

# *Building on Strength*

NIA Annual Report 2006



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

NIA Divisional Office SA/NT  
Suite 6, 60 Hindmarsh Square  
Adelaide, South Australia, 5000

on  
Friday November 3, 2006  
Commencing at 5.30 pm

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David Hickman - National President



***By any definition the past year has been a successful one for the National Institute of Accountants. Our endeavour and resilience has led to attitudinal changes in how we are addressed by our counterparts in Australia and overseas, and generated increased benefits for our members.***

At the Board of Directors meeting in 2005, several initiatives were outlined to enhance 'the brand', and I am pleased to report there has been significant progress made towards fulfilling those goals.

In April 2006 we held the "Managing Change – Maintaining Excellence" conference in Kuala Lumpur which boasted more than 160 attendees and was a wonderful success.

The conference was followed by a Board meeting featuring presentations from Mr Arriffin Mansor, the President of our Malaysian branch, and Dr Heston Kwong, the President of the Hong Kong/ China branch.

Malaysia is a key region in our future plans and holding these two events 'locally', as well as several other seminars relating to IFRS, continues to provide us with ongoing benefits. We have also taken a position where we will drive the NIA profile in university faculties and departments through greater involvement in prize giving and other events, as well as the provision of research grants.

One example of this initiative was the presentation of the inaugural NIA Prize for the best paper delivered at the AFAANZ conference which was awarded to Mr Jeff Coulton from the University of New South Wales for his paper on "The Strategic Use of Prior Period Benchmark Disclosures in Management Earning Forecasts".

The NIA is expanding discussions with Australian and overseas universities with regards to course delivery, raising student awareness of what NIA can offer accounting graduates and enhancing the educational opportunities for its members.

The NIA continues to liaise with other professional bodies within our region and the United Kingdom regarding recognition and joint educational projects. While not exclusive, the most notable of these are HKCICPA, MIA, CAPA, and ACCA. On the Australian front, the NIA hosted the "Business Across Borders" international conference in Sydney in November last year. Speakers were drawn from across the international and Australian sectors, covering government and industry issues, and all attendees commended the NIA on the very successful delivery of this event.

Members are acutely aware of the hurdles faced by the NIA in the employment advertising industry. While we have made substantial progress in this area, there is no short-term fix and we will continue to work tirelessly to overcome these issues.

One of the key issues to come to a head during the reporting period is one of significant consequence to the profession.

There has been much discussion and consideration of what has been termed a 'dire shortage' of accounting professionals in Australia. There are two aspects to this issue; we have mature-aged members of the profession reaching retirement age or reaching a point in their lives where early retirement is an option – and taking it. This has been described by some as the baby-boomer 'bail-out'.

The other aspect is that there are either fewer students coming through tertiary accounting courses, or insufficient numbers of people already established in the profession embarking on additional studies and progressing in their careers.

The ebb and flow of members in a profession is a natural cycle. The cycle is currently out of balance however because more significant numbers than usual are leaving the profession, and these numbers are not being supplemented by younger members coming up through the ranks.

This is a key motivator behind the NIA Mentor program which enables those entering the profession to learn from seasoned practitioners and at the same time encourages those same practitioners to give something back to the profession through a sharing of their skills, experience and knowledge.

Probably more over the past year than at any other time in its history, the NIA has shown it has the capacity to influence change and we will continue to work as an advocate for our members' interests into the future.

To that end, we are full members of IFAC which allows us to impress on our peers our ability for worthwhile contributions to the advancement of the profession.

The NIA will continue to impress on international and national standards-setters that any contributions from the profession should not be considered a one-way street – we expect to see outcomes! We are not about to sit back and wait for them to seek us out, and are therefore making our presence felt and our voice heard.

To this end the 'round table' discussions held in Melbourne and Canberra, that featured high-calibre representatives of the major organisations representing the profession, were of great benefit.

It has been a very rewarding year for the NIA team under the leadership and direction of CEO Roger Cotton. I express my sincere thanks to him and his team for their hard work and dedication. I also thank the members of the Board whose contribution to the work of the NIA is invaluable.





***It has been an outstanding year for the NIA, and one highlighted by many successes. As an organisation we've continued to build on our collective strengths and we are now reaping rewards for the benefit of members now and into the future.***

We live in a world experiencing change on an unprecedented scale. Whether from a local or a global perspective, there is an undercurrent of political, social, cultural and even professional revolution. It must be said, within our area of interest that a little professional revolution is not necessarily a bad thing.

A key catalyst for the changes we are experiencing is the rapid advancement of modern technology and the way it enables physical and intellectual borders to be crossed.

It is a simple fact of the modern world that many barriers to trade are being dismantled, requiring more and more markets, and the businesses that operate in them, to consider global approaches and alliances and of course building the strategic framework that goes with them.

The natural barriers that existed between once competing organisations are coming down at great speed and none of us can afford to be left bobbing in the wake of the whirlpool of opportunities that will eventuate.

For the NIA, thinking ahead, and at appropriate opportunities even instigating 'change', is essential to both personal and professional survival.

We are breaking down the 'silos' of thought and operation by making new alliances around the world and within Australia and expanding our areas of influence to ensure NIA members are represented and valued amongst their peers and by the national and international authorities that govern the accounting profession.

However, as NIA expands across 'borders' so others can cross our own; with advances such as International Accounting Standards comes international competition. Thus it is more essential than ever that members take part in Continuous Professional Education to ensure we remain at the leading edge of the profession.

In this report you will see revenue has surpassed \$10 million and has again performed better than budget (+8%) while expenditure is a pleasing 2% better than budget. While it is disappointing that our membership numbers have come in at 2.6% below the budget expectation, perhaps on reflection, our target was a little ambitious considering our achievements in the previous year.

#### Business Across Borders

Our inaugural international conference "Business Across Borders", held in Sydney was a great success according to the feedback we received from delegates and general market reports. More than 160 attendees listened to presentations from a range of quality international and local speakers on a range of current accounting and business topics.

The number of overseas assessments conducted under the NOOSR program have increased dramatically. Nearly 500 applications were received in January alone; three times the monthly average experienced in the previous 12 months.

This increase in activity demonstrates the growing success of the NIA program and our attention to helping the inquirers helps to strengthen our standing internationally.

Further strengthening our international ties with Malaysia, the NIA entered into a Memorandum of Understanding with the University of Utara Malaysia (UUM) relating to the accreditation by NIA of UUM's two undergraduate accounting degrees.

As a corporate member of the Australia China Business Council (ACBC), I joined a select number of senior accounting, banking, and business representatives at the annual ACBC Networking Day in Canberra where we had detailed discussions with the Chinese Embassy and Government officials.

Complementing this work, the Tianjin University of Technology (TUT) has approved the NIA's Advanced Diploma in International Accounting, which will be made available to students in China by late 2006.

#### Milestones

In the reporting period we were delighted to welcome to the NIA our 14,000th member; Dr Fatima Abdul Hamid PNA, a Malaysian academic. NIA membership now exceeds 14,000, including more than 1,000 overseas members.

The National Office and all the Divisional Offices successfully passed their respective Quality Assurance Audits vital to maintaining the NIA's accreditation with the ISO 9001 Quality Standards. NIA's Registered Training Organisation, Accounting Education Australia (AEA) also successfully passed a major audit by the Victorian State Training Authority and is now registered until 2010.

A positive outcome was achieved in Queensland to our requests to have the NIA appropriately recognised in all legislation alongside CPA and ICAA and similar outcomes are expected in Victoria, South Australia and New South Wales.

#### Round Tables

NIA's program of 'round table' discussions went from strength to strength. Program highlights included events featuring guest speakers such as the Chairman of the International Accounting Standards Board, Sir David Tweedie, the Director of the IASB, Warren McGregor and Michael Crooch, Director of FASB in the USA.

The NIA has been joined in hosting some of these events by organisations including ICAA and CEDA which has been viewed by regulatory and Government representatives as positive steps for the NIA in regard to raising our profile and taking a leading role in the profession.

The NIA, CPA and ICAA are now discussing a number of issues where full cooperation can be exercised sending out a strong message of collective thought-process and planning.

To this end I would like to welcome the appointments of Graham Meyer and Geoff Rankin to their respective roles as CEOs of the ICAA and CPA, and wish them well in their endeavours and further contributions to positive professional outcomes.

Next year will see the NIA stand alongside CPA, ICANZ and ICAA as primary platinum sponsors of AFAANZ (Accounting Financial Association of Australia and New Zealand) giving us much needed exposure to the Australian University academics who ultimately recommend the career paths in our profession to students.

The NIA's exhibition at this year's conference in Wellington was outstanding and drew much acclaim from academics and competitors alike.

#### Representation & Recognition

The NIA is now positioned to play a continually important role in thought leadership for the profession into the future. We continue to enjoy success and enhanced recognition.

I wish to offer sincere thanks to our Board of Directors and Divisional Councils for their continued input and support.

NIA President, David Hickman, and I were pleased to represent the NIA at the IFAC Council meeting in Auckland New Zealand in our capacity as a full member of this outstanding group.

The NIA, ICAA and CPA continue to represent the interests of members, and the broader community, on many important issues.

During the year the Presidents of the respective bodies and their senior Technical staff collaborated on a joint submission to the Parliamentary Secretary to the Treasurer Chris Pearce MP to discuss various matters regarding the Financial Services Reform Act.

A highlight event again this year was NIA, in conjunction with Australian Business Limited and CPA Australia, hosting the Federal Budget Breakfast briefing in the Great Hall at Parliament House.

It would be remiss of me if I did not again recognise the outstanding efforts of my team at all levels of the organisation. The continued success of the NIA is dependent upon their efforts and it is with great pride that I see our administrative team meeting the challenges and increased demands of a rapidly growing business with dedication and commitment to their respective roles.



**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. The section will also 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, 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, represents 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. The most important element of such monitoring is the input received from members.

**Representations on accounting & auditing standards included:**

- the Legislation and Standards section using 'roundtable' meetings involving stakeholders from industry and commerce, government, public practice and standard-setters to receive input on a range of issues arising from Australia's adoption of International Financial Reporting Standards (IFRS). The NIA passed such input to the International Accounting Standards Board (IASB), the US Financial Accounting Standards Board (FASB), Australian Accounting Standards Boards (AASB), the Financial Reporting Council (FRC) and the Treasury,
- numerous submissions, media releases and representations on various issues surrounding the introduction of IFRS including the Reporting Entity concept, how IFRS should be interpreted, business combinations and the Australian and Securities and Investments Commission (ASIC) proposed audit inspection powers,
- a number of submissions, media releases and representations on public sector accounting, particularly the Generally Accepted Accounting Principals/Government Financial Statistics (GAAP/GFS) Convergence project and General Government Sector reporting, and participation in the Auditing Standards Response Group, which made submissions on the entire suite of Australian Auditing Standards.

**Results from this activity:**

- The NIA has continued to strengthen its profile in the areas of accounting and audit through a range of activities over the past 12 months. These included a successful business lunch featuring Sir David Tweedie, the chairman of the IASB, a 'roundtable' on accounting for small to medium sized enterprises featuring IASB board-member Warren McGregor, and a seminar and 'roundtable' on the issues Australian companies are having with reconciling between US and International Accounting Standards, which featured Michael Crooch, a board member of the FASB.
- Involvement by the NIA on various policy committees continues to flourish with the newly formed standing committee on accounting and audit – an initiative of the ASIC – incorporating the NIA as a part of a group that aims to foster strong links between regulators, professional bodies and accounting firms. The purpose of the forum is to ensure that both regulators and accounting professionals understand what concerns they have in common and work together to address them in the public interest.
- The implementation of 'roundtable' discussions by the NIA on accounting issues has increased the influence of the NIA over the standards-setters for the benefit of members and the profession. Such 'roundtables' have been widely praised both in Australia and overseas. The 'roundtables' not only serve to strengthen the NIA's profile, but also connect the standard-setters with the users of such standards, which can only result in better and more informed standards.

**International representations included:**

- the preparation and lodgement of submissions for recognition from the Hong Kong Institute of Certified Public Accountants and the Malaysian Institute of Accountants, and
- contributed to the raising of the global profile of the NIA by preparing and lodging submissions with the International Accounting Standards Board, the International Federation of Accountants (IFAC) and the Hong Kong Government.

**Results from activity:**

- 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 a range of issues.

