005 to inform members of the benefits of

upgrading and how to upgrade to the next level of membership. The NSW Division intends to expand our range of member social events in 2005–06.

Promotion for the monthly discussion group meetings resulted in increased attendance. The NIA has assisted members to establish two new regional discussion groups in Wollongong and Coffs Harbour.

'CPE on DVD' was introduced in early 2005 to offer members a new method of staying up-to-date on accounting and finance issues. The DVD allows members to accumulate some of their required CPE hours in a convenient, flexible and cost-effective way. This has proved to be successful and we will be looking to expand the range of topics in 2005–06.

The Division participated in this year's Australian Human Resource Institute (AHRI) Convention in June, in order to increase recognition of the NIA in the recruitment industry. Further campaigns, such as Information Seminars, are planned.

This year we visited all metropolitan, as well as Newcastle and Coffs Harbour, TAFE colleges, promoting the NIA and supporting those studying the Advanced Diploma in Accounting. The Division continues as a major sponsor of awards to students at TAFE colleges.

A link has been established with OTEN – the distance learning arm of TAFE NSW – whereby the NIA is promoted to OTEN students via web and email marketing.

The Division has conducted membership information evenings for our prospective members as well as information evenings for current NIA members.

A compliance audit was conducted on 25% of the NSW Public Practitioners to determine whether members are complying with the requirements under Professional Standards Legislation. Overall the results were very positive with the majority of members meeting all the requirements of the NIA's Professional Standards Scheme.



Queensland



Karen Fitzgibbons

The past year has seen the NIA Queensland Division go from strength to strength. It has been a successful and rewarding year with several significant achievements.

The Division relocated from South Brisbane to Brisbane City. The new offices and the NIA Training Room facility now allow all Professional Development programs to be delivered on-site. The offices provide a more professional outlook and are in an accessible, central location.

This year membership hit a record high, reaching 1566, achieving a 21.8% positive growth with a 97% retention rate.

The NIA Queensland Professional Development calendar of events has continued to grow and expand. This year, extensive marketing activity attracted the highest number of registrations ever received. A total of 718 NIA members and 389 non-members registered to attend the 44 Professional Development training seminars delivered at various locations throughout Queensland.

The Division continues to develop valuable relationship programs with educational institutions, government bodies and recruitment consultants aimed towards increasing awareness and recognition of the NIA and its members.

Representation at many TAFE and university expos and careers fairs has reinforced our parity with other professional accounting bodies and provided a foothold into the university sector where NIA recognition has previously been non-existent.

Extensive advertising and editorial in several regional newspapers using the 'Which Accountant' campaign was initiated throughout the June 2005 tax season to promote the ANIA and the PNA level of membership.

Monthly NIA Professional Accountant forum meetings continue to be held in Brisbane, Gold Coast, Sunshine Coast, Ipswich, Peninsula, North-West Brisbane, Wide Bay and Townsville, with bi-monthly meetings scheduled for Rockhampton. Plans are currently underway for a new forum meeting to be established in the Cairns region.

This year Brendon Gardiner PNA and Malcolm Lawson PNA resigned from the Queensland Divisional Council. We welcome Annie Prestwidge PNA, who has joined council filling a casual vacancy.

Victoria



Liselle Grant

This year has been a positive and productive year. Membership in Victoria has expanded by 18.2%, while student membership levels remained steady.

The Division carried out targeted mail campaigns to non-member groups and has continued to offer the 'Consider a Colleague' program. This program encourages members to introduce colleagues at a discounted rate while earning savings on their own subscription. A competition was run to promote student membership, with the winner receiving a \$500 travel voucher.

Our relationship with TAFE and universities continues to strengthen. This year, the team hosted 22 'NIA Information Days' at various campuses and attended university career fairs. Our annual 'Preparing for Employment' workshop was attended by approximately 50 student members and featured speakers from the recruitment industry, Centrelink, NIA members from industry and public practice, and an organisational psychologist.

There has been an increase to approximately 50 in the number of CPE events, and the range of speakers and topics offered has broadened. A new Professional Development



Officer, Bernard Wong, joined the team at the beginning of 2005. The Division continues to promote NTAA seminar bookings and this year there were NIA display stands at over 18 NTAA seminars.

In May, we hosted a two-day CPE Intensive Workshop, which included a members' social dinner with a Brazilian theme.

An exhibit at the Recruitment Consulting Services Association (RCSA) Conference Exhibition in September provided the NIA exposure to the recruitment industry and large employers. Later in the year, a trivia night was promoted to both NIA and RCSA members and approximately 60 people attended, of whom 25 were recruitment industry representatives.

In June, approximately 60 guests attended the annual Fellow Members Function at Crown. The guest speaker was Mr Matt Viney MP, Parliamentary Secretary, Department of Innovation, Industry and Regional Development.

There has been significant work on the 2005 International Conference, 'Business Across Borders', as well as a number of strategic projects. The Division carried out 67 Quality Reviews with members in Public Practice, and passed with flying-colours the NIA's internal Triennial Quality Audit.

This year there were two discussion group convenors' meetings to facilitate communication and collaboration across the 10 active discussion groups.

The Division is a gold level sponsor of the *Association Internationale des Etudiants en Sciences Economiques et Commerciales* (AIESEC), which organises work placements for university students.

We continue to liaise with government departments regarding recognition of NIA members. The Division signed a Cooperative Charter with the Office of Small Business, and co-branded brochures have been produced to promote government services available to members and their clients.

The Division met with The Hon. Andre Haemeyer MP, the Victorian Minister for Manufacturing and Export, Financial Services and Small Business, as part of a delegation

of industry associates. We also attended the Liberal Party's Business Observers Program, where the NIA had six individual appointments with State and Federal Ministers.

There were 10 candidates for four Council positions this year, reflecting a high level of enthusiasm. The Victorian Council met six times during 2004-05. The Division was represented on the State Taxes Consultative Committee (STCC), ATO Tax Practitioners Forum, Australian Prudential Regulation Authority (APRA), Audit Liaison Group, ASIC Regional Accounting Liaison Committee and

Australian Capital Territory



Debbie Hurlbut

This financial year has been an eventful time for the ACT Division. We were saddened at the resignation of the regional manager, Ms Pam Scarr; however, we are pleased Pam has remained a part of the team, taking on various projects within the ACT, NSW and SA. Pam's continuing support is appreciated and we hope that she continues to work with us.

There have been significant changes within the ACT Division – a new Divisional Manager, a new office in Barton, and an administrative alignment between NSW and the ACT that has helped to further develop the Division and its membership. This year membership has grown by 13% and membership retention has been solid at 96%.

The Division was pleased to once again host a number of activities during the federal budget week in May. The Hon. Fran Bailey was our special guest at a members' cocktail function to launch the week's events. The NIA Board of Directors meeting was held the following day, with all Board members attending the Parliament House dinner during which the budget was announced. The NIA, in conjunction with the CPAs and Australian Business Limited, hosted the 'Federal Budget Breakfast' in The Great Hall at Parliament House on 11 May. There was much debate



and discussion between the special guests – Robert Gottliebsen, The Hon. Mal Brough MP and Senator Nick Sherry.

