

NIA Annual Report 2007

NOTICE IS HEREBY GIVEN that the ANNUAL GENERAL MEETING of the National Institute of Accountants (NIA) will be held at the NIA Divisional Office Queensland, Level 11, 300 Queens Street, Brisbane, Queensland, 4001 on Friday November 9, 2007, commencing at 5.30 pm.

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Expanding Borders & Horizons

The National Institute of Accountants is pleased to report to members that the organisation has continued to expand the boundaries of our impact and influence in our quest to achieve positive results for our members and affiliates.

As an organisation we have achieved some key tasks which, in turn, has made it possible for us to expand our horizons and set future plans.

The NIA has consistently performed as expected of a professional membership and advocacy body and achieved results that are quite remarkable considering our comparative status with regard to the other bodies.

In the eyes of our members, peers, the profession's regulators and national and international accounting community we have had another outstanding, successful year and continue to make ground with enhanced recognition at all levels.

The reporting period has seen further consolidation of our standing in the highest echelons of the profession both in Australia and on the international stage. In this report we would like to mention some highlights of the year.

We note here that the NIA has acted on changes in the Corporations Act 2001 - Section 314(IAA) enabling us to provide members with an electronic copy of the 2006/07 Annual Report as against a printed copy.

Having a succinct, electronic report located on the NIA website, that can be read or downloaded by members, has saved a great deal of staff time and tens of thousands of dollars in member funds. While a printed report can be provided to members 'on request', the new Annual Report rules provide a sensible and beneficial change which we fully support.

Financial

The NIA's financial performance for 2006/2007 was again very strong with a consolidated operating surplus at the end of the financial year that was in excess of \$142,000 better than forecast and the key financial indicators reveal strong financial performances by the NIA business units.

There has been an increase in expenses incurred in building the business but our results have been positive and better than budget and the activities will provide ongoing benefits for members and the organisation.

Total membership of the NIA increased by 3% (to more than 14,500), while total revenues increased by more than 6%, net assets increased by 5% and cash increased by 7%.

The outlook for 2007/2008 is for a continued increase in membership numbers and a positive operating result. The complete financial picture is presented in the financial statements that appear in this report.

Local

The reporting period has seen the NIA forge an unprecedented level of cooperation with the other professional representative bodies - CPA Australia and the Institute of Chartered Accountants in Australia - culminating in what is now more than ever a solid and united front for the profession. I wish to personally thank our colleagues from both CPA Australia and the ICAA for their support and cooperation on many fronts.

This has been made possible not only through open and collaborative discussions between the respective Chief Executive Officers, but also welcomed and even encouraged by Government, authorities and regulators.

While it is sensible for the bodies to acknowledge where differences exist in their approach and in their members' aspirations, it is equally sensible to identify where commonality of purpose and need can be harnessed for the benefit of members and the greater good of the profession.

A significant number of all submissions made by the profession on Exposure Drafts and other activities are now co-authored and submitted by the three bodies and this also means senior staff from all the organisations have been working closely together to identify issues and propose alternatives.

One of the key, joint submissions in the period was produced by the three bodies in response to the Federal Government's release of the draft for the Tax Agent Services Legislation Bill. This is important legislation for all sectors of the profession and time and care needs to be taken by all stakeholders throughout the development process of the legislation to ensure it achieves the desired result.

The three bodies agreed during the reporting period to unite as the support organisations for the Association of Accounting Technicians in Australia (AAT).

Significant changes have occurred to the AAT in Australia which bodes well for the ongoing expansion and success of the organisation. There has been a number of staffing changes in the reporting period as well as steps taken to have a new Board in place from the beginning of the 2007 - 2008 Financial Year.

We congratulate Robert Comelli on his appointment as CEO of AAT Australia and wish him and his team well with their future endeavours and thank Robert Hutt for all of the preliminary work that he did and will continue to do in his role as Executive Officer

In the reporting period the NIA accepted an invitation to become an equal member of the Accounting Professional and Ethical Standards Board (APESB) alongside CPA Australia and the Institute of Chartered Accountants in Australia. The APESB Standards will progressively replace NIA pronouncements.

Significant progress has also been achieved in setting the groundwork for NIA to take its rightful place on the profession's Joint Standing Committee and we are excited about the work that needs to be completed with this group.

The NIA Budget Breakfast held in Canberra in May was again a resounding success and this event is now firmly set in the annual calendar for the accounting profession, Government and Australian business.

International

More than ever accounting is becoming a global profession with an ever increasing number of countries adopting International Financial Reporting Standards and progressively more cross-border recognition of qualifications.

The NIA is a significant member of the international accounting community, both in size and influence and, as such, we are required to ensure we maintain a global presence and a general awareness and appreciation for the views we hold.

Senior members of the executive team attended the International Federation of Accountants (IFAC) meeting held in Istanbul and utilised the time to include representations to international regulators, academics and peer organisations in the United Kingdom and China. We expect to see ongoing benefits flowing on from this work.

The International Board of IFAC will be meeting in Melbourne in September of this year and several events for the profession have been included in the list of activities

The NIA recently established a branch office in Beijing and appointed a Chief Representative in the person of Associate Professor Rhona Chen. This is an important strategic milestone for the NIA's continued work in the region.

We also joined a select group of professional bodies as a member of the Asia-Oceania Tax Consultants' Association (AOTCA); a move that will continue to open doors for the NIA in our region of the world.

Education

The year saw the Professional Education Program – or PEP – relaunched as the NIA Program with an education component and a mentoring component, still with the purpose of providing a pathway for members to achieve PNA status.

We also saw the launch of the NIA's International Accounting Course at the Tianjin University of Technology and a Memorandum