**Representation on the Financial Services Reform Act 2001 (FSRA) included:**

- continued lobbying, and submissions to, the Government on the FSRA, particularly the restriction on accountants advising on superannuation structures beyond self-managed superannuation funds, and maintaining the Accounting Industry Guide, which is available to members through the NIA website.

**Results from this activity:**

- Despite this activity, the Government has not altered its position on accountants being exempted from the FSRA in relation to superannuation structure advice, except where such advice relates to self-managed superannuation funds. However, as part of the Government's Taskforce on Reducing the Regulation Burdens on Business, the Government has once again revisited how the FSRA impacts on accountants.

**Representation on tax and tax administration included:**

- continuing to actively seek changes to how the Australian Taxation Office (ATO) administers the tax system. This was done directly with the ATO and also through the Inspector General of Taxation, the Australian National Audit Office, the Board of Taxation and the Joint Committee of Public Accountants and Audit,
- 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 provide to tax agents,
- a number of submissions and representations on the ATO's proposed re-definition of how tax law applies to service entities and the draft legislation on promoter penalties,
- submission to the Warburton/Hendy inquiry into the Australian tax system, and
- continuing to raise issues of concern regarding tax 'technical' and tax 'administration'.

**Results from the activity:**

- The ATO continues to improve the level of service to tax agents and the improvements (both implemented and planned) to the ATO's information systems (the Change Program) should result in far better service for tax agents and hence taxpayers. The ATO has taken a more practical approach to service entities after considerable representation from the profession, including the NIA. Progress on the proposed reforms to the regulation of the profession remains frustratingly slow.

**Representation on superannuation included:**

- contributing to parliamentary and government inquiries into superannuation, in particular, seeking a recasting of the superannuation system, with an emphasis on the taxation treatment of superannuation,
- contributing to the development of law in relation to the splitting of contributions,
- development of a SMSF audit and audit independence guide for NIA members, and
- lodging submissions on the superannuation changes proposed in the May 2006 Federal Budget.

**Other representations included:**

- working with the FRC to assist their monitoring of the NIA's disciplinary procedures, ethical requirements and quality audit processes,
- making submissions to the Government's Taskforce on Reducing the Regulation Burdens on Business,
- support for the NIA's application for re-registration of its scheme under the New South Wales Professional Standards Act,
- promotion of the need for uniform Professional Standards legislation across all states and territories and seeking substantial changes to how the legislation is to be administered,
- continued support of Divisional approaches to State Governments and their agencies; particularly in Queensland where the Parliament passed legislation removing all discrimination against NIA members,
- participation in efforts to develop an international standard for the financial planning industry,
- submissions to and involvement in the ministerial Insolvency Law Advisory Group,
- redrafting the NIA's Code of Ethics to align it with the IFAC Code,
- rewriting a number of NIA pronouncements and providing support to the re-write of the NIA Public Practice Manual,
- making submissions and representations on the anti-money laundering legislation, and
- 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.

**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 decreased slightly over last year.

In the period 1 July 2005 to 30 June 2006 the NIA received 36 new complaints (41 new complaints lodged 1 July 2004 to 30 June 2005). The nature of these complaints is as follows:

- 22 complaints about professional conduct of members,
- 5 complaints for alleged breach of NIA requirements to hold a Public Practice Certificate or attend a Public Practice Orientation Program,
- 3 complaints related the quality of advice relating to Self-Managed Superannuation Funds,
- 2 complaints relating to action taken by a regulator against a member,
- 2 complaints relating to a court/tribunal decision, and
- 2 complaints relating to the alleged breach of NIA's trust account rules.

Of these 36 Complaints, as at 30 June 2006:

- 24 complaints were still under investigation,
- 3 members were found to have "a case to answer" and were therefore referred to the NIA Disciplinary Tribunal for determination,
- and 9 complaints were found to have "no case to answer" or were resolved by the affected parties.

Of the 24 Complaints still under investigation:

- 5 have been under investigation for less than 3 months,
- 13 have been under investigation for longer than 3 months but less than 6 months, and
- 6 have been under investigation for longer than 6 months.

Of the 9 cases where no case was found or administrative action was taken:

- 4 cases were finalised within 3 months,
- 3 cases were finalised between 3 and 6 months, and
- 2 cases took longer than 6 months to finalise.

**Disciplinary Process**

The NIA Disciplinary Process hears complaints made against members by the Investigations Officer and the Investigations Review Officer.

In 2005-06 the Disciplinary Tribunal heard complaints against six members, of these:

- 2 members were found in breach and therefore had their membership forfeited,
- 1 member was found in breach and was censured,
- 1 member was found in breach and admonished, and
- 1 member sought adjournment of their case which was granted.

Details of the forfeitures and the Censure were published in the National Accountant.

**Appeals Process**

In 2005-06, there were no appeals against any of the decisions of the Disciplinary Tribunal.

The NIA is represented on the following forums and Boards. (In addition, the NIA is represented on numerous State and Territory forums, which are too numerous to mention):

**Committee:**

Financial Reporting Council  
 Trans-Tasman Accounting Standards Advisory Group  
 ASIC Chairs' Committee  
 Regulatory Discussion Group  
 Insolvency Law Advisory Group  
 AASB Consultative Group  
 AASB Urgent Issue Group  
 National Tax Liaison Group  
 Superannuation Consultative Committee  
 Superannuation National Audit Consultative Committee  
 NTLG Superannuation subcommittee  
 ASIC Standing Committee on accounting and audit  
 AuASB Consultative Group  
 Fringe Benefits Tax Subcommittee  
 TaxPack Advisory Panel  
 GST subcommittee  
 National ATO / Tax Practitioner Forum  
 Lodgement Working Party  
 Accounting Working Group  
 Technical Issues Management subcommittee  
 ATO Commissioner / CEO's forum  
 Small Business Forum National  
 Small Business Coalition National  
 ASX Corporate Governance Council  
 Capital Gains Tax and Losses Subcommittee  
 ATO NTLG International Financial Reporting Standards subcommittee  
 Review of Standards for the Tax Profession  
 Emerging Issues Taskforce  
 Standards Australia Financial Planning Subcommittee  
 Bookkeeper Industry Advisory Group  
 ASX Listed Entities committee

**NIA Representative:**

Klaus Zimmermam / Roger Cotton  
 Roger Cotton  
 Roger Cotton / Gavan Ord  
 Roger Cotton  
 Alex Wilson  
 Tom Ravlic  
 Keith Reilly\*  
 Gavan Ord  
 Reece Agland  
 Reece Agland  
 Reece Agland  
 Tom Ravlic  
 Tom Ravlic  
 Lance Cunningham  
 Geoff Rook  
 Leigh Conlan  
 Gavan Ord  
 Gavan Ord  
 Toby Mellor  
 Gavan Ord  
 Roger Cotton  
 Roger Cotton  
 Roger Cotton  
 Roger Cotton / Peter Cocks  
 Lance Cunningham  
 Tom Ravlic  
 Gavan Ord  
 Tom Ravlic  
 Reece Agland  
 Gavan Ord  
 Roger Cotton

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



## Education

**Accounting Education Australia (AEA)**

AEA is the NIA's Registered Training Organisation (RTO) which has the authority under the National Training System to confer Certificates, Diplomas, and Advanced Diplomas. However, the main focus of AEA is to undertake skills assessments of individuals who have considerable experience of accounting in the workplace. AEA has developed the assessment tools and processes to assess the applicants experience against the Accounting Competency Standards which are part of the Financial Services Training Package. There are many persons in the workplace who have a great deal of experience but have not had the opportunity to gain a relevant educational qualification.

Since its inception, AEA has received more than 600 applications for skills assessment and hundreds of qualifications and statements of Attainment have been issued. The majority of the successful applicants join either the NIA or AAT. Over the year the skills assessment tools have been improved and with the addition of a self-assessment process the success rate of applicants has more than doubled.

**Formal Educational Products**

The NIA has developed learning materials and assessment tools to support gap training for the skills assessment process. These self-paced learning materials are also designed to support joint overseas educational projects such as the NIA International Diploma. Publishers have also expressed interest in these educational materials and they have been used to produce three textbooks for TAFE students. The textbooks, respectively titled Budgeting, Financial Accounting, and Corporate Accounting, have been published by Pearson Education Australia. NIA is also developing educational materials at the University Degree level and is co-operating with Thomson Education to develop a University Degree in Accounting.

**Professional Education Program**

The University of New England provides the NIA Professional Program which must be completed for members to upgrade to the PNA level of membership. The programs consist of two stages; Stage One is a Graduate certificate of Professional Accounting consisting of four subjects; Stage Two is a Masters Degree in Commerce also consisting of four subjects. The current agreement with UNE ends in October 2006. Consequently the NIA and UNE have held discussions to renew the contact for further five years and to agree on improvements to this highly successful program.

**Mentoring Program**

During the year the NIA commenced implementation of the Mentored Experience Program. This program is a requirement of our commitment to our membership of the International Federation of Accountants (IFAC). From this year membership at the PNA level requires three years of Mentored Experience in addition to completion of the NIA Professional Program. Towards the end of this reporting period all eligible members were sent full details of the program and its benefits for individual professional development.

**Continuing Professional Education**

All NIA members are required to complete eighty (80) hours of CPE over a two year biennium. A significant activity undertaken by the NIA is to provide technically accurate, timely and cost-effective CPE activities for members. This is defined as a core activity with NIA Strategic Planning. Members are not obliged to undertake specifically NIA CPE events; they may use any provider who meets their professional needs. However, the quality and effectiveness of NIA events can be evidenced by the fact that in some cases up to half the participants are made up of members from the other professional bodies.

The last CPE biennium was for the 2004-2005 calendar years. In accordance with NIA By-laws a substantial number of members were randomly selected from the membership database for CPE Audit. Those selected have received a detailed explanation of the NIA CPE requirements and have been asked to provide evidence of their compliance with the By-laws. The CPE Audit helps the NIA to continuously improve our CPE program to better meet members' professional needs.

**Assessment of Educational Qualifications for Immigration**

The NIA is a qualifications Assessment Authority accredited by Australian Education International (AEI) – National Office of Skills Assessment (NOOSR). The NIA is highly regarded for its fair, consistent and timely processing of qualification assessment applications and has developed a positive professional relationship with immigration agents in Australia and overseas. As a result of these factors, the assessment area continues to grow and it has become necessary to increase staffing to cope with the demand. During the year we received 4,190 applications for assessment; of these 3,665 have been completed.

**Public Practice Orientation Program**

The NIA Public Practice Orientation Program (PPOP) has been delivered in all mainland States attracting more than 200 participants. David Sauer, a Chartered Accountant who specialises in Audit, Technical and Training has updated and presented the program at all locations throughout 2006.

The past year has seen many changes and improvements to the NIA PPOP with several significant achievements to be highlighted:

The delivery of the Bookkeepers Orientation Program (BOP) has continued in conjunction with the Public Practice Orientation Program with numbers steadily climbing as more members take advantage of the Bookkeepers Certificate.

The National Public Practice Orientation Program (PPOP) eight page DL sized brochure was once again updated and produced containing the Divisional specific dates for programs scheduled for 2006 giving members the opportunity and flexibility to attend programs in other locations throughout Australia.

The Public Practice Manual (PPM) update process is now near final completion with draft material currently in review both in National Office and within the Divisions. Appropriate formats for the distribution of the new manual are currently being investigated.

## Marketing

Revenue derived from sponsorship and advertising increased by more than 30% during 2004-2005: the best performance since 2001.

A strong focus on membership retention during the 2005-2006 period has seen the retention figure of NIA members at 94.6% while trends display growth of new members at 6.70%.

The year saw the commencement of a 'recruitment' program, including extensive research of target market, providing the platform to roll-out the campaign and collateral was developed specifically for recruitment market.

With more than 200 appearances of the NIA in the media, we increased our coverage by 25% despite a slight lull in media activity in the time prior to the appointment of the new Communications Manager.

There was continual enhancement of the website and 'value-add' services such as expansion of the banner advertising system which increases advertising opportunities. The redesign and redevelopment of the member forums has improved usability and functionality, and a 'Last Post' was added to provide information and a sort-and-search function.

The NIA continued to deliver and improve the content of its member publications, electronic newsletters, e-Statements and the student newsletter *Directions*.