NIA members were offered 18 CPE events either through the ACT Division or in conjunction with the NTAA. Members were also encouraged to consider the diversity of the NSW program. Some regional areas are now being offered CPE seminars and hopefully this will continue to be of benefit to those members. Although there has been an increase in the number of CPE events offered in the region, CPE attendance appears to have dropped off slightly this year, with only 133 members attending this year's program.

Support for the Canberra Institute of Technology (CIT) continues with scholarships and prizes for those studying an Advanced Diploma of Accounting. Regular student presentations have been delivered to both the CIT and The University of Canberra with a good response from both students and faculty. Divisional Council member Leah-Barbara Maguire graciously offered her time to attend and speak to the students on the benefits of NIA membership.

Tasmania



Jon Burns

This year has been a productive one for the Tasmanian Division. Membership grew by 11% to 408 with retention remaining around 95%. The extra 24 members represented a positive net change of 6.25% on 2003–04 figures.

Full student membership grew by 34%, the largest growth by any Division, reflecting the success of campaigns directed at both TAFE and university students in Tasmania.

Once again, the overall budget targets were met with ease, with the Division returning around double its required contribution margin. This represents a turnaround of almost \$50,000 each year from three years

ago. The Division has moved from a negative contribution margin of -15% to a positive contribution of 10%.

In conjunction with CPE presentations, Tasmania staged the National AGM in November, coinciding with celebrations to mark Tasmania's bicentenary. Members enjoyed many events including a golf day, a reception at Government House, an official dinner and a boat trip to Peppermint Bay to hear presentations by two of Tasmania's leading entrepreneurs, Simon Currant and Errol Stewart.

In May, the Division conducted a two-day CPE Intensive and associated events at Grindelwald, in the Tamar Valley. Keynote speakers included Professor Alex Malley from NSW, Bob Williams and John Comley from SA, David Sauer and Gavan Ord from Victoria, and Philip Lye from Queensland. The MC and entertainment role was again managed superbly by our own Andrew Colrain PNA.

The Division continues its commitment to members across Tasmania by providing equal access to CPE to Southern and Northern members alike. All CPE sessions scheduled in Hobart are repeated in Launceston and are occasionally extended to the north-west coast. This arrangement is unique within the NIA.

The composition of the Divisional Council also reflects the regionality and diversity of membership, with councillors drawn from the three main regions and meetings held on a rotation basis at various venues around the state.

This year Helen Mennitz and Andrew Frost completed the second year of their term of office as President and Vice-President respectively, while the composition of Council remained the same as in 2003–04.

Our most recent President James Gibson was a popular selection as the 2004–05 Member of the Year. The announcement was made at the Official Bicentenary Celebration Dinner in November, attended by the NIA's incoming President David Hickman (the first Tasmanian member to hold this office), CEO Roger Cotton, and other Directors and senior staff.



South Australia and Northern Territory



Garry Curtis

The past financial year has again been productive for the South Australian and Northern Territory Division. There has been further growth in membership revenue and also in CPE revenue and attendance numbers.

Membership numbers grew just over 5%, maintaining a retention rate of 94.5%, and student membership growth exceeded 20% for the year. Representatives from the Divisional office regularly visited TAFE campuses and attended university career fairs and open days. A new alliance was formed between Commerce Students' Associations at the University of Adelaide and Charles Darwin University, Darwin.

The presentation of student awards has expanded to include TAFE Victor Harbor campus and Charles Darwin University, Alice Springs campus. Council members and the State Manager represented the NIA at graduation and prize-giving ceremonies and the NIA continued to attend the quarterly TAFE Quality Assurance Group (QAG) meetings as an industry representative.

In response to member feedback, the Division expanded its CPE program to provide a greater range of topics, delivering 58 CPE events over the year. The total number of 923 registrations comprised 711 members and 212 non-members, exceeding the annual target of 49 events, 631 members and 185 non-members.

Seminars continued to be held in conjunction with membership organisations both in Adelaide and country locations, including the NTAA, the Tax Institute of Australia and the Chartered Secretaries Australia.

This year saw the first member function in Darwin with excellent attendance and support from local members.

In December some 54 members who had attained 25 years of continuous NIA membership were recognised with a certificate presentation at the Adelaide Convention Centre. The 141 members who had become a Fellow of the NIA were also awarded with a certificate. At a second presentation in June at the South Australian Museum, 47 members received their 25-year certificate and 33 advanced to Fellow status.

This year, Divisional council provided representation to external committees, including the ASIC Regional Liaison Committee, the Australian Taxation Office Tax Practitioners Forum, Revenue SA Accountants, Solicitors Consulting Group and the Northern Territory Taxation Administration Liaison Committee.

In July three new members were elected: Gaylene Sandford, Graham Holland and Simon Pugh, who is the first NT councillor. In February, we welcomed Leanne Goss who is filling a casual vacancy, and Mary Bawden from Adelaide Institute of TAFE continues as an observer.



Western Australia



Aidan O'Grady

The WA Division completed the financial year with a record level of membership.

The Division's net membership growth was an extraordinary 13%. This has combined with strong levels over 2002–04 to result in a 24% membership growth over the past three years.

Thanks go to the NIA members for helping to generate membership. Many of the applications came from their referrals and recommendations. This is the strongest endorsement that the NIA can receive, and is reflected in a member retention rate of 96%.

One of the most pleasing developments this year has been the increased recognition of the NIA by recruitment agencies such as Ansons, Bell Personnel, 4HR and Mardon Recruitment. They have regularly approached the NIA to fill positions, as have corporate organisations such as the Department of Justice, the Western Australian Chamber of Commerce and Industry, and HBF.

A number of members have used this service to find employment and also to find staff for their organisations. The service offers a win-win situation for all involved: the member, the recruitment agency and the NIA. In turn, the Division has been able to use these placements to improve its relationships with recruitment agencies.

The NIA continues to provide significant industry representation on the ATO's Tax Practitioner Forum, ASIC's Regional Liaison Committee and the Industry Training Board.

Glenys Woods was appointed to the position of Membership Services Officer in October 2004. Glenys has brought a wealth of experience to the role and has quickly become an integral staff member responsible for membership recruitment and the Professional Development program.

Finally, a sincere thank you must go to the Division's outgoing State President, Guy Lehmann PNA, whose term has expired. Guy has been a supportive and pro-active president, providing great support to the Divisional staff, and has always represented the NIA with distinction. I am delighted that Guy will be remaining on Divisional Council.

The NIA's new State President is Ivan Robinson PNA. Ivan has been on Divisional Council for a number of years and brings many years of accounting experience to the position. Ivan currently works as a Public Practitioner in Mandurah.

BOARD OF *Directors*

Top row L to R
David Hickman
PRESIDENT

Glenn Mann
DEPUTY PRESIDENT

Kerry King
VICE-PRESIDENT

Christine Leetham
TREASURER

Kevin Dawes



Bottom row L to R

Greg Dennis

Ralph Green

Greg Parr

Mary Robinson-Brand

Alex Wilson

Klaus Zimmermann

David Hickman

FPNA, CFA (SA)

President

Occupation: Management Accountant, Commercial Equity Group Pty Ltd

Division: Tasmania

David Hickman, 46, was elected to the Board of Directors in March 2000, serving on the National Audit Committee until 2003. During 2004, he moved to assist the National Resources Committee. David was Chairman of Audit 2002–03 and Chairman of Accounting Education Australia Pty Ltd 2002–05. He has been a Divisional Councillor since 1993. In 1995 he became a member of the Divisional Membership Committee, and subsequently chaired that group 1997–98. He was elected Divisional Deputy President in 1997, before being elected Divisional President 1998–2000.