There was stronger representation of the NIA at education events held with universities and other tertiary education providers, financial exhibitions, recruitment and careers events and luncheons.

Total number of website visitors as at July 2006 is 62,000 up from 47,000 as at July 2005 an increase of 31.9%. Unique visitors to NIA website in July 2005 was 46,000, July 2006 total unique visitors is 63,000 an increase of 36.9%.

The "Business Across Borders" Conference was held in Sydney in November 2005 and was highly successful with a significant number of leading national and international speakers and guests. This conference was a huge benefit to the NIA brand and a landmark conference for the NIA.

The inaugural Malaysian Conference and annual dinner was held in Kuala Lumpur on the 26th of April 2006, entitled "Managing Change - Maintaining Excellence". The conference had more than 160 attendees and was a major part of the NIA's strategy to further develop relationships with the Asia Oceanic region.

Once again the NIA was a joint host of the Federal Budget breakfast held in Canberra at Parliament House the morning after the Federal Budget was handed down.

Members have continued to strongly support the NIA affiliate programs resulting in diversified revenue streams that allow us to further enhance member events keeping fees at a minimum.



## Reports

## Membership

The National Membership Policy Committee (MCN) is a subcommittee of the NIA Board. It meets regularly to determine policy matters including educational and experience requirements for the various levels of membership, the requirement for holding a Public Practice Certificate, Public Practice QA Reviews and CPE requirements. MCN also acts as an Appeals Committee on these matters and considers all requests for exemption from NIA membership requirements.

## Public Practice Quality Reviews

The Public Practice Quality Assurance Reviews are now well established with the fourth year of reviews complete. 185 reviews were completed in the year across Australia. Generally the outcome of the reviews has been very positive with practitioners welcoming the reviews.

There were some common issues arising from the reviews including a lack of engagement letters for some business clients, lack of recording and some non-compliance with CPE requirements, there were some cases of a lack of independence when auditing and preparing the financial statements for Self-Managed Superannuation funds, and some instances where members are not retaining signed copies of directors declarations. The majority of members rectify all issues either at the review or within three months. All other issues were referred to the MCN for further action.

## Overseas Developments

Overseas activities continue to expand with over 1000 members in Asia and Branch Committees in Hong Kong and Malaysia. The NIA has made submissions for recognition with the Hong Kong Institute of Certified Public Accountants (HKCICPA), the Malaysian Institute of Accountants (MIA) and the Confederation of Asian and Pacific Accountants (CAPA). The NIA continues to liaise with other educational Institutions and professional bodies in China, Hong Kong, Malaysia and the United Kingdom in regard to recognition and joint educational projects.

During the year an international conference, "Business Across Borders", was held in Sydney. This very successful event attracted participants from many overseas countries. Presenters included Professor David Boymal, Chairman of the Australian Accounting Standards Board; Mr Charles Marcek, Chairman of the Financial Reporting Council; and Li Hongxia, Deputy Director of the Accounting Regulatory Department, Ministry of Finance, Peoples Republic of China.

A conference was also held in Malaysia which also coincided with the first NIA Board meeting to be held overseas. Several other seminars were run in Malaysia in relation to the forthcoming adoption of International Accounting Standards by that country. The NIA network is expanding in Asia and this has facilitated business opportunities for NIA members in different countries.

## Total Membership

Year	Australia	Overseas	Total
2001/02	11,778	554	12,322
2002/03	11,762	573	12,335
2003/04	11,986	720	12,706
2004/05	13,021	1,057	14,078
2005/06	13,280	1,072	14,352

## Members by Type

Type	#	%
ANIA	2,412	17%
MNIA	1,738	12%
PNA	8,275	58%
FNIA	25	0%
FPNA	1,895	13%
Hon	7	0%
Total	14,352	100%

## Members by Region

Region	#	%
ACT	277	
NSW	5,783	
VIC	2,259	
QLD	1,634	
SA/NT	2,001	
WA	908	
TAS	418	
Domestic	13,280	93%
HK	152	
MAL	388	
CHINA	205	
Overseas	327	
Overseas	1,072	7%
Total	14,352	100%

## Finance &amp; Administration

The implementation of a web-based business planning software system commenced across the organisation. Called the Action Management System, it will provide real-time reports and feedback of progress in the key strategic projects across the organisation.

The NIA successfully made the transition to the International Financial Reporting Standards (IFRS) framework effective for financial years commencing 1 January 2005.

NIA staffing levels increased in key strategic and operational areas to provide improved levels of member service. There are 6 additional staff in customer services, 1 in administration and 1 in marketing/communications.

The annual NIA staff conference, which was held for this reporting period in December in Melbourne, continues to provide invaluable opportunities for all staff to network as a group and complete their training.

The conference training sessions improve service delivery, facilitate training in NIA systems and enable staff to provide direct feedback on the NIA strategic plan and growth strategies.

In January 2006, a Workplace Fulfilment Inventory (WFI) staff survey measuring employee perception of the organisational mission, perceptions of the future and engagement with their work and colleagues, was conducted by SACS Consulting Pty Ltd. The NIA's results were extremely positive and underline the communication strategy developed to ensure all staff are aware of the organisation's key priorities.

The IT group implemented a new server infrastructure in the National Office and selected state offices. The servers support remote access, wireless technology, improve data security, increase file sharing capability across offices and provide better connectivity across sites.

**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 ten 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.

The results of the reviewing process are as follows:

**Lay solid foundations for management & oversight:**

The functions reserved for the Board are detailed in Chapter 5 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 state 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 (International Federation of Accountants) 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 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, State 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.

Key Perspectives	Key Objectives	Strategic KPI's	Achievements
Financial	Improve Financial Viability	Profitability Growth	2005/2006 operating result has increased 5.5% to \$625,143
		Improvement in Contribution Margin across all Business Units	2005/2006 contribution margin from business units was reduced by 12% to 6% in line with an increased investment in the Board Initiatives
		Increase non-subscription revenue as a percentage of total revenue	2005/2006 non-subscription revenue ratio has increased by 22% to 41%
Systems & Processes	Maintain Clear understanding of member needs	Member Survey Results	Member visitation to the website has increased by 22%
		Increase in NIA member use of website	Commenced Delivery of MComm at University of New England with 230 members enrolled to Semester 1, 2006
		Agreements with other institutions	In the 2005/2006 year more than 405 sessions were delivered to almost 6,400 participants, an increase in the number of events held (53%), and attendance (23%)
			Increased completed Assessments of Educational Qualifications for Immigration purposes by 37%

Key Perspectives	Key Objectives	Strategic KPI's	Achievements
Member	Increase Brand Awareness	Rate of students transition to ANIA	Transition of students to Associate level of membership increased by 34%
		Rate of membership retention	Membership retention rate remained steady at from 94.6% in 2005/06
		Rate of membership growth	Achieved membership growth of 6.7% in 2005/2006
			Achieved increase in advertising, sponsorship and commission revenue by 17%
Innovation & Learning	Provide strategic direction and information to staff	Performance Appraisal and review process	Held the annual NIA Staff Conference in Melbourne in December 2005
		Training Identification	Implementation of the remote IT access and services for staff in May 2006
		Cultural Vitality survey	Completed the Board Effectiveness Survey in January 2006
		Internal Communication	Completed the Workplace Fulfilment Inventory staff survey in January 2006

## Western Australia

Suzanne Fribbins



WA Division has recorded a strong level of membership growth which culminated in Divisional Membership breaking 900 for the first time.

This is the fourth year in a row in which the Division has experienced a membership increase of over 5% and reflects the increased profile which the NIA enjoys in the Western Australian marketplace.

In addition, for the second year in a row the Division enjoyed a member retention rate of 96% which is an outstanding figure and an indication of the level of satisfaction the members have in service provided.

The Division's diverse CPE program has also been well supported with NIA members' attendance at the 26 CPE events reaching 31% above expectations.

Western Australian members also enjoyed substantial legislative recognition during the year. The most important of these instances was the NIA's inclusion in the Oaths, Affidavits and Statutory Declarations Bill 2005, which specifically states that all NIA members can now witness Statutory Declarations.

This new legislation, coupled with various pieces of Federal Legislation that also specifically mention NIA members, will ensure that there are now very few documents which members in Western Australia are unable to sign or witness.

During the year the NIA made great inroads into increasing its profile within the WA University sector. These institutions which have traditionally been the domain of the other two professional bodies have been visited by the NIA on several occasions. A number have already agreed to include the NIA in the Professional Recognition sections of their Handbooks and have had their accounting programs formally accredited by the NIA as being suitable for NIA membership.

The NIA also sponsored a number of awards for accounting students at Edith Cowan, Murdoch and Curtin Universities. These steps are part of a long-term initiative to strengthen the ties between universities and the NIA.

## CEO's Note:

At the end of the reporting period a new Division Manager Suzanne Fribbins was appointed to lead the WA Division administration. The NIA extends its best wishes to Aidan O'Grady and thanks him for his past service to the Institute and wishes Suzanne every success in the role.

## Australian Capital Territory

Elizabeth Morrison



The ACT Division has enjoyed a successful year. Membership targets were achieved resulting in a growth in membership numbers of 8%. Student membership remained steady throughout the year and member retention was stable at 94%.

The close relationship between the ACT & NSW Divisions has continued to produce positive outcomes for the ACT Division and membership growth is just one key indicator of the success of this alliance.

During the year, increased efforts were made to improve the recognition and awareness of the NIA with local universities and TAFEs, as well as regional institutions. This increased focus resulted in new opportunities to present the NIA to a wider student base, which we expect will result in increased awareness and ultimately membership for the future. Student scholarships and prizes continue to be offered for those students studying Advanced Diploma or Degree in Accounting.

For the launch of Budget Week, the ACT Division hosted a Members Cocktail Function with Dr Michael Schaper, ACT Small Business Commissioner, as our special guest.

The ACT Division, in conjunction with Australian Business Limited and CPA Australia co-hosted the 2006 Federal Budget Breakfast in the Great Hall of New Parliament House on Wednesday 10 May. More than 400 people attended, which goes to show how far the breakfast has come in 10 years since the early days of NIA hosting the event at the Reid CIT campus.

The budget itself yielded many pleasant surprises such as the new tax rates and superannuation measures. The NIA's guest speakers were the Hon. Peter Dutton, Minister for Revenue & Assistant Treasurer, Lindsay Tanner MP, Shadow Minister for Finance and the very entertaining Robert Gottlieb. The event was hosted once again by the very capable Peter Leonard.

The Divisional Council has had several changes over the year with a few council members resigning for various personal reasons. These vacancies have enabled new members to join the Divisional Council, bringing with them a new energy and focus.

A declining trend in membership attendance to the CPE program was identified in 2005, however this year has seen a significant change. Additional seminars, new speakers and a diverse range of topics were delivered to the Canberra region resulting in 243 members attending sessions during the reporting period. Regional CPE seminars were continued with good attendance in these areas also. The annual CPE program will continue to be a focus of the Divisions activities to ensure we sustain the recent positive results.

## New South Wales

Rona Booth



The Division has continued to grow with membership in the region reaching nearly 5,800. A large growth area has been Public Practice, with 11% growth in PPC holders over the year. The NIA Bookkeeping certificate is also proving popular with members in NSW with 40% growth over the last 12 months.

The Division has strongly focussed on the development of the student register over the last 12 months witnessed by a substantial 70% growth in the number of new students and resulting in nearly 1000 new students joining the register in the reporting period.

Our relationship with TAFE NSW continues to strengthen with a large visitation program to TAFEs during the year and the NIA's continued sponsorship of TAFE Awards for the top students in the Advanced Diploma of Accounting.

With a large number of new members coming from the University sector, the NIA has dedicated more resources to this area with a visit program to raise the awareness of the NIA at universities and attendance at key university careers expos.

Raising the NIA's profile with recruiters was the focus when the Division represented NIA at the Recruitment Consultants Society of Australia exhibition earlier this year.

Sydney was the host city for the NIA's international conference Business Across Borders. The conference attracted senior members of the profession across all sectors and raised the profile of the NIA amongst senior decision makers in the region and internationally.

The Professional Development program in NSW has continued to expand and we have introduced a wide variety of topics and lots of new speakers. Regional events in Coffs Harbour, Albury, Newcastle and Wollongong have assisted in improving our ability to service the needs of members in these areas and we look forward to expanding our regional program in the future.

The provision of a 6-monthly CPE calendar of events continues to ensure members are kept up-to-date and receive plenty of notice to pre-plan their continuing professional education. We have seen a considerable increase in member and non-member attendance at events for the third consecutive year with nearly 1,500 participants during the year.

In December, the Division celebrated those members who had achieved 25 years of membership and who upgraded to Fellow status with a celebration held at 'The Mint' in Sydney in conjunction with a festive cocktail function. This proved a highly popular event with approximately 130 members attending.

Another successful congress was held in May 2006 at Darling Harbour with keynote presenters as well as half-day informative session on wide-ranging issues from the new workplace legislation to the skills shortage and issues with implementing IFRS. A members' dinner was held in conjunction with the congress attracting more than 100 members and guests.

## Queensland

Karen Fitzgibbons



As has been the trend in recent years, the Queensland Division enjoyed another very positive and successful 12 months. Among the numerous events and highlights of the year were several significant achievements.

Chief among these was a major 'win' for the Division and the Queensland members. After an extensive period of lobbying by NIA, the Queensland Government passed the Audit Legislation Amendment Bill 2005 in March 2006 amending 22 acts and allowing NIA members to conduct various audits within Queensland.

Queensland membership figures hit a record high of 1634 as at 30 June 2006. This figure reflects positive growth in membership of 8.2% and represents a membership retention rate throughout the 2005-2006 period of 95.9%.

The Division expanded to a four-person team when a full-time Membership Services Officer was appointed in March.

The NIA Queensland Professional Development Calendar of events has continued to grow. The 61 seminars that were delivered throughout the 2005 - 2006 period attracted acceptable registrations numbers.

Extensive marketing activity has continued within the Professional Development area, resulting in the highest level of registrations ever received. A total of 843 NIA members and 417 non-members registered to attend NIA Professional Development training seminars which were delivered at various locations throughout the State.

Relationship building with significant external organisations, along with a clear goal of lifting recognition in the University and Recruitment sectors in particular, also continued over the past year with assistance from National Office.

Representation at TAFE and University Expos and Career Fairs has reinforced our parity with other professional accounting bodies and strengthened our relationships within the University arena.

Advertising and editorial within several regional newspapers using the 'Which Accountant' campaign was initiated during the June 2006 tax season to promote the NIA and the PNA level of membership in more remote areas of Queensland.

NIA Professional Accountant forum meetings were held in Brisbane, Gold Coast, Sunshine Coast, Ipswich, Peninsula, North-West Brisbane, Wide Bay, Townsville and bi-monthly meetings were scheduled in Rockhampton. These forums are continuing to grow with good attendance numbers and networking opportunities being experienced to date.

Steven Barwick PNA resigned from Divisional Council due to his relocation to Tasmania. All other Divisional Councillors have remained with three casual vacancies currently available.

## Victoria

Liselle Grant



As a result of the proactive program of marketing activities and member services the Division implemented during the year, Victorian membership grew by 7% during the reporting period, while retaining 96.6% of the members.

These activities included a number of targeted mail campaigns to non-member groups, a repeat of the successful 'Consider a Colleague' program and a successful Student Member competition.

On 3-5 July 2005, the Division exhibited at the AFAANZ Conference in Melbourne. Participation in this Conference raised the NIA's profile within the University sector. On 23-25 May 2006 the Division exhibited at the AHRI Conference and exposed the NIA to Human Resources Managers and Recruitment agencies.

Two free Networking and membership information evenings were staged during the year. The first on 1 September 2005 attracted more than 130 people and the second on 31 May 2006, specifically for new members, was attended by over 40 people.

Strong relationships have been maintained with the Victorian TAFEs and we have significantly expanded our relationships with the Universities throughout the State. The team provided 26 'NIA Information Days' at TAFE and University campuses including attendance of the University Career Fairs. Our annual 'Preparing for Employment' student workshop in September 2005 was attended by approximately 40 NIA student members. The event featured speakers from the recruitment industry, an organisational psychologist, a careers councillor, as well as a number of NIA Members who shared their experiences.

In addition to providing 'NIA Best Student' prizes for seven individual TAFEs, the Division also awarded seven 'NIA Best Student' prizes for Deakin, Swinburne and RMIT Universities. The Division plans to expand the Awards Program to include additional Universities during the coming year.

The Division delivered 43 Continuing Professional Education (CPE) workshops and has continued to promote NTAA seminars. The Victorian team has also hosted an NIA display stand at 18 NTAA seminar events. In May 2006 the Division provided a two-day CPE Intensive Workshop where attendees could choose from 7 CPE sessions in two concurrent streams.

Public Practice Quality Reviews continued with the Division reviewing 80 Members who hold an NIA Public Practice Certificate. The Victorian Division once again passed its own quality review by independent auditors in October 2005 as part of the NIA's Quality Endorsed Company status.

The Division had significant involvement with the organisation of the NIA's inaugural 2005 International Conference – Business Across Borders which took place in November 2005. Also the Victorian Division, in conjunction with CEDA, organised a luncheon seminar with Sir David Tweedie from the International Accounting Standards Board (IASB) from the UK. This was attended by approximately 100 members and non-members.

Similarly in June 2006, the Victorian Division again teamed-up with CEDA to present another seminar and luncheon event with Michael Crooch from the Financial Accounting Standards Board (FASB) from the USA and Warren McGregor from the IASB. Attended by 130 delegates, this event provided a rare opportunity for delegates to participate in direct discussion with the IASB and FASB regarding the impact of the international accounting standards on Australian business.

NIA's Victorian Divisional Council met six times during 2005/06 and again a Council election was held where eight candidates contested for four Council positions. The Victorian Division represented the NIA on a number of bodies including the State Taxes Consultative Committee (STCC), Insolvency Law Advisory Group, Australian Prudential Regulation Authority (APRA) Audit Liaison Group, the ASIC Regional Accounting Liaison Committee and Business Skills Victoria.

## Tasmania

Jon Burns



NIA Membership grew by 5.5% in the reporting period, slightly below the national average, to 418. Membership retention was 96.3% and Student membership remained stable.

Continuing Professional Education seminars and workshops were held in most months and by and large were well attended. In addition to paid events, free information sessions were offered on payroll tax, IT security and impending legislative changes likely to affect bookkeepers and accountants.

The highlight on the Division's calendar was the successful staging of the NIA Tasmanian Congress at St Helens from 11-15 May. Around 100 delegates, presenters, sponsor representatives and partners participated in the 3-day event which featured 18 CPE hours, two Dinners and a Cheese & Wine tasting night as well as the Annual Golf Day and Game Fishing.

Keynote speakers were drawn from New South Wales, Victoria, South Australia and Queensland and a number of local members presented on technical issues. The Congress was evaluated at an average of 8.95 out of 10, with more than a third of attendees surveyed rating it a '10 out of 10' experience.

Next year the Congress will be staged at Strahan on Tasmania's rugged West Coast from 17-19 May – 'Pushing Back the Frontiers'. The Division continues to maintain its commitment to Members throughout the State by providing equity of access to CPE to Southern and Northern Members alike.

The composition of the Divisional Council also reflects the diversity of membership with Councillors drawn from the three main Regions and Saturday meetings held on a rotation basis at various venues around the State.

Jason Parker (President) and Barry Chandler (Deputy President) were elected unopposed at the ADCM held before the Annual Dinner at which David Hickman, past Divisional President and Director, and current National President was presented with 'The Mercury' Perpetual Shield as the popular choice as the 2005/06 NIA Tasmanian Member of the Year.

## South Australia &amp; Northern Territory

Garry Curtis



The SA & NT Division maintained its competent commitment to ongoing member services and enthusiastic advancement of the NIA brand amongst members, non-members and other external groups. This commitment resulted in achieving a 95.1% retention rate of members for the division and a 2000-strong membership at 30 June. The growth of student membership has again exceeded 20% for the reporting period.

Representatives from the Divisional office regularly visited TAFE SA campuses and attended the local University Career Fairs and Open Days. A further visit to the Charles Darwin University, Darwin, occurred in May as part of the NIA University Implementation Plan and as a consequence of recent staff changes at the University.

A significant achievement was realised in June with a meeting between NIA and the SA Deputy Premier, The Hon. Kevin Folley regarding the adoption of uniform wording in legislation dealing with Auditors and Accountants. The NIA proposed clauses that can be applied to existing legislation and all future legislation. We received positive indications and we hope to see equally positive outcomes in the near future.

The Division has carried out targeted mail campaigns to non-member groups and continued to promote the 'Consider a Colleague' program that encourages members to introduce colleagues at a reduced rate while earning savings on their own renewal. Discussion commenced during May with Bradford College, a new private college associated with The University of Adelaide that accepts students from South East Asia.

A significant number of these students have come direct from secondary schooling and are undertaking study in an accounting field. The intention is to have these students join the NIA Student Register as part of their enrolment at the college.

The Division's Continuing Professional Education (CPE) calendar of events was taken over by a new PD Officer Jennifer Buchan in August 2005 and 47 seminars were conducted throughout the year. Seminars continued to be held in conjunction with organisations both in Adelaide and rural areas including the NTAA, Tax Institute of Australia and the Chartered Secretaries Australia.

Several member networking functions were conducted during the period including the 'End-of-Year' Christmas Sundowners in December 2005 at the Adelaide Convention Centre with a certificate presentation to members who attained 25 years of continuous membership with the NIA and members who advanced to Fellow status.

The NIA, both nationally and at a divisional level, is represented on 43 government, key industry sector and special interest groups including the Curriculum Policy Development Committees of TAFE Colleges around Australia. In South Australia we attend the quarterly TAFE SA Quality Assurance Group (QAG) meetings as an industry representative.

Locally we are represented on external committees which include ASIC Regional Liaison Committee, Australian Taxation Office Tax Practitioners Forum, Revenue SA Accountants, Solicitors Consulting Group and Northern Territory Taxation Administration Liaison Committee.

At the Annual Divisional Council Meeting in July 2005, three members were re-elected to the Divisional Council – Renate Tonks, Gaylene Sandford (3-year term) and Simon Pugh (2-year term). An additional Divisional Councillor, Alf Bifulco was elected at the September Divisional Council meeting to fill a vacant position. In September 2005 at the Election of Office Bearers, Irene Bishop was elected Divisional President and Graham Holland Divisional Deputy President. Mary Bawden from TAFE SA continues as an observer.


**David Lloyd Hickman FPNA (President)**

Occupation: Management Accountant,  
Commercial Equity Group Pty Ltd

Division: Tasmania

David 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 2002–2003 and Chairman of Accounting Education Australia Pty Ltd 2002–2005. He has been a Divisional Councillor since 1993. In 1995 he became a member of the Divisional Membership Committee, and subsequently chaired that group 1997–1998. He was elected Divisional Deputy President in 1997, before being elected Divisional President 1998–2000.

**Glenn Cameron Mann FPNA (Deputy President)**

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

Division: Western Australia

First elected to the Board of Directors in April 1999 and then to the position of Deputy President in October 2004, Glenn also serves on the Membership Committee. He has served on the National Resources Policy Committee 2002–2004 and as Treasurer and Chairman of that committee 2003–2004. 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 the Association of Accounting Technicians (AAT) (Aust) and currently holds the position of President. He served as Western Australian Divisional President 1996–97, as Divisional Deputy President 1994–95, and was Congress Chairperson 1994–1996.

**Greg Dennis FPNA (Vice President)**

Occupation: Managing Director, Denthar Accountants

Division: Australian Capital Territory

First elected to the Board of Directors in 2003 after having served as Alternate Director for the period 2001–2003. Greg has served as member and Chair of the National Audit Committee during 2004–2005 and is also currently serving as a Director on the Board of Accounting Education Australia. Greg has served as the ACT Council Vice-President 2001–2002 and has been a part of the ACT Council since 2000.

**Christine Julianne Leetham PNA (Treasurer)**

Occupation: Senior Head Teacher,  
St George College of TAFE

Division: New South Wales

First elected to the Board of Directors in October 2002, Christine has been Chairman of the National Audit Committee 2002 to 2004 and is currently Chairman of National Resources Committee and Treasurer. She has been a NSW Divisional Councillor since 1998 and is currently in her third non consecutive term as NSW President. Christine has also served on the NSW Divisional Recognition Action Committee.