Glenn Mann

FPNA, CFA (SA), FMAAT

Deputy President

Occupation: Finance and Administration Manager, Australian Steel Supplies Pty Ltd

Division: Western Australia

Glenn Mann, 48, was elected to the Board of Directors in April 1999 and then to the position of Deputy President in October 2004. Glenn served on the National Resources Policy Committee 2002–04 and as Treasurer and Chairman of that committee 2003–04. Prior to this he sat as Chairman of the National Audit Committee 1999–2001. Since 2001 Glenn has represented the NIA on the Board of AAT (Aust). He served as Western Australian Divisional President 1996–97, as Divisional Deputy President 1994–95, and was Congress Chairperson 1994–96. Glenn has been Chairperson of the Public Sector Working Committee since 1997.

Kerry King

PNA, CFA (SA), FMAAT

Vice-President

Occupation: Public Accountant, Prudent Partners

Division: Queensland

Kerry King, 53, was elected to the Board of Directors in September 2000 and was elected Vice-President in October 2002. He was the Chairperson of the National Membership Committee from 2000–01. He has been a Queensland Divisional Councillor since 1995 and was the Queensland Divisional President 2000–01. Kerry also serves as a representative of the NIA on the Board of the Association of Accounting Technicians (Australia) initially as its inaugural President 2002–04 and now as a Director.

BOARD OF *Directors*

Christine Leetham

PNA, CFA (SA)

Treasurer

Occupation: Senior Head Teacher, St George College of TAFE

Division: New South Wales

Christine Leetham, 49, was elected to the Board of Directors in October 2002. Christine was Chairperson of the National Audit Committee 2003–04. She has been a NSW Divisional Councillor since 1998 and was the NSW Divisional President 2001–03. Christine has also served on the NSW Divisional Recognition Action Committee.

Kevin Dawes

FPNA, CFA (SA)

Occupation: Principal, Strategic Plus Pty Ltd

Division: New South Wales

Kevin, 48, was elected to the Board of Directors in 2003 and is a NSW Councillor and a past Divisional Vice-President. He has served as Chairman of the NSW Legislative Review Committee and is a former chairman of various congress committees. Kevin has served as a National committee member on Recognition Action and Membership and currently sits on the NIA Audit Committee. Kevin works in public practice primarily in the area of change management.

Greg Dennis

FPNA, CFA (SA), MBA

Occupation: Managing Director, Denthar Accountants

Division: Australian Capital Territory

Greg Dennis, 45, was elected to the Board of Directors in 2003. Greg has served as Alternate Director 2001–03 and is currently the Chair of the National Audit Committee after serving as a member in 2004. Greg has served previously as the ACT Council Vice-President 2001–02 and has been a part of the ACT Council since 2000.

Ralph Green

PNA, CFA (SA)

Occupation: Director, Business Systems Pty Ltd

Division: New South Wales

Ralph Green, 50, was elected to the Board as a Director in 1999. He is currently the Chairperson of the National Membership Policy Committee following his appointment in 2003. He served as Chairperson of the National Information Services Committee 2001–02, was a member of the National Resources Committee in 2000, and a member of the National Audit Committee 1999–2000. Ralph has been a member of the New South Wales Divisional Council since 1998, and has also been a member of the Divisional CPE and Congress Committee and the Divisional Recognition Action Committee.



Greg Parr

FPNA

Occupation: Partner, Mouldens Solicitors

Division: South Australia

Greg Parr, 55, was re-elected to the Board of Directors in 2004. He is a member of the National Legislation and Standards Committee. He was Divisional Councillor 1985–93 and served on the Divisional Membership Committee and Divisional Legislation & Standards Committee.

Mary Robinson-Brand

FPNA, CFA (SA)

Occupation: Managing Director, Marlas Group of Companies

Division: South Australia

Mary Robinson-Brand, 52, was elected to the Board of Directors in 1995 and served as Vice-President until 1998. She was re-elected to the Board in 2003. Mary has been a SA Divisional Councillor since 1993, serving as Divisional President 1994–96. She has also served as Chairman of the Recognition Action Committee and as SA nominee on several government and industry boards. Mary was appointed to the National Membership Policy Committee in 2003.

Alex Wilson

OAM, FPNA, CFA (SA)

Occupation: Managing Director, Abbots Debt Collecting Agency Pty Ltd

Division: Victoria

Alex Wilson, 68, was Chairman of the Victorian Board of Advice 1977–84 and National Treasurer 1980–84 and again in 1994. He is the current Victorian Divisional Council representative on the ASIC Accounting Liaison Committee and the Australian Prudential Regulation Authority (APRA) Accounting and Audit Liaison Committee. Alex was appointed Chairman of the National Legislation and Standards Committee in 2003.

Klaus Zimmermann

JP, FPNA, CFA (SA)

Occupation: Chief Executive Officer, Eldercare Inc.

Division: South Australia

Klaus Zimmermann, 52, was elected to the Board of Directors in March 2000 and held the position of National President 2001–04. Klaus was the Chairperson of the National Recognition Action Policy Committee 2000–01 and has been a member of the South Australian Divisional Council since 1994. He served as the South Australian Divisional President 1998–2000 and on a number of State Committees. In March 2003 Klaus was appointed by the Federal Treasurer to the FRC for a three-year term as the NIA representative. The FRC is responsible for providing a broad oversight of the process for setting accounting standards in Australia and giving the Minister reports and advice on that process. In November 2003 Klaus was appointed as Director to Aged Care Services Inc. (ACS) which is the Industry Body for aged care in South Australia.

EXECUTIVE *Staff*

L to R

Dennis Adams

Peter Cocks

Anna Gration



L to R

Christine Greiser

Robert Hutt

Gavan Ord



Business Unit Managers

Dennis Adams

National Education Manager

Peter Cocks

Financial Controller

Anna Gration

National Professional Development (PD) Manager

Christine Greiser

National Marketing Manager

Robert Hutt

Executive Officer, Association of Accounting Technicians (AAT)

Gavan Ord

Technical Policy Manager/International Projects Manager

Divisional Managers

Rona Booth

Regional Manager, ACT/NSW Division

Jon Burns

Manager, TAS Division

Garry Curtis

Manager, SA/NT Division

Karen Fitzgibbons

Regional Manager, QLD Division

Liselle Grant

Regional Manager, VIC Division

Debbie Hurlbut

Manager, ACT Division

Aidan O'Grady

Manager, WA Division

As at 30 June 2005

National Committees

Office Bearers

David Hickman FPNA (President)
Glenn Mann FPNA (Deputy President)
Kerry King PNA (Vice-President)
Christine Leetham PNA (Treasurer)

National Executive Committee (ECN)

David Hickman FPNA
Glenn Mann FPNA
Kerry King PNA
Christine Leetham PNA
Klaus Zimmermann FPNA (Immediate Past President)

National Resources Policy Committee (RCN)

Christine Leetham PNA
Klaus Zimmermann FPNA

National Audit Committee (ATN)

Greg Dennis FPNA
Kevin Dawes FPNA

National Disciplinary Tribunal

John R Searles FPNA
Commissioner David A Hoffman FPNA
Peter Cocks FPNA
Chris Symes FNIA
Ross Levings FPNA
Roger Jepson
Bruce Rose

National Membership Policy Committee (MCN)

Ralph Green PNA
Mary Robinson-Brand FPNA

National Legislation and Standards Committee (LSN)

Alex Wilson OAM, FPNA
Greg Parr FPNA
Lance Cunningham PNA
Renate Tonks FPNA
David Sauer

Association of Accounting Technicians (Australia) Ltd (AAT)

Glenn Mann FPNA (President)
Nadine Hoskins (Vice-President)
Kerry King PNA
Professor Barry Cooper
Mary Robinson-Brand FPNA

National Accountant Editorial Board

Roger Cotton
Christine Greiser
David Fallick
Kaye Fallick
Shane Scanlan
Ros O'Sullivan

Accounting Education Australia Pty Ltd (AEA)

John Irvine PNA
Renate Tonks FPNA
Professor Craig M Deegan

Divisional Councillors

Tasmania

Helen Mennitz FPNA (Divisional President)
Andrew Frost PNA (Deputy Divisional President)
David Hickman FPNA (National Director, ex-officio)
Jon Burns (Manager)
Michael Barry FPNA
Beth Bartlett ANIA
Barry Chandler FPNA
Graeme Cox PNA
Tony Culberg FPNA
Stephen Gordon FPNA
Lesleigh Griffin PNA
Wendy Meadowcroft FPNA
Jason Parker PNA
Michelle Peebles FPNA

ACT

Peter Bacon FPNA (President)
Pam Chilman FPNA (Deputy President)
Greg Dennis FPNA (National Director)
Leah-Barbara Maguire FPNA
Rozanne Crawford FPNA
Josephine Donges ANIA
Luci Ferrini PNA
Keith France PNA
Scott Lyddiard FPNA

Queensland

Steve Barwick PNA (President)
Roger Nicholls FPNA (Deputy President)
Kerry King PNA (National Director)
Robert Dove PNA
Garry Edwards FPNA
Russell Hillard PNA
Ms Rana Jewell PNA
Malcolm Lawson PNA
Annie Prestwidge PNA
Peter Sa PNA
Steven Smith PNA

Victoria

John Waugh PNA (President)
Rene Alberto Mora FPNA (Deputy President)
Alex Wilson OAM, FPNA (National Director)
Susan Constable PNA (from November 2004)
Constandinos Kyvelidis PNA
Ian McKenzie FPNA
Greg McNiece FPNA
Keith L Mills PNA
Emmanuel Panourakis FPNA (resigned
November 2004)
Warren Paterson FPNA
Kenneth Smith FPNA (resigned May 2005)
Rodney Watts FPNA

South Australia & Northern Territory

Irene Bishop FPNA (President)
Graham Holland FPNA (Deputy President)
Mary Robinson-Brand FPNA (National Director)
Leanne Goss
Simon Pugh PNA
Gaylene Sandford PNA
Renate Tonks FPNA
Klaus Zimmermann FPNA

Western Australia

Guy Lehmann PNA (President)
Ivan Robinson PNA (Deputy President)
Glenn Mann FPNA (National Director)
Peter Atwell ANIA
Loretta Broad PNA
Lindsay Brown FPNA
Garry Djuickers PNA
Wayne Evershed PNA
Jo Greenwell FPNA
Carol Millband PNA
Carl Pizzino FPNA
Bhaveek Savadia PNA

NSW

David Collins FPNA (President)
Christine Leetham PNA (Deputy President)
Kevin Dawes FPNA (National Director)
Owen Beattie FPNA
Lynda M Gifford FPNA
Ralph Green PNA
John Irvine PNA
Brian Mellander
Dana Reed PNA
Paul Sponberg PNA
Ross Tindiglia PNA

DIRECTORS' *Report*

Your Directors submit their report and the financial statements of the National Institute of Accountants (NIA) for the twelve months ended 30 June 2005.

Board of Directors

The names of the Directors in office at the date of this report are as follows:

David Hickman (President)
Glenn Mann (Deputy President)
Kerry King (Vice-President)
Christine Leatham (Treasurer)
Kevin Dawes
Greg Dennis
Ralph Green
Greg Parr (from 26 November 2004)
Mary Robinson-Brand
Alex Wilson OAM
Klaus Zimmermann

Directors' Qualifications and Experience

Directors' qualifications and experience are disclosed under a separate section on the Annual Report headed 'Board of Directors'. Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Company Secretary

The following person held position of Company Secretary at the end of the financial year:

Mr Roger Cotton has worked for the National Institute of Accountants for the past four years performing the role of CEO. Mr Cotton was appointed Company Secretary on 19 November 2001.

Indemnity

During the financial period, the NIA paid premiums of \$26,151 to insure Directors and officers against liabilities for costs and expenses incurred by them in any legal proceedings arising out of their conduct while acting in the capacity of Director or officer of the NIA, other than conduct involving a wilful breach of duty in relation to the NIA.

Principal Activities

The principal activities of the NIA during the financial period remained unchanged and were to operate as a professional association of accountants providing members and students with services to meet their professional needs.

Operating Results

The operating profit after income tax and extraordinary items for the financial year as a result of the NIA's activities amounted to \$646,757.

Events Subsequent to Balance Date

No matters or circumstances have arisen since the end of the financial year which will significantly affect the operations of the NIA, the results of those operations, or the state of affairs of the NIA in subsequent financial years.

Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out on page 30.

Likely Developments and Results

The 2005–06 projected operating result is an operating deficit of approximately \$291,000. This result is due to a number of significant expenditures for strategic Board initiatives aimed at increasing brand awareness in key markets and increasing the professional standing of the members in the employment sector.

The Board of Directors is of the opinion that future planned activities are expected to further enhance the key service goals as set out in the NIA 2005–10 Strategic Plan.

Attendance at Board Meetings

Attendance at Board Meetings	Board Meetings attended/eligible	Committee Meetings attended/eligible
David Hickman	4/4	6/6
Glenn Mann	4/4	3/3
Kerry King	4/4	1/1
Christine Leatham	4/4	5/5
Kevin Dawes	4/4	3/3
Greg Dennis	4/4	2/2
Ralph Green	4/4	4/4
Greg Parr	3/3	1/1
Mary Robinson-Brand	4/4	3/4
Alex Wilson OAM	4/4	0/0
Klaus Zimmermann	3/4	3/4

Signed in accordance with a Resolution of the Board of Directors.