**Klaus Zimmermann FPNA**

Occupation: Chief Executive Officer, Eldercare Inc.

Division: South Australia

First elected to the Board of Directors in March 2000 and held the position of National President 2001–2004. Klaus was the Chairperson of the National Recognition Action Policy Committee 2000–2001 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 Financial Reporting Council (FRC) for a three-year term as the NIA representative and reappointed for a further 3-year term in 2006. 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.

**Ralph Eric Green PNA**

Occupation: Director, Business Systems Pty Ltd

Division: New South Wales

First elected to the Board of Directors 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 2001–2002, 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.

**Kerry John King PNA**

Occupation: Public Accountant, Prudent Partners

Division: Queensland

First 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 2000–2001.

He has been a Queensland Divisional Councillor since 1995 and was the Queensland Divisional President 2000–2001. Kerry also serves as a representative of the NIA on the board of the Association of Accounting Technicians (AAT) (Aust) initially as its inaugural President 2002–2004 and now as a Director.

**Alex Wilson OAM, FPNA**

Occupation: Director, Yarrafin Nominees Pty Ltd.

Division: Victoria

For more than three decades he has chaired and served on numerous NIA National and Victorian Divisional committees. He is the current Victorian Divisional Council representative on the ASIC Accounting and Audit 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. In February 2006 Alex was appointed by the Parliamentary Secretary to the Treasurer to the Insolvency Law Advisory Group.

**John Waugh PNA**

Occupation: Consultant to EMB Solutions

Division: Victoria

Elected to the Board as a Director in 2005. Appointed to serve as a member on a National Resources Committee in October 2005, Divisional Councillor (2002–2006) and Divisional President (2003–2005).

**Kevin Brian Dawes FPNA**

Occupation: Director, Strategic Plus Pty Ltd

Division: New South Wales

First elected to the Board of Directors in 2003 Kevin is a NSW Councillor and a past Divisional Vice-President. Kevin has served on the National Membership Committee and currently is the Chairman of the National Institute of Accountants Audit Committee.

**Greg Parr FPNA**

Occupation: Partner, Mouldens Solicitors

Division: South Australia

NIA Director (1998–2003), National Vice President (2001 and 2002) and Director providing specialist legal advice (2004 and 2005). Greg has been a member of the Corporate Governance Committee (1999–2001), a member of the National Legislation and Standards Committee since 1997 and its Chairman (1999–2003).

*Left to Right: David Hickman, Glenn Mann, Greg Dennis, Christine Leetham, Klaus Zimmermann, Ralph Green, Kerry King, Alex Wilson, John Waugh, Kevin Dawes, Greg Parr.*

**Business Unit Managers (left to right above)**

Dennis Adams	National Education Manager
Peter Cocks	Financial Controller
Anna Gratton	National Professional Development (PD) Manager
Robert Hutt	Executive Officer, Association of Accounting Technicians (AAT)
Gavan Ord	Technical Policy Manager/ International Projects Manager
Felicity Pierce	GM - Marketing and Member Services from May 06

**Division Managers**

Rona Booth	Regional Manager, NSW/ACT
Jon Burns	State Manager, TAS
Garry Curtis	State Manager, SA/NT
Karen Fitzgibbons	Regional Manager, QLD
Suzanne Fribbins	State Manager, WA
Liselle Grant	Regional Manager, VIC
Elizabeth Morrison	Manager, ACT

**National Committees**

Office Bearers:	
David Hickman FPNA	(President)
Glenn Mann FPNA	(Deputy President)
Greg Dennis FPNA	(Vice President)
Christine Leetham PNA	(Treasurer)
National Executive Committee (ECN):	
David Hickman FPNA	
Christine Leetham PNA	
Glenn Mann FPNA	
Klaus Zimmerman FPNA	(Immediate Past President)
Greg Dennis FPNA	
National Resources Policy Committee (RCN):	
Christine Leetham PNA	(Chairman)
John Waugh PNA	
National Audit Committee (ATN):	
Kevin Dawes FPNA	(Chairman)
Kerry King PNA	
National Disciplinary Tribunal:	
John R Searles FPNA	(Chairman)
Commissioner David A Hoffman FPNA	
Peter R Cocks FPNA	
Chris Symes FNIA	
Ross Levings FPNA	
Roger Jepson	
Bruce Rose	
National Membership Policy Committee (MCN):	
Ralph Green PNA	(Chairman)
Glenn Mann FPNA	
National Legislation and Standards Committee (LSN):	
Alex Wilson OAM, FPNA	(Chairman)
Greg Parr FPNA	
Lance Cunningham PNA	
David Sauer	
Association of Accounting Technicians (Australia) Ltd (AAT)	
Board of Directors:	
Glenn Mann FPNA	(President)
Kerry King PNA	
Mary Robinson-Brand FPNA	
Professor Barry J. Cooper	
Accounting Education Australia Pty Ltd (AEA):	
John Irvine PNA	(Chairman)
Professor Craig M Deegan	
National Accountant Editorial Board:	
Felicity Pierce	(Chairman)
Brian Adams	
Tom Ravlic	
David Fallick	
Shane Scanlan	
Ros O'Sullivan	
AAT:	
Glenn Mann FPNA	(President)
Kerry King PNA	
Mary Robinson-Brand FPNA	
Professor Barry J. Cooper	

**Divisional Councillors**

Tasmania:	
Jason Parker PNA	(Divisional President)
Barry Chandler FPNA	(Deputy Divisional President)
David Hickman FPNA	(Director) (ex-officio)
Michael Barry FPNA	
Beth Bartlett ANIA	
Nell Bingham FPNA	
Cathy Chilcott PNA	
Tony Culberg FPNA	
Andrew Frost PNA	
Stephen Gordon FPNA	
Lesleigh Griffin PNA	
Wendy Meadowcroft FPNA	
Michelle Peebles FPNA	
Selvan Supramaniam PNA	
Jon Burns (Manager)	
Queensland:	
Russell Hillard PNA	(President)
Roger Nicholls FPNA	(Deputy President)
Kerry King PNA	(National Director)
Steve Barwick PNA	
Robert Dove PNA	
Garry Edwards FPNA	
Ms Rana Jewell PNA	
Annie Prestwidge PNA	
Peter Sauer PNA	
Steven Smith PNA	
Victoria:	
Rene Alberto Mora FPNA	(President)
Keith L Mills PNA	(Vice President)
John Waugh PNA	(Director)
Alex Wilson OAM, FPNA	(Director)
Susan Constable PNA	
David Lever PNA	
Ian McKenzie FPNA	
Greg McNiece FPNA	
Warren Paterson FPNA	
Rodney Watts FPNA	
Jean-Pierre Fenech PNA	(Casual)
Theresa Day PNA	(Casual)
ACT:	
Leah-Barbara Maguire FPNA	(President)
Scott Lyddiard FPNA	(Deputy President)
Greg Dennis FPNA	(National Director)
Mike Mooney PNA	
Keith France PNA	
Beverly Alley PNA	
Peter Bacon FPNA	
Pam Chilman FPNA	
Rozanne Crawford FPNA	(resigned May 2006)

South Australian & Northern Territory:	
Irene Bishop FPNA (	President)
Graham Holland FPNA	(Deputy President)
Mary Robinson-Brand FPNA	
Leanne Goss	
Simon Pugh PNA	
Gaylene Sandford PNA	
Renate Tonks FPNA	
Klaus Zimmermann FPNA	(National Director)
Alf Bifulco PNA	
Western Australia:	
Ivan Robinson PNA	(President)
Bhaveek Savadia PNA	(Deputy President)
Glenn Mann FPNA	(National Director)
Peter Attwell ANIA	
Loretta Broad PNA	
Lindsay Brown FPNA	
Wayne Evershed FPNA	
Jo Greenwell FPNA	
Guy Lehmann PNA	
Carol Millband PNA	
Carl Pizzino FPNA	
NSW:	
Mr David Collins FPNA	
Mr Kevin Dawes FPNA	(National Director)
Mr Ralph Green PNA	(National Director)
Mr David Hardman PNA	
Mr John Irvine PNA	
Mrs Rosemarie King FPNA	
Mrs Christine Leetham PNA (President) &	(National Director)
Mrs Margaret Paheerathan FPNA	
Mr Paul Sponberg PNA	
Mrs Dana Reed PNA	(Deputy President)
Mr Ross Tindiglia PNA	
Mr Marc Ting FPNA	

Directors' Report



**Your Directors submit their report and the financial statements of the National Institute of Accountants (NIA) and its Controlled Entities for the twelve months ended 30 June 2006.**

**Board of Directors**

The names of the Directors in office at any time during or since the end of the year are:

- David Hickman (FPNA) President
- Glenn Mann (FPNA) Deputy President
- Greg Dennis (FPNA) Vice President
- Christine Leetham (PNA) Treasurer
- Kevin Dawes (FPNA)
- Ralph Green (PNA)
- Kerry King (PNA)
- Greg Parr (FPNA)
- Mary Robinson-Brand (FPNA) Ceased 19 September 2005
- John Waugh (PNA) From 19 September 2005
- Alex Wilson OAM (FPNA)
- Klaus Zimmermann (FPNA)

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

**Directors' Qualifications and Experience**

Directors' qualifications and experience are disclosed under a separate section of the Annual Report which is headed 'Board of Directors'.

**Company Secretary**

The following person held the 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 5 years in the role of CEO. Mr Cotton was appointed company secretary on 19 November 2001.

**Indemnity**

During the financial period, the NIA paid premiums of \$26,365 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 \$625,143.

**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 28.

**Likely Developments and Results**

The 2006/2007 projected operating result is a breakeven operating result.

This projected result is due to the continuation of a number of significant expenditures for strategic Board initiatives which are 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 2005-2011 Strategic Plan.

**Attendance at Meetings**

Board Meetings attended/eligible and Committee Meetings attended/eligible:

David Hickman (FPNA)	4/4	-
Glenn Mann (FPNA)	4/4	2/2
Greg Dennis (FPNA)	4/4	1/1
Christine Leetham (PNA)	4/4	5/5
Kevin Dawes (FPNA)	4/4	4/4
Ralph Green (PNA)	4/4	4/4
Kerry King (PNA)	4/4	3/3
Greg Parr (FPNA)	4/4	1/1
Mary Robinson-Brand (FPNA)	1/1	2/2
John Waugh (PNA)	3/3	3/3
Alex Wilson OAM (FPNA)	4/4	1/1
Klaus Zimmermann (FPNA)	3/4	1/2

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

David Hickman, FPNA, Director  
1 September 2006.

Christine Leetham, PNA, Director  
1 September 2006

## Auditor's Independence Declaration

**Auditor's Independence Declaration under Section 307C of the Corporations Act, 2001****To the Directors of National Institute of Accountants and Controlled Entities:**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2006 there have been:

- i. no contraventions of the auditor independence requirements as 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 Audit Assurance Pty. Ltd.*

McLean Delmo Audit Assurance Pty Ltd  
302 Burwood Road, Hawthorn, Victoria, 3122  
31 August 2006

*Ian Duff*

Ian Duff  
31 August 2006

## Financial Report

**Income Statement for the year ended 30 June 2006**

	Note	Economic Entity		Parent Entity	
		2006 \$	2005 \$	2006 \$	2005 \$
Revenue	3	10,469,697	8,756,548	10,426,477	8,633,517
Marketing and publications expenses		(1,160,313)	(1,071,175)	(1,160,313)	(1,071,175)
Corporate services expenses		(1,989,829)	(1,690,606)	(1,989,829)	(1,690,606)
Corporate governance expenses		(789,140)	(591,839)	(789,140)	(591,839)
Members services expenses		(5,205,994)	(4,497,214)	(5,060,981)	(4,388,807)
Finance costs	4	(27,234)	(23,042)	(27,234)	(23,042)
Other expenses		(672,044)	(290,426)	(575,649)	(243,459)
Profit (loss) before income tax	4	625,143	592,246	823,331	624,589
Income tax expense		-	-	-	-
<b>Profit (loss) for the year</b>		<b>625,143</b>	<b>592,246</b>	<b>823,331</b>	<b>624,589</b>

The accompanying notes form part of these financial statements.