David Hickman FPNA
Director
25 August 2005



Christine Leatham PNA
Director
25 August 2005

**AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE *CORPORATIONS ACT 2001*
TO THE DIRECTORS OF THE NATIONAL INSTITUTE OF ACCOUNTANTS**

I declare that to the best of my knowledge and belief, during the year ended 30 June 2005 there have been:

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



McLean Delmo and Partners
300 Burwood Road Hawthorn Victoria
25 August 2005



Ian A Duff – Partner
25 August 2005

FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2005

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2005

	NOTE	ECONOMIC ENTITY		PARENT ENTITY	
		2005	2004	2005	2004
		\$	\$	\$	\$
Revenues from ordinary activities	<u>2</u>	9,023,573	7,330,409	8,900,542	7,481,837
Marketing and publications expenses		(1,071,175)	(908,223)	(1,071,175)	(908,223)
Corporate services expenses		(1,659,137)	(1,394,273)	(1,659,137)	(1,394,273)
Corporate governance expenses		(591,839)	(586,419)	(591,839)	(586,419)
Members' services expenses		(4,764,239)	(3,388,613)	(4,655,832)	(3,298,574)
Other expenses from ordinary activities		(290,426)	(525,488)	(243,459)	(873,180)
Profit from ordinary activities before income tax expense	<u>3</u>	646,757	527,393	679,100	421,168
Income tax expense relating to ordinary activities	<u>4</u>	-	-	-	-
Net profit from ordinary activities after income tax expense attributable to members of the parent entity	<u>15</u>	646,757	527,393	679,100	421,168
Net increase (decrease) in asset revaluation reserve	<u>14</u>	-	48,886	-	48,886
Total revenues, expenses and valuation adjustments attributable to members of the parent entity recognised directly in equity		-	48,886	-	48,886
Total changes in equity other than those resulting from transactions with owners as owners		646,757	576,279	679,100	470,054

The accompanying notes form part of these financial statements.

FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2005

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2005

	NOTE	ECONOMIC ENTITY		PARENT ENTITY	
		2005	2004	2005	2004
		\$	\$	\$	\$
CURRENT ASSETS					
Cash assets	<u>6</u>	5,398,930	3,846,721	5,266,096	3,708,525
Receivables	<u>7</u>	77,166	64,586	165,073	124,307
Other	<u>8</u>	395,486	245,314	372,968	271,838
TOTAL CURRENT ASSETS		5,871,582	4,156,621	5,804,137	4,104,670
NON-CURRENT ASSETS					
Receivables	<u>7</u>	-	-	400,000	414,300
Other financial assets	<u>9</u>	-	-	100	100
Property, plant and equipment	<u>11</u>	737,360	931,173	734,827	922,683
TOTAL NON-CURRENT ASSETS		737,360	931,173	1,134,927	1,337,083
TOTAL ASSETS		6,608,942	5,087,794	6,939,064	5,441,753
CURRENT LIABILITIES					
Payables	<u>12</u>	3,434,848	2,617,579	3,303,068	2,541,979
Provisions	<u>13</u>	188,251	166,634	188,251	166,634
TOTAL CURRENT LIABILITIES		3,623,099	2,784,213	3,491,319	2,708,613
NON-CURRENT LIABILITIES					
Provisions	<u>13</u>	46,364	10,859	46,364	10,859
TOTAL NON-CURRENT LIABILITIES		46,364	10,859	46,364	10,859
TOTAL LIABILITIES		3,669,463	2,795,072	3,537,683	2,719,472
NET ASSETS		2,939,479	2,292,722	3,401,381	2,722,281
EQUITY					
Reserves	<u>14</u>	-	72,274	-	72,274
Retained profits	<u>15</u>	2,939,479	2,220,448	3,401,381	2,650,007
TOTAL EQUITY		2,939,479	2,292,722	3,401,381	2,722,281

The accompanying notes form part of these financial statements.

FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2005

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2005

	NOTE	ECONOMIC ENTITY		PARENT ENTITY	
		2005	2004	2005	2004
		\$	\$	\$	\$
CASH FLOW FROM OPERATING ACTIVITIES					
Receipts from customers		9,861,314	7,901,475	9,626,044	8,067,733
Interest received		213,026	183,174	210,361	201,989
Payments to suppliers and employees		(8,533,551)	(7,200,875)	(8,290,254)	(7,472,565)
Borrowing costs paid		-	(2,101)	-	(2,101)
Net cash provided by (used in) operating activities	19a	1,540,789	881,673	1,546,151	795,056
CASH FLOW FROM INVESTING ACTIVITIES					
Proceeds from sale of property, plant and equipment		300,000	-	300,000	-
Proceeds from sale of investments		-	429,803	-	429,803
Payment for property, plant and equipment		(288,580)	(206,984)	(288,580)	(206,984)
Net cash provided by (used in) investing activities		11,420	222,819	11,420	222,819
Net increase in cash held		1,552,209	1,104,492	1,557,571	1,017,875
Cash at beginning of year		3,846,721	2,742,229	3,708,525	2,690,650
Cash at end of year	6	5,398,930	3,846,721	5,266,096	3,708,525

The accompanying notes form part of these financial statements.

FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2005

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

Note 1 Statement of Significant Accounting Policies

The financial report is a general purpose financial report that has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

The financial report covers the National Institute of Accountants as an individual parent entity and the National Institute of Accountants and controlled entities as an economic entity. The National Institute of Accountants is a company limited by guarantee, incorporated and domiciled in Australia.

The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

The following is a summary of the material accounting policies adopted by the economic entities in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

a. Principles of Consolidation

A controlled entity is any entity controlled by the National Institute of Accountants. Control exists where the National Institute of Accountants has the capacity to dominate the decision-making in relation to the financial and operating policies of another entity so that the other entity operates with the National Institute of Accountants to achieve the objectives of the National Institute of Accountants. Details of the controlled entities are contained in Note 10.

All inter-company balances and transactions between entities in the economic entity, including any unrealised profits or losses, have been eliminated on consolidation.

Where a controlled entity has entered or left the economic entity during the year its operating results have been included from the date control was obtained or until the date control ceased.

b. Income Tax

The National Institute of Accountants is a non-profit organisation to which the principle of mutuality applies. The principle of mutuality is a common law principle arising from the premise that a person cannot profit from himself. The effect of this is that the National Institute of Accountants only pays income tax on net income, which is not derived from members. Income, which is derived from members, is exempt from income tax. Tax-effect accounting procedures are followed whereby the income tax expense in the statement of financial performance is matched with the accounting profit (after allowing for permanent differences).

The future tax benefit relating to tax losses is not carried forward as an asset, unless the benefit can be regarded as being virtually certain of realisation. Income tax on net cumulative timing differences is set aside to the deferred income tax benefit account at the rate which is expected to apply when those timing differences reverse.

c. Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation.

Property

Freehold land and buildings are measured on the fair value basis, being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction. It is the policy of the economic entity to have an independent valuation every three years, with annual appraisals being made by the Directors.

The revaluation of freehold land and buildings has not taken account of the potential capital gains tax on assets acquired after the introduction of capital gains tax.

Plant and equipment

Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from those assets. Except where stated, recoverable amounts are not determined using discounted cash flows.

FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2005

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005 *cont.*

Note 1 Statement of Significant Accounting Policies *cont.*

Depreciation

The depreciable amount of all fixed assets including buildings and capitalised leased assets, but excluding freehold land, is depreciated on a straight line basis over their estimated useful lives to the economic entity commencing from the time the asset is held ready for use. Properties held for investment purposes are not subject to a depreciation charge. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of assets are:

Class of Fixed Asset	Depreciation Rate
Buildings	2.5%
Leasehold improvements	12.5%
Plant and equipment	12–40%
Leased plant and equipment	24%

d. Leases

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to the entities within the economic entity are classified as finance leases. Finance leases are capitalised, recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual values. Leased assets are depreciated on a straight line basis over their estimated useful lives where it is likely that the economic entity will obtain ownership of the asset or over the term of the lease. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives received under operating leases are recognised as a liability. Lease payments received reduce the liability.

e. Employee Benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits expected to be settled within one year together with benefits arising from wages and salaries, annual leave and sick leave which will be settled after one year, have been measured at the amounts expected to be paid when the liability is settled plus related on-costs. Other employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

Contributions are made by the economic entity to an employee superannuation fund and are charged as expenses when incurred.

f. Cash

For the purposes of the statement of cash flows, cash includes cash on hand and at call deposits with banks or financial institutions, investments in money market instruments maturing within less than three months and net of bank overdrafts.

g. Revenue

Revenue from membership subscriptions and receipts attributable to the current financial year are recognised as revenue. Members subscriptions and receipts relating to periods beyond the current financial year are shown in the Statement of Financial Position as members subscriptions in advance under the heading of payables in current liabilities.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

All revenue is stated net of the amount of goods and services tax (GST).

h. Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the Statement of Financial Position are shown inclusive of GST.

i. Limitation of Members Liability

In accordance with the Constitution, the liability of members in the event of the National Institute of Accountants being wound up would not exceed six dollars (\$6) per member.

j. Impact of Adoption of Australian Equivalents to International Financial Reporting Standards

The economic entity is preparing and managing the transition to Australian Equivalent of International Financial Reporting Standards (AIFRS) effective for the financial years commencing from 1 January 2005. The adoption of AIFRS will be reflected in the economic entity and the parent entity's financial statements for the year ending 30 June 2006. On first time adoption of AIFRS, comparatives for the financial year ended 30 June 2005 are required to be restated.

The economic entity's management have assessed the significance of the expected changes and are preparing for their implementation. The Financial Controller reports the progress of transition to the Audit Committee and Resources Committee and the accounting staff have undertaken extensive training.

The senior management have reviewed the new standards and have determined that the transition to AIFRS will result mainly in changes to disclosure and that the financial position of the economic entity will not be materially affected.

– Plant and Equipment

The carrying amount of plant and equipment is reviewed annually by the Directors. The National Institute of Accountants is a not-for-profit organisation and the nature of the services indicates that the carrying amount of these assets will not materially change with the introduction of AIFRS.

– Financial Instruments

The Directors believe the transition to AIFRS will have an insignificant and immaterial effect on the carrying value of Financial Instruments.

FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2005

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005 cont.

Note 2 Revenue

	NOTE	ECONOMIC ENTITY		PARENT ENTITY	
		2005	2004	2005	2004
		\$	\$	\$	\$
Operating activities					
— members' subscriptions		5,777,979	4,957,217	5,692,292	4,890,604
— members' activities		999,329	830,139	999,329	830,139
— non member activities		1,675,314	1,354,580	1,605,070	1,343,680
— interest earned	2a	243,625	163,549	260,862	182,365
— other revenue		27,326	24,924	26,426	24,924
— management fees		-	-	16,563	210,125
		8,723,573	7,330,409	8,600,542	7,481,837
Non-operating activities					
— proceeds on disposal of property, plant and equipment		300,000	-	300,000	-
		300,000	-	300,000	-
Total revenue		9,023,573	7,330,409	8,900,542	7,481,837
a. Interest from					
— other persons		243,625	155,265	240,960	153,708
— contract of sale		-	8,284	-	8,284
— loan to controlled entity		-	-	19,902	20,373
		243,625	163,549	260,862	182,365

FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2005

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005 cont.

Note 3 Profit from Ordinary Activities

	NOTE	ECONOMIC ENTITY		PARENT ENTITY	
		2005	2004	2005	2004
		\$	\$	\$	\$
Profit from ordinary activities before income tax expense has been determined after:					
a. Expenses					
Borrowing costs					
— other persons		-	2,101	-	2,101
Total borrowing costs		-	2,101	-	2,101
Depreciation of non-current assets					
— buildings		2,527	394	2,527	394
— plant and equipment		103,578	112,219	97,621	106,245
— leased plant and equipment		44,478	47,838	44,478	47,838
Total depreciation		150,583	160,451	144,626	154,477
Amortisation of non-current assets					
— leasehold improvements		64,785	49,381	64,785	49,381
Bad and doubtful debts					
— trade debtors		-	9,660	-	9,660
Total bad and doubtful debts		-	9,660	-	9,660
Remuneration of auditor					
— auditor review		31,000	34,950	25,000	30,100
— other services		10,503	12,342	10,503	8,642
Rental expense on operating leases					
— minimum lease payments		440,637	375,471	440,637	375,471
b. Revenue and Net Gains					
Net gain (loss) on disposal of plant and equipment		32,975	(2,995)	32,975	(2,995)

c. Significant Revenues and Expenses

The following revenue and expense items are relevant in explaining the financial performance

employee benefits expense	3,215,669	2,752,224	3,215,669	2,734,584
web development costs	30,298	27,406	24,545	24,445
advertising and promotions	233,599	199,382	216,334	177,385
members cd handbook costs	38,475	17,132	38,475	17,132
Financial Reporting Council contribution	250,000	100,000	250,000	100,000
International Federation of Accountants contribution	71,280	-	71,280	-
Accounting Education Australia management fee	-	-	65,000	476,313

Note 4 Income Tax Expense

The prima facie income tax expense at 30% on net profit from ordinary activities for the economic entity is \$194,027 (2004 – \$158,218) and for the parent entity is \$203,730 (2004 – \$126,350) offset by a permanent difference arising from mutual activities with members.

At balance date, unconfirmed accumulated tax losses of \$2,538,927 (2004 – \$2,905,094) existed, giving rise to a potential future tax benefit. The potential future tax benefit attributable to the tax losses is not recognised, as realisation is not virtually certain.

FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2005

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005 cont.

Note 5 Remuneration and Retirement Benefits

	NOTE	ECONOMIC ENTITY		PARENT ENTITY	
		2005	2004	2005	2004
		\$	\$	\$	\$

a. Directors' Remuneration

Income paid or payable to all Directors of each entity in the economic entity by the entities of which they are Directors

8,500	-	-	-
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Note 6 Cash Assets

Cash at bank	340,037	386,721	207,204	248,525
Cash on hand	2,250	1,800	2,250	1,800
Deposits at call	377,379	910,527	377,379	910,527
Bank term deposits	2,706,209	1,561,939	2,706,209	1,561,939
Promissory notes	1,973,055	985,734	1,973,054	985,734
	5,398,930	3,846,721	5,266,096	3,708,525

a. Reconciliation of cash

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to item in the statement of financial position as follows:

Cash	5,398,930	3,846,721	5,266,096	3,708,525
	5,398,930	3,846,721	5,266,096	3,708,525

Note 7 Receivables

CURRENT

Trade debtors	102,563	89,983	102,563	89,983
Provision for doubtful debts	(25,397)	(25,397)	(25,397)	(25,397)
	77,166	64,586	77,166	64,586

Amounts Receivable from:

Receivable – Association of Accounting Technicians (Australia) Ltd	-	-	43,236	-
Receivable – Accounting Education Australia Ltd	-	-	44,671	59,721
	-	-	87,907	59,721
	77,166	64,586	165,073	124,307

NON-CURRENT

Loan – Association of Accounting Technicians (Australia) Ltd	-	-	400,000	350,000
Loan – Accounting Education Australia Ltd	-	-	-	64,300
	-	-	400,000	414,300

Note 8 Other Assets

CURRENT

Deposits and Bonds	127,328	89,213	127,328	89,213
Accrued Income	65,790	32,447	65,790	58,971
Prepayments	202,368	123,654	179,850	123,654
	395,486	245,314	372,968	271,838

FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2005

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005 cont.