## Financial Report

## Balance Sheet as at 30 June 2006

	Note	Economic Entity		Parent Entity	
		2006 \$	2005 \$	2006 \$	2005 \$
<b>CURRENT ASSETS:</b>					
Cash and cash equivalents	8	6,755,603	5,398,930	6,421,343	5,266,096
Receivables	9	113,880	77,166	458,940	165,073
Other current assets	13	427,431	395,486	404,626	372,968
<b>TOTAL CURRENT ASSETS:</b>		<b>7,296,914</b>	<b>5,871,582</b>	<b>7,284,909</b>	<b>5,804,137</b>
<b>NON-CURRENT ASSETS:</b>					
Receivables	9	-	-	450,000	400,000
Other financial assets	10	-	-	100	100
Property, plant and equipment	12	857,671	842,255	857,671	839,722
<b>TOTAL NON-CURRENT ASSETS:</b>		<b>857,671</b>	<b>842,255</b>	<b>1,307,771</b>	<b>1,239,822</b>
<b>TOTAL ASSETS:</b>		<b>8,154,585</b>	<b>6,713,837</b>	<b>8,592,680</b>	<b>7,043,959</b>
<b>CURRENT LIABILITIES:</b>					
Trade and other payables	14	4,110,018	3,434,848	3,888,023	3,303,068
Short term provisions	15	255,702	188,251	255,702	188,251
<b>TOTAL CURRENT LIABILITIES:</b>		<b>4,365,720</b>	<b>3,623,099</b>	<b>4,143,725</b>	<b>3,491,319</b>
<b>NON-CURRENT LIABILITIES:</b>					
Long term provisions	15	467,158	394,174	467,158	394,174
<b>TOTAL NON-CURRENT LIABILITIES:</b>		<b>467,158</b>	<b>394,174</b>	<b>467,158</b>	<b>394,174</b>
<b>TOTAL LIABILITIES:</b>		<b>4,832,878</b>	<b>4,017,273</b>	<b>4,610,883</b>	<b>3,885,493</b>
<b>NET ASSETS:</b>		<b>3,321,707</b>	<b>2,696,564</b>	<b>3,981,797</b>	<b>3,158,466</b>
<b>EQUITY:</b>					
Retained profits		3,321,707	2,696,564	3,981,797	3,158,466
<b>TOTAL EQUITY:</b>		<b>3,321,707</b>	<b>2,696,564</b>	<b>3,981,797</b>	<b>3,158,466</b>

The accompanying notes form part of these financial statements.

## Statement of Changes in Equity for the year ended 30 June 2006

	Note	Economic Entity			Parent Entity		
		Retained Earnings \$	Asset Revaluation Reserve \$	Total \$	Retained Earnings \$	Asset Revaluation Reserve \$	Total \$
<b>BALANCE AT 1 JULY, 2004:</b>		2,032,044	72,274	2,104,318	2,461,603	72,274	2,533,877
Profit attributable to members		592,246	-	592,246	624,589	-	624,589
Transfers to and from reserves:							
Asset Revaluation reserve		-	(72,274)	(72,274)	-	(72,274)	(72,274)
Transfers to retained earnings		72,274	-	72,274	72,274	-	72,274
<b>BALANCE AT 30 JUNE, 2005:</b>		<b>2,696,564</b>	<b>-</b>	<b>2,696,564</b>	<b>3,158,466</b>	<b>-</b>	<b>3,158,466</b>
Profit attributable to members		625,143	-	625,143	823,331	-	823,331
<b>BALANCE AT 30 JUNE, 2006:</b>		<b>3,321,707</b>	<b>-</b>	<b>3,321,707</b>	<b>3,981,797</b>	<b>-</b>	<b>3,981,797</b>

## Cash Flow Statement for the Year Ended 30 June 2006

	Note	Economic Entity		Parent Entity	
		2006 \$	2005 \$	2006 \$	2005 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Receipts from members & customers		11,391,396	9,861,314	10,971,839	9,626,044
Payments to suppliers & employees		(10,065,351)	(8,533,551)	(9,836,840)	(8,290,254)
Interest received		314,563	213,026	304,183	210,361
Finance costs		-	-	-	-
<b>Net cash provided by (used in) operating activities</b>	<b>19</b>	<b>1,640,608</b>	<b>1,540,789</b>	<b>1,439,182</b>	<b>1,546,151</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Purchase of property, plant & equipment		(283,935)	(288,580)	(283,935)	(288,580)
Proceeds from sale of property, plant & equipment		-	300,000	-	300,000
<b>Net cash provided by (used in) investing activities</b>		<b>(283,935)</b>	<b>11,420</b>	<b>(283,935)</b>	<b>11,420</b>
<b>Net increase (decrease) in cash held</b>	<b>8</b>	<b>1,356,673</b>	<b>1,552,209</b>	<b>1,155,247</b>	<b>1,557,571</b>
Cash at beginning of financial year		5,398,930	3,846,721	5,266,096	3,708,525
<b>Cash at end of financial year</b>		<b>6,755,603</b>	<b>5,398,930</b>	<b>6,421,343</b>	<b>5,266,096</b>

The accompanying notes form part of these financial statements.

## Notes to the Financial Statements for the year ended 30 June 2006

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

The financial report of National Institute of Accountants Limited and controlled entities, and National Institute of Accountants Limited as an individual parent entity comply with all Australian equivalents to International Financial Reporting Standards (AIFRS) in their entirety.

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

**Basis of Preparation:**

First-time Adoption of Australian Equivalents to International Financial Reporting Standards:

National Institute of Accountants Limited and controlled entities, and National Institute of Accountants Limited as an individual parent entity have prepared financial statements in accordance with the Australian equivalents to International Financial Reporting Standards (AIFRS) from 1 July 2005.

In accordance with the requirements of AASB 1: First-time Adoption of Australian Equivalents to International Financial Reporting Standards, adjustments to the parent entity and consolidated entity accounts resulting from the introduction of AIFRS have been applied retrospectively to 2005 comparative figures excluding cases where optional exemptions available under AASB 1 have been applied. These consolidated accounts are the first financial statements of National Institute of Accountants Limited to be prepared in accordance with Australian equivalents to IFRS. Reconciliations of the transition from previous Australian GAAP to AIFRS have been included in Note 2 to this report.

Reporting Basis and Conventions:

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

**Accounting Policies:****a. Principles of Consolidation:**

A controlled entity is any entity controlled by National Institute of Accountants. Control exists where 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 National Institute of Accountants to achieve the objectives of National Institute of Accountants. Details of the controlled entities are contained in Note 11.

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.

**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 and impairment losses.

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.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

**d. Depreciation:**

The depreciable amount of all fixed assets including capitalised leased assets, 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. 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 depreciable assets are:

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

**e. 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.

**f. Financial Instruments:**

Recognition

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Investments in Controlled Entities

Investments in controlled entities are measured at cost.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

Held-to-maturity investments

These investments have fixed maturities, and it is the group's intention to hold these investments to maturity. Any held-to-maturity investments held by the group are stated at amortised cost using the effective interest rate method.

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Impairment

At each reporting date, the group assesses whether there is objective evidence that a financial instrument has been impaired.

**g. Impairment of Assets:**

At each reporting date, the group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement. Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

**h. 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.

**i. Provisions:**

Provisions are recognised when the group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

**j. Cash and Cash Equivalents:**

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

**k. 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 Balance Sheet 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).

## Notes to the Financial Statements for the year ended 30 June 2006

## l. Borrowing Costs:

All borrowing costs are recognised in the Income Statement in the period in which they are incurred.

## m. 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.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

## n. Government Grants:

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

## o. Comparative Figures:

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

## Critical Accounting Estimates and Judgements

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

## Key Estimates — Impairment

The group assesses impairment at each reporting date by evaluating conditions specific to the group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

## Key Judgements — Doubtful Debts Provision

Receivables are stated net of a provision for doubtful member and non member debts of \$5005.

## Key Judgments — Discount rates

## Employee benefits:

The rate used to discount provisions for employee benefits reflects the risk associated with liability and the time value of money. The market yield on government bonds is used for discounting employee benefits.

## Lease restoration

The rate used to discount provisions reflects the risk associated with the liability and the time value of money. The yield on leasing finance from a major Australian bank is used as a reference rate for discounting lease restoration costs.

## Note 2: First-time Adoption of Australian Equivalents to International Financial Reporting Standards

## Reconciliation of Equity at 1 July 2004

	Note	Economic Entity			Parent Entity		
		Previous GAAP at 1 July 2004 \$	Effect of Transition to AIFRS \$	AIFRS at 1 July 2004 \$	Previous GAAP at 1 July 2004 \$	Effect of Transition to AIFRS \$	AIFRS at 1 July 2004 \$
<b>CURRENT ASSETS:</b>							
Cash and cash equivalents		3,846,721	-	3,846,721	3,708,525	-	3,708,525
Receivables		64,586	-	64,586	124,307	-	124,307
Other current assets		245,314	-	245,314	271,838	-	271,838
<b>TOTAL CURRENT ASSETS:</b>		<b>4,156,621</b>	<b>-</b>	<b>4,156,621</b>	<b>4,104,670</b>	<b>-</b>	<b>4,104,670</b>
<b>NON-CURRENT ASSETS:</b>							
Receivables		-	-	-	414,300	-	414,300
Other financial assets		-	-	-	100	-	100
Property, plant and equipment	2b	931,173	136,364	1,067,537	922,683	136,364	1,059,047
<b>TOTAL NON-CURRENT ASSETS:</b>		<b>931,173</b>	<b>136,364</b>	<b>1,067,537</b>	<b>1,337,083</b>	<b>136,364</b>	<b>1,473,447</b>
<b>TOTAL ASSETS:</b>		<b>5,087,794</b>	<b>136,364</b>	<b>5,224,158</b>	<b>5,441,753</b>	<b>136,364</b>	<b>5,578,117</b>
<b>CURRENT LIABILITIES:</b>							
Trade and other payables		2,617,579	-	2,617,579	2,541,979	-	2,541,979
Short term provisions		166,634	-	166,634	166,634	-	166,634
<b>TOTAL CURRENT LIABILITIES:</b>		<b>2,784,213</b>	<b>-</b>	<b>2,784,213</b>	<b>2,708,613</b>	<b>-</b>	<b>2,708,613</b>
<b>NON-CURRENT LIABILITIES:</b>							
Long term provisions	2b	10,859	324,768	335,627	10,859	324,768	335,627
<b>TOTAL NON-CURRENT LIABILITIES:</b>		<b>10,859</b>	<b>324,768</b>	<b>335,627</b>	<b>10,859</b>	<b>324,768</b>	<b>335,627</b>
<b>TOTAL LIABILITIES:</b>		<b>2,795,072</b>	<b>324,768</b>	<b>3,119,840</b>	<b>2,719,472</b>	<b>324,768</b>	<b>3,044,240</b>
<b>NET ASSETS:</b>		<b>2,292,722</b>	<b>(188,404)</b>	<b>2,104,318</b>	<b>2,722,281</b>	<b>(188,404)</b>	<b>2,533,877</b>
<b>EQUITY:</b>							
Reserves		72,274	-	72,274	72,274	-	72,274
Retained profits	2c	2,220,448	(188,404)	2,032,044	2,650,007	(188,404)	2,461,603
<b>TOTAL EQUITY:</b>		<b>2,292,722</b>	<b>(188,404)</b>	<b>2,104,318</b>	<b>2,722,281</b>	<b>(188,404)</b>	<b>2,533,877</b>