Note 9 Other Financial Assets

	NOTE	ECONOMIC ENTITY		PARENT ENTITY	
		2005	2004	2005	2004
		\$	\$	\$	\$
Shares in controlled entities – at cost	<u>10</u>	-	-	100	100
		-	-	100	100

Note 10 Controlled Entities

Subsidiaries of:	National Institute of Accountants	Country of incorporation:	Percentage owned (%)	
			2005	2004
Accounting Education Australia Ltd		Australia	100	100
The following entities are not owned by the National Institute of Accountants but are controlled:				
Association of Accounting Technicians Ltd		Australia		
Australian Institute of Professional Accountants Ltd		Australia		
This company has not traded and was deregistered on 17 July 2005				

Note 11 Property, Plant and Equipment

	NOTE	ECONOMIC ENTITY		PARENT ENTITY	
		2005	2004	2005	2004
		\$	\$	\$	\$
Land and Buildings					
Freehold land at:					
— independent valuation 2004		-	73,500	-	73,500
		-	73,500	-	73,500
Buildings at:					
— independent valuation 2004		-	192,000	-	192,000
Less accumulated depreciation		-	(394)	-	(394)
		-	191,606	-	191,606
Total Land and Buildings		-	265,106	-	265,106
Plant and equipment at cost		895,241	863,100	880,324	848,183
Less accumulated depreciation		(543,011)	(550,547)	(530,627)	(544,120)
		352,230	312,553	349,697	304,063
Leasehold Improvements at cost		577,893	437,014	577,893	437,014
Less accumulated depreciation		(236,996)	(172,211)	(236,996)	(172,211)
		340,897	264,803	340,897	264,803
Capitalised leased plant and equipment		226,800	226,800	226,800	226,800
Less accumulated depreciation		(182,567)	(138,089)	(182,567)	(138,089)
		44,233	88,711	44,233	88,711
Total Plant and Equipment		737,360	666,067	734,827	657,577
Total Property, Plant and Equipment		737,360	931,173	734,827	922,683

FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2005

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005 cont.

Note 11 Property, Plant and Equipment cont.

Movements in Carrying Amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year

	Freehold Land	Buildings	Leasehold Improvements	Plant and Equipment	Leased Plant and Equipment	Total
	\$	\$	\$	\$	\$	\$
Economic Entity						
Balance at the beginning of the year	73,500	191,606	264,803	312,553	88,711	931,173
Additions	-	-	140,879	147,701	-	288,580
Disposals	(73,500)	(189,079)	-	(4,446)	-	(267,025)
Depreciation expense	-	(2,527)	(64,785)	(103,578)	(44,478)	(215,368)
Carrying amount at the end of the year	-	-	340,897	352,230	44,233	737,360
Parent Entity						
Balance at the beginning of the year	73,500	191,606	264,803	304,063	88,711	922,683
Additions	-	-	140,879	147,701	-	288,580
Disposals	(73,500)	(189,079)	-	(4,446)	-	(267,025)
Depreciation expense	-	(2,527)	(64,785)	(97,621)	(44,478)	(209,411)
Carrying amount at the end of the year	-	-	340,897	349,697	44,233	734,827

	ECONOMIC ENTITY			PARENT ENTITY	
	NOTE	2005	2004	2005	2004
		\$	\$	\$	\$

Note 12 Payables

CURRENT

Trade creditors	138,479	150,906	138,479	150,906
Accrued expenses	684,641	437,339	679,669	424,926
Members' subscriptions in advance	2,104,242	1,778,882	2,090,397	1,768,669
Other income in advance	333,040	104,516	220,508	51,595
GST payable	174,446	145,936	174,015	145,883
	3,434,848	2,617,579	3,303,068	2,541,979

FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2005

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005 cont.

Note 13 Provisions

	NOTE	ECONOMIC ENTITY		PARENT ENTITY	
		2005	2004	2005	2004
		\$	\$	\$	\$
CURRENT					
Employee benefits	<u>13a</u>	188,251	166,634	188,251	166,634
		188,251	166,634	188,251	166,634
NON-CURRENT					
Employee benefits	<u>13a</u>	46,364	10,859	46,364	10,859
		46,364	10,859	46,364	10,859
a. Aggregate employee benefit liability		234,615	177,493	234,615	177,493
b. Number of employees at year end		45	36	45	36

Note 14 Reserves

Asset Revaluation Reserve	<u>14a</u>	-	72,274	-	72,274
		-	72,274	-	72,274
a. Asset revaluation reserve					
Movements during the year					
Opening balance		72,274	23,388	72,274	23,388
Revaluation increment or decrement arising on revaluing freehold land and buildings to fair value		-	48,886	-	48,886
Transfer to retained profits		(72,274)	-	(72,274)	-
Closing balance		-	72,274	-	72,274

The asset revaluation reserve records revaluations of non-current assets

Note 15 Retained Profits

Retained profits at the beginning of the financial year		2,220,448	1,693,055	2,650,007	2,228,839
Net profit attributable to members of the company		646,757	527,393	679,100	421,168
Transfers (to) and from reserves					
– asset revaluation reserve	<u>14a</u>	72,274	-	72,274	-
Retained profits at the end of the financial year		2,939,479	2,220,448	3,401,381	2,650,007

FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2005

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005 cont.

Note 16 Capital and Leasing Commitments

	ECONOMIC ENTITY		PARENT ENTITY	
	2005	2004	2005	2004
	\$	\$	\$	\$
a. Operating Lease Commitments				
Non-cancellable operating leases contracted for but not capitalised in the financial statements:				
Payable				
—not later than 1 year	533,794	444,093	533,794	444,093
—later than 1 year but not later than 5 years	1,343,281	1,255,530	1,343,281	1,255,530
—later than 5 years	40,981	34,293	40,981	34,293
	1,918,056	1,733,916	1,918,056	1,733,916

The National Institute of Accountants leases office equipment and office premises throughout Australia's capital cities. The equipment leases are all for fixed rentals. Some of the premises leases are subject to annual review, based on either changes in the rental market or the Consumer Price Index. The Institute holds lease renewal options which are not judged to have any material value that can be reliably valued and so are not recognised in its financial statements.

Note 17 Related Party Transactions

	ECONOMIC ENTITY		PARENT ENTITY	
	2005	2004	2005	2004
	\$	\$	\$	\$

- a. Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Name	Related Entity	Description	2005	2004	2005	2004
Professor Barry Cooper	RMIT	Director's employer reimbursement	-	5,000	-	-
	Asia Consulting	Director's employer reimbursement	5,000	-	-	-
Tony Culberg	A C Culberg	CPE speakers' fees	7,964	9,166	7,964	9,166
Kevin Dawes	Strategic Plus	Director's employer reimbursement	5,000	3,000	5,000	3,000
Greg Dennis	Dept of Agriculture & Fisheries	Director's employer reimbursement	-	4,000	-	4,000
	Denthar Accountants	Director's employer reimbursement	3,750	-	3,750	-
Ralph Green	Business Systems Pty Ltd	Director's employer reimbursement	5,000	5,000	5,000	5,000
David Hickman	Commercial Equity Group	Director's employer reimbursement	6,100	5,000	6,100	5,000
Kerry King	Prudent Accountants	Director's employer reimbursement	5,000	4,000	5,000	4,000
Christine Leetham	TAFE NSW	Director's employer reimbursement	5,000	-	5,000	-
Glenn Mann	Elmet Pty Ltd	Director's employer reimbursement	2,500	1,000	2,500	1,000
	Australian Steel Supplies	Director's employer reimbursement	2,500	2,000	2,500	2,000
Emmanuel Panourakis	Panourakis & Co	Director's employer reimbursement	-	5,000	-	2,000
Greg Parr	Mouldens Solicitors	Director's employer reimbursement	3,750	1,000	3,750	1,000
Mary Robinson-Brand	Marlas Pty Ltd	Director's employer reimbursement	5,000	4,000	5,000	4,000
Renate Tonks	Payne Group	Director's employer reimbursement	-	2,100	-	1,100
Alex Wilson	Abbotts Debt Collection Agency	Director's employer reimbursement	5,000	3,000	5,000	3,000
Klaus Zimmermann	Eldercare	Director's employer reimbursement	5,000	10,000	5,000	10,000

FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2005

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005 cont.

Note 18 Segment Reporting

The economic entity operates predominantly in one business and geographical segment being a professional association of accountants throughout Australia. It has some members who reside overseas. The overseas membership is 9.7% of the total National Institute of Accountants's membership.

Note 19 Cash Flow Information

	NOTE	ECONOMIC ENTITY		PARENT ENTITY	
		2005	2004	2005	2004
		\$	\$	\$	\$
a. Reconciliation of Cash Flow from Operations with Profit from Ordinary Activities after Income Tax					
Profit (loss) from ordinary activities after income tax		646,757	527,393	679,100	421,168
Non-cash flows in profit from ordinary activities					
Amortisation		64,785	49,381	64,785	49,381
Depreciation		150,583	160,451	144,626	154,477
Net (gain) loss on disposal of plant and equipment		(32,975)	2,995	(32,975)	2,995
Changes in assets and liabilities, net of the effects of purchase and disposals of subsidiaries					
(Increase)/decrease in receivables		(12,581)	(18,209)	(26,466)	99,619
(Increase)/decrease in other assets		(150,171)	(60,004)	(101,130)	(86,528)
Increase/(decrease) in revenue received in advance		553,883	128,979	490,641	71,321
Increase/(decrease) in trade creditors and accruals		263,386	76,742	270,448	68,678
Increase/(decrease) in provisions		57,122	13,945	57,122	13,945
Cash flows from operations		1,540,789	881,673	1,546,151	795,056

FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2005

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005 cont.

Note 20 Financial Instruments

a. Interest Rate Risk

The economic entity's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on those financial assets and financial liabilities, is as follows:

	Weighted Average		Floating Interest Rate		Fixed Interest Rate Maturing		Non interest bearing	
	Effective Interest Rate				Within 1 Year			
	2005	2004	2005	2004	2005	2004	2005	2004
Financial Assets	%	%	\$	\$	\$	\$	\$	\$
Cash at bank	3.55	3.39	340,037	386,721	-	-	-	-
On call bank investment	5.20	5.00	377,379	910,527	-	-	-	-
Promissory notes	5.72	5.68	-	-	1,973,055	985,734	-	-
Bank term deposits	5.70	5.30	-	-	2,706,209	1,561,939	-	-
Total Financial Assets	-	-	717,416	1,297,248	4,679,263	2,547,673	-	-
Financial Liabilities								
Trade creditors and accruals	-	-	-	-	-	-	1,330,606	838,697
Total Financial Liabilities	-	-	-	-	-	-	1,330,606	838,697

b. Credit Risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount of those assets, net of any provisions for doubtful debts, as disclosed in the statement of financial position and notes to the financial statements.

The economic entity does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the economic entity.

c. Net Fair Values

The net market values of the Institute's investments, accounts receivable, accounts payable, accrued charges approximate their carrying amounts. No financial assets and financial liabilities are readily traded on organised markets in standardised form. For other assets and other liabilities the net fair value approximates their carrying value.

The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the statement of financial position and in the notes to the financial statements.

Note 21 Company Details

The registered office of the company is:

National Institute of Accountants
Level 8, 12-20 Flinders Lane
MELBOURNE 3000

The principal places of business is:

Level 8, 12-20 Flinders Lane, Melbourne, Victoria, 3000
Level 14, 447 Kent Street Sydney, New South Wales, 2000
Level 4, 24 Brisbane Avenue, Barton, ACT, 2600
Level 11, 300 Queen Street, Brisbane, Queensland, 4000
Suite 6, 60 Hindmarsh Square, Adelaide, South Australia, 5000
Suite 1, 78 Mill Point Road, South Perth, West Australia, 6151
Level 1, 222 Elizabeth Street, Hobart, Tasmania, 7000


FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2005

DIRECTORS' DECLARATION

The Directors of the company declare that:

1. The financial statements and notes, as set out on pages 31 to 44, are in accordance with the *Corporations Act 2001*, and:
 - a. comply with Accounting Standards as described in Note 1 to the financial statements and the Corporations Regulations 2001; and
 - b. give a true and fair view of the company's financial position as at 30 June 2005 and of the performance for the year ended on that date in accordance with the accounting policies described in Note 1 to the financial statements.
2. In the Directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



Director David Hickman FPNA
Dated 25 August 2005



Director Christine Leetham PNA
Dated 25 August 2005

FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2005

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF THE NATIONAL INSTITUTE OF ACCOUNTANTS

Scope

We have audited the financial report of the National Institute of Accountants for the financial year ended 30 June 2005 as set out on pages 31 to 45.

The financial report includes the consolidated financial statements of the consolidated entity comprising the company and the entities it controlled at the year's end or from time-to-time during the financial year. The company's Directors are responsible for the financial report. We have conducted an independent audit of this financial report in order to express an opinion on it to the members of the company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements in Australia and statutory requirements so as to present a view which is consistent with our understanding of the company's and consolidated entity's financial position and performance, as represented by the results of their operations and their cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Independence

In accordance with ASIC Class Order 05/83, we declare to the best of our knowledge and belief that the Auditor's Independence Declaration, set out on page 30 and attached to the Directors' Report, has not changed as at the date of providing our audit opinion.

Audit Opinion

In our opinion, the financial report of the National Institute of Accountants is in accordance with:

- a. the *Corporations Act 2001*, including:
 - i. giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2005 and of their performance for the year ended on that date; and
 - ii. complying with Accounting Standards in Australia and the Corporation Regulations 2001.
- b. other mandatory professional reporting requirements



McLean Delmo and Partners
300 Burwood Road Hawthorn Victoria
Dated 29 August 2005



Ian A Duff – Partner
Dated 29 August 2005