## Notes to the Financial Statements for the year ended 30 June 2006

## Note 2: First-time Adoption of Australian Equivalents to International Financial Reporting Standards (continued)

## Reconciliation of Equity at 30 June 2005

	Note	Economic Entity			Parent Entity		
		Previous GAAP at 30 June 2005 \$	Effect of Transition to AIFRS \$	AIFRS at 30 June 2005 \$	Previous GAAP at 30 June 2005 \$	Effect of Transition to AIFRS \$	AIFRS at 30 June 2005 \$
<b>CURRENT ASSETS:</b>							
Cash and cash equivalents		5,398,930	-	5,398,930	5,266,096	-	5,266,096
Receivables		77,166	-	77,166	165,073	-	165,073
Other current assets		395,486	-	395,486	372,968	-	372,968
<b>TOTAL CURRENT ASSETS:</b>		<b>5,871,582</b>	<b>-</b>	<b>5,871,582</b>	<b>5,804,137</b>	<b>-</b>	<b>5,804,137</b>
<b>NON-CURRENT ASSETS:</b>							
Receivables		-	-	-	400,000	-	400,000
Other financial assets		-	-	-	100	-	100
Property, plant and equipment	2b	737,360	104,895	842,255	734,827	104,895	839,722
<b>TOTAL NON-CURRENT ASSETS:</b>		<b>737,360</b>	<b>104,895</b>	<b>842,255</b>	<b>1,134,927</b>	<b>104,895</b>	<b>1,239,822</b>
<b>TOTAL ASSETS:</b>		<b>6,608,942</b>	<b>104,895</b>	<b>6,713,837</b>	<b>6,939,064</b>	<b>104,895</b>	<b>7,043,959</b>
<b>CURRENT LIABILITIES:</b>							
Trade and other payables		3,434,848	-	3,434,848	3,303,068	-	3,303,068
Short term provisions		188,251	-	188,251	188,251	-	188,251
<b>TOTAL CURRENT LIABILITIES:</b>		<b>3,623,099</b>	<b>-</b>	<b>3,623,099</b>	<b>3,491,319</b>	<b>-</b>	<b>3,491,319</b>
<b>NON-CURRENT LIABILITIES:</b>							
Long term provisions	2b	46,364	347,810	394,174	46,364	347,810	394,174
<b>TOTAL NON-CURRENT LIABILITIES:</b>		<b>46,364</b>	<b>347,810</b>	<b>394,174</b>	<b>46,364</b>	<b>347,810</b>	<b>394,174</b>
<b>TOTAL LIABILITIES:</b>		<b>3,669,463</b>	<b>347,810</b>	<b>4,017,273</b>	<b>3,537,683</b>	<b>347,810</b>	<b>3,885,493</b>
<b>NET ASSETS:</b>		<b>2,939,479</b>	<b>(242,915)</b>	<b>2,696,564</b>	<b>3,401,381</b>	<b>(242,915)</b>	<b>3,158,466</b>
<b>EQUITY:</b>							
Reserves		-	-	-	-	-	-
Retained profits	2c	2,939,479	(242,915)	2,696,564	3,401,381	(242,915)	3,158,466
<b>TOTAL EQUITY:</b>		<b>2,939,479</b>	<b>(242,915)</b>	<b>2,696,564</b>	<b>3,401,381</b>	<b>(242,915)</b>	<b>3,158,466</b>

## Note 2: First-time Adoption of Australian Equivalents to International Financial Reporting Standards (continued)

## Reconciliation of Profit or Loss for 2005

	Note	Economic Entity			Parent Entity		
		Previous GAAP at 30 June 2005 \$	Effect of Transition to AIFRS \$	AIFRS at 30 June 2005 \$	Previous GAAP at 30 June 2005 \$	Effect of Transition to AIFRS \$	AIFRS at 30 June 2005 \$
Revenue	2f	9,023,573	(267,025)	8,756,548	8,900,542	(267,025)	8,633,517
Marketing & publications expenses		(1,071,175)	-	(1,071,175)	(1,071,175)	-	(1,071,175)
Corporate services expenses	2d	(1,659,137)	(31,469)	(1,690,606)	(1,659,137)	(31,469)	(1,690,606)
Corporate governance expenses		(591,839)	-	(591,839)	(591,839)	-	(591,839)
Members services expenses	2f	(4,764,239)	267,025	(4,497,214)	(4,655,832)	267,025	(4,388,807)
Finance costs	2d	-	(23,042)	(23,042)	-	(23,042)	(23,042)
Other expenses		(290,426)	-	(290,426)	(243,459)	-	(243,459)
Profit (loss) before income tax		646,757	(54,511)	592,246	679,100	(54,511)	624,589
Income tax expense		-	-	-	-	-	-
<b>PROFIT (LOSS) FOR THE YEAR</b>		<b>646,757</b>	<b>(54,511)</b>	<b>592,246</b>	<b>679,100</b>	<b>(54,511)</b>	<b>624,589</b>



## Notes to the Financial Statements for the year ended 30 June 2006

## Note 2: First-time Adoption of Australian Equivalents to International Financial Reporting Standards (continued)

a. As per AASB 116 'Property, Plant and Equipment' and AASB 117 'Provisions, Contingent Assets and Contingent Liabilities' a provision was established for the restoration of property condition to that when leases were commenced. A liability exists on the Melbourne property.

b. AIFRS transitional provisions allow for net adjustments for lease restoration to be reflected in the retained profits at 1 July 2004.

	PP&E- Lease restoration \$	Provision for lease restoration \$	Retained Profits \$
<b>ECONOMIC ENTITY:</b>			
1 July 2004	136,364	(324,768)	(188,404)
30 June 2005	104,895	(347,810)	(242,915)
<b>PARENT ENTITY:</b>			
1 July 2004	136,364	(324,768)	(188,404)
30 June 2005	104,895	(347,810)	(242,915)

c. Net adjustments for the lease restoration are reflected in the adjustment to retained profits at 30 June 2005.

	Total Equity \$	Lease restoration \$	Adjusted Total Equity \$
<b>ECONOMIC ENTITY:</b>			
1 July 2004	2,292,722	(188,404)	2,104,318
30 June 2005	2,939,479	(242,915)	2,696,564
<b>PARENT ENTITY:</b>			
1 July 2004	2,722,281	(188,404)	2,533,877
30 June 2005	3,401,381	(242,915)	3,158,466

d. Lease restoration on property leases resulting in a amortisation charge of \$31,469 and finance costs of \$23,042 for the year ended 30 June 2005.

e. There are no material differences between the cash flow statement presented under AIFRS and the cash flow statement under AGAAP.

f. Reclassifications have been made to the income statement for the year ended 2005 as follows:

Under Australian equivalents to IFRS, the sale of non-current assets must be reflected as a gain or loss on sale and not separately split between proceeds and costs of disposal. The reclassification has no effect on profit for the 2005 financial year.

	Proceeds on disposal of property, plant and equipment	Net gain on disposal of property, plant and equipment	Reclassification in income statement on transition to AIFRS
<b>ECONOMIC ENTITY:</b>			
30 June 2005	300,000	32,975	267,025
<b>PARENT ENTITY:</b>			
30 June 2005	300,000	32,975	267,025

## Note 3: Revenue

	Note	Economic Entity		Parent Entity	
		2006 \$	2005 \$	2006 \$	2005 \$
<b>OPERATING ACTIVITIES:</b>					
Members subscriptions		6,203,869	5,777,979	6,127,186	5,692,292
Members activities		1,317,201	999,329	1,317,201	999,329
Non member activities		2,480,259	1,675,314	2,593,148	1,605,070
Interest earned	3a	332,321	243,625	321,941	260,862
Other revenue		136,047	27,326	34,376	26,426
Management fees		-	-	32,625	16,563
<b>TOTAL OPERATING REVENUE:</b>		<b>10,469,697</b>	<b>8,723,573</b>	<b>10,426,477</b>	<b>8,600,542</b>
<b>NON-OPERATING ACTIVITIES:</b>					
Gain on disposal of property, plant & equipment		-	32,975	-	32,975
		-	32,975	-	32,975
<b>Total Revenue</b>		<b>10,469,697</b>	<b>8,756,548</b>	<b>10,426,477</b>	<b>8,633,517</b>
<b>OTHER INCOME:</b>					
a. Interest revenue from:					
Other persons		332,321	243,625	300,441	240,960
Loan to controlled entity		-	-	21,500	19,902
<b>TOTAL INTEREST REVENUE:</b>		<b>332,321</b>	<b>243,625</b>	<b>321,941</b>	<b>260,862</b>

## Note 4: Profit for the Year

<b>a. EXPENSES:</b>					
Rental expense on operating leases					
minimum lease payments		653,982	440,637	653,982	440,637
Finance Costs					
finance cost on lease restoration provision		27,234	23,042	27,234	23,042
<b>b. SIGNIFICANT REVENUE AND EXPENSES:</b>					
<i>The following significant expense items are relevant in explaining the financial performance:</i>					
Employee benefit expense		3,695,093	3,215,699	3,695,093	3,215,699
Web development costs		33,996	30,298	33,321	24,545
Advertising and promotions		270,896	233,599	241,008	216,334
AASB		100,000	-	100,000	-
AUASB		175,000	-	175,000	-
Financial Reporting Council		-	250,000	-	250,000
International Federation of Accountants contribution		90,916	71,280	90,196	71,280

## Notes to the Financial Statements for the year ended 30 June 2006

## Note 5: Income Tax Expense

The prima facie income tax expense at 30 per cent on net profit(loss) attributable to the members of the economic entity is \$187,543 (2005- \$177,674) and for the parent entity is \$246,999 (2005- \$187,377) is offset by a permanent difference arising from mutual activities with members.

At balance date, unconfirmed accumulated tax losses of \$3,165,013 (2005- \$2,973,431) 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 probable.

## Note 6: Key Management Personnel Compensation

Economic Entity			
	2006 \$	2005 \$	
<b>SHORT TERM BENEFITS:</b>			
Salary	446,219	459,102	
Cash incentive	74,700	42,646	
No cash benefit	39,873	34,810	
<b>RETIREMENT BENEFITS:</b>			
Superannuation contributions	225,090	194,626	
	785,882	731,184	

## Note 7: Auditors' Remuneration

	Note	Economic Entity		Parent Entity	
		2006 \$	2005 \$	2006 \$	2005 \$
Remuneration of the auditor of the parent entity:					
auditing or reviewing the financial report		33,000	31,000	27,600	25,000
other services		12,000	10,503	8,400	10,503

## Note 8: Cash and Cash Equivalents

	Note	Economic Entity		Parent Entity	
		2006 \$	2005 \$	2006 \$	2005 \$
Cash at bank and on hand		86,595	342,287	58,576	209,453
Deposits at call		894,680	377,379	674,680	377,379
Bank term deposits		774,328	2,706,209	688,087	2,706,209
Government term deposits		5,000,000	-	5,000,000	-
Promissory notes		-	1,973,055	-	1,973,055
		6,755,603	5,398,930	6,421,343	5,266,096

The effective interest rate on bank term deposits and government term deposits was 5.9 % (2005: 5.7%); these deposits have an average maturity of 97 days.

## Reconciliation of cash:

Cash at the end of the financial year as shown in the cash flow statement is reconciled to items in the balance sheet as follows:

Cash and cash equivalents		6,755,603	5,398,930	6,421,343	5,266,096
		6,755,603	5,398,930	6,421,343	5,266,096

## Note 9: Trade and Other Receivables

<b>CURRENT:</b>					
Receivables		118,885	102,563	109,744	102,563
Provision for impairment of receivables	9a	5,005	25,397	5,005	25,397
		113,880	77,166	104,739	77,166
Amounts receivable from:					
Association of Accounting Technicians (Aust) Ltd		-	-	62,602	43,236
Accounting Education Australia Pty Ltd		-	-	291,599	44,671
		113,880	77,166	458,940	165,073
<b>NON-CURRENT:</b>					
Loan - Association of Accounting Technicians (Aust) Ltd	9b	-	-	450,000	400,000
		-	-	450,000	400,000

## a. Reversal of impairment losses

The amount of reversals of impairment losses for doubtful debts recognised in profit or loss during the period is \$20,392. The reversal is in Other Expenses on the Income Statement.

## b. Loan to Association of Accounting Technicians (Australia) Ltd

The Directors have assessed the carrying amount at balance date and have determined the recoverable amount is the carrying amount. The principal sum is not repayable in full until July 2012. There are no set amounts or dates payable until July 2012. The Association of Accounting Technicians (Australia) Ltd have the option to repay amounts earlier.

## Notes to the Financial Statements for the year ended 30 June 2006

## Note 10: Other Financial Assets

	Note	Economic Entity		Parent Entity	
		2006 \$	2005 \$	2006 \$	2005 \$
Shares in controlled entities at cost		-	-	100	100

## Note 11: Controlled Entities

	Country of Incorporation	Percentage Owned		Percentage Controlled	
		2006	2005	2006	2005
<b>CONTROLLED ENTITIES CONSOLIDATED:</b>					
Parent Entity:					
National Institute of Accountants Ltd					
Subsidiaries of National Institute of Accountants Ltd:					
Accounting Education Australia Pty Ltd	Australia	100%	100%		
Controlled Entities of National Institute of Accountants Ltd:					
Association of Accounting Technicians (Aust) Ltd	Australia			100%	100%

## Note 12: Property, Plant and Equipment

	Note	Economic Entity		Parent Entity	
		2006 \$	2005 \$	2006 \$	2005 \$
<b>PLANT AND EQUIPMENT:</b>					
Plant and equipment:					
At cost		1,118,698	895,240	1,103,781	880,321
Accumulated depreciation		(602,307)	(543,011)	(587,389)	(530,627)
		516,391	352,229	516,392	349,696
Leasehold improvements:					
At cost		831,799	829,643	831,799	829,643
Accumulated amortisation		(490,519)	(383,850)	(490,519)	(383,850)
		341,280	445,793	341,280	445,793
Leased plant and equipment:					
Capitalised leased assets		226,800	226,800	226,800	226,800
Accumulated depreciation		(226,800)	(182,567)	(226,800)	(182,567)
		-	44,233	-	44,233
Total Plant and Equipment		857,671	842,255	857,671	839,722
Total Property, Plant & Equipment		857,671	842,255	857,671	839,722

## a. 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.

	Plant and Equipment	Leasehold Improvements	Leased Plant and Equipment	Total
<b>ECONOMIC ENTITY:</b>				
Balance at the beginning of year	352,229	445,793	44,233	842,255
Additions	281,780	2,155	-	283,935
Disposals	(501)	-	-	(501)
Depreciation and amortisation expense	(117,117)	(106,668)	(44,233)	(268,018)
Carrying amount at the end of year	516,391	341,280	-	857,671
<b>PARENT ENTITY:</b>				
Balance at the beginning of year	349,696	445,793	44,233	839,722
Additions	281,780	2,155	-	283,935
Disposals	(501)	-	-	(501)
Depreciation expense	(114,584)	(106,668)	(44,233)	(265,485)
Carrying amount at the end of year	516,391	341,280	-	857,671

## Notes to the Financial Statements for the year ended 30 June 2006

## Note 13: Other Assets

	Economic Entity		Parent Entity		
	Note	2006 \$	2005 \$	2006 \$	2005 \$
<b>CURRENT:</b>					
Prepayments		181,616	202,368	158,885	179,850
Deposits and bonds		127,328	127,328	127,328	127,328
Accrued income		118,487	65,790	118,413	65,790
		427,431	395,486	404,626	372,968

## Note 14: Trade and Other Payables

	Economic Entity		Parent Entity		
	Note	2006 \$	2005 \$	2006 \$	2005 \$
<b>CURRENT:</b>					
Members subscriptions in advance		2,403,412	2,104,242	2,364,266	2,090,397
Other income in advance		556,287	333,040	398,841	220,508
Trade payables		136,909	138,479	136,909	138,479
Accrued expenses		815,324	684,641	801,174	679,669
GST payable		198,086	174,446	186,833	174,015
		4,110,018	3,434,848	3,888,023	3,303,068

## Note 15: Provisions

	Economic Entity			Parent Entity		
	Long-term Employee Benefits \$	Lease Restorations \$	Total \$	Long-term Employee Benefits \$	Lease Restorations \$	Total \$
Opening balance at 1 July 2005	234,615	347,810	582,425	234,615	347,810	582,425
Additional provisions	303,117	-	303,117	303,117	-	303,117
Amounts used	(189,916)	-	(189,916)	(189,916)	-	(189,916)
Finance costs	-	27,234	27,234	-	27,234	27,234
Balance at 30 June 2006	347,816	375,044	722,860	347,816	375,044	722,860

	Economic Entity		Parent Entity		
	Note	2006	2005	2006	2005
<b>ANALYSIS OF TOTAL PROVISIONS:</b>					
Current		255,702	188,251	255,702	188,251
Non-current		467,158	394,174	467,158	394,174
		722,860	582,425	722,860	582,425

## Note 15: Provisions (continued)

## Provision for Long-term Employee Benefits:

A provision has been recognised for employee entitlements relating to long service leave. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based on historical data. The measurement and recognition criteria relating to employee benefits has been included in Note 1 to this report.

## Provision for Lease Restoration:

A provision has been recognised for the restoration of leased property condition to that when leases were commenced where the lease document provides. A liability exists on the Melbourne property. A discount rate adjusted to reflect the changing values over time has been applied.

## Note 16: Capital and Leasing Commitments

	Economic Entity		Parent Entity		
	Note	2006 \$	2005 \$	2006 \$	2005 \$
<b>a. OPERATING LEASE COMMITMENTS:</b>					
Non-cancellable operating leases contracted for but not capitalised in the financial statements					
Payable — minimum lease payments					
not later than 1 year		584,965	533,794	584,965	533,794
between 1 year and 5 years		1,092,780	1,343,281	1,092,780	1,343,281
greater than 5 years		-	40,981	-	40,981
		1,677,745	1,918,056	1,677,745	1,918,056

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: Contingent Liabilities and Contingent Assets

Estimates of the potential financial effect of contingent liabilities that may become payable:

*Litigation by a former member:* A claim for breach of contract related to a penalty imposed by the disciplinary tribunal has been brought against the National Institute of Accountants by a former member. The case is due to go to court in September 2006. The action is being defended and the directors believe there are strong grounds to successfully defend the case. No damages have been claimed in this matter.

## Note 18: Segment Reporting

The National Institute of Accountants operates predominantly in one industry being a professional association of accountants and operates in one geographic segment being Australia. It has some members who reside overseas.

## Notes to the Financial Statements for the year ended 30 June 2006

## Note 19: Cash Flow Information

	Note	Economic Entity		Parent Entity	
		2006 \$	2005 \$	2006 \$	2005 \$
<b>RECONCILIATION OF CASH FLOW FROM OPERATIONS WITH PROFIT AFTER INCOME TAX:</b>					
Profit after income tax		625,143	592,246	823,331	624,589
Non-cash flows in profit					
Amortisation		106,667	96,254	106,667	96,254
Depreciation		161,351	150,583	158,818	144,626
Net (gain)/loss on disposal of property, plant and equipment		501	(32,975)	501	(32,975)
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries					
(Increase)/Decrease in receivables		(36,714)	(12,580)	(343,867)	(26,466)
(Increase)/Decrease in other assets		(31,945)	(150,172)	(31,658)	(101,130)
Increase/(Decrease) in subscriptions paid in advance		522,417	553,883	452,202	490,641
Increase/(Decrease) in trade creditors and accruals		152,753	263,386	132,753	270,448
Increase/(Decrease) in provisions		140,435	80,164	140,435	80,164
Cash flows from operations		1,640,608	1,540,789	1,439,182	1,546,151

## Note 20: Related Party Transactions

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

Name	Related Entity	Economic Entity		Parent Entity	
		2006 \$	2005 \$	2006 \$	2005 \$
<b>DIRECTORS EMPLOYER REIMBURSEMENT:</b>					
Klaus Zimmerman	Eldercare	5,000	5,000	5,000	5,000
Greg Parr	Mouldens Solicitors	5,000	3,750	5,000	3,750
Ralph Green	Business Systems Pty Ltd	5,000	5,000	5,000	5,000
Kevin Dawes	Strategic Plus	5,000	5,000	5,000	5,000
John Waugh	EMB Solutions Pty Ltd	2,500	-	2,500	-
Alex Wilson	Abbotts Debt Collection	3,750	5,000	3,750	5,000
	Yarrafin Nominees Pty Ltd	1,250	-	1,250	-
Glenn Mann	Elmet Pty Ltd	2,500	2,500	2,500	2,500
	Australian Steel Supplies	2,500	2,500	2,500	2,500
David Hickman	Commercial Equity Group	10,000	6,100	10,000	6,100
Kerry King	Prudent Accountants	5,000	5,000	5,000	5,000
Mary Robinson Brand	Marlas Pty Ltd	1,250	5,000	1,250	5,000
Greg Dennis	Denthar Accountants	5,000	3,750	5,000	3,750
Christine Leetham	TAFE NSW	5,000	5,000	5,000	5,000
Prof Barry Cooper	Asia Consulting	5,000	5,000	-	-
<b>CPE SPEAKERS EXPENSES:</b>					
Tony Culberg Councillor	A C Culberg	5,560	7,964	5,560	7,964

## Note 21: Financial Instruments

## a. FINANCIAL RISK MANAGEMENT

The economic entity's financial instruments consist mainly of deposits with banks, short-term investments and accounts receivable and payable.

Financial Risks:

The main risks the group is exposed to through its financial instruments are interest rate risk and credit risk.

Interest rate risk:

The economic entity's exposure to interest rate risk is the risk that a financial instruments value will fluctuate as a result of changes in market interest rates. Interest rate risk is managed with a mixture of fixed and floating rate investments.

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, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements. The economic entity does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the economic entity.

## b. FINANCIAL INSTRUMENTS

## i. 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 classes of financial assets and financial liabilities, is as follows:

	Weighted Average Effective Interest Rate		Floating Interest Rate		Fixed Interest Rate Within 1 year		Non Interest Bearing		Total	
	2006	2005	2006 \$	2005 \$	2006 \$	2005 \$	2006 \$	2005 \$	2006 \$	2005 \$
<b>FINANCIAL ASSETS:</b>										
Cash at bank and on hand	2.25	3.55	86,595	342,287	-	-	-	-	86,595	342,287
On call bank investment	5.69	5.20	894,680	377,379	-	-	-	-	894,680	377,379
Promissory notes	-	5.72	-	-	-	1,973,055	-	-	-	1,973,055
Bank term deposits	5.28	5.70	-	-	774,328	2,706,209	-	-	774,328	2,706,209
Government term deposits	5.89	-	-	-	5,000,000	-	-	-	5,000,000	-
Receivables	-	-	-	-	-	-	113,880	77,166	113,880	77,166
<b>Total Financial Assets</b>			<b>981,275</b>	<b>719,666</b>	<b>5,774,328</b>	<b>4,679,264</b>	<b>113,880</b>	<b>77,166</b>	<b>6,869,483</b>	<b>5,476,096</b>
<b>FINANCIAL LIABILITIES:</b>										
Trade & sundry payables	-	-	-	-	-	-	1,706,606	1,330,606	1,706,606	1,330,606
<b>Total Financial Liabilities</b>			<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,706,606</b>	<b>1,330,606</b>	<b>1,706,606</b>	<b>1,330,606</b>

## ii. Net Fair Values:

The net fair 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.

Aggregate net fair values and carrying amounts of financial assets and financial liabilities at balance date are disclosed in the balance sheet and in the notes to the financial statements.

## Directors' Declaration

### The directors of the company declare that:

1. the financial statements and notes, as set out on pages 29 to 48, are in accordance with the *Corporations Act 2001* and:
  - a. comply with Accounting Standards and the Corporations Regulations 2001; and
  - b. give a true and fair view of the financial position as at 30 June 2006 and of the performance for the year ended on that date of the company and economic entity;
2. the Chief Executive Officer and Chief Finance Officer have each declared that:
  - a. the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;
  - b. the financial statements and notes for the financial year comply with the Accounting Standards; and
  - c. the financial statements and notes for the financial year give a true and fair view;
3. 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.



David Hickman, FPNA, Director  
1 September 2006



Christine Leetham, PNA, Director  
1 September 2006

### Note 23: 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.

### Note 24: Company Details

The registered office of the company is:

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

The principal places of business are:

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, 4100

Suite 6, 60 Hindmarsh Square, Adelaide, South Australia, 5000

Suite 1, 2nd Floor, 78 Mill Point Road, South Perth,  
Western Australia, 6151

Level 1, 222 Elizabeth Street, Hobart, Tasmania, 7000

## Independent Audit Report to the Members of the National Institute of Accountants

### Scope

We have audited the financial report of National Institute of Accountants and controlled entities for the financial year ended 30 June 2006 as set out on pages 29 to 49.

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 the 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 conducting our audit we followed applicable independence requirements of Australian professional and ethical pronouncements and the Corporations Act 2001.

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 28 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 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 2006 and of their performance for the year ended on that date; and
  - ii. complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- b. other mandatory professional reporting requirements in Australia.

McLean Delmo Audit Assurance Pty. Ltd.

McLean Delmo Audit Assurance Pty Ltd  
302 Burwood Road, Hawthorn, Vic, 3122  
4 September 2006



Ian Duff  
4 September 2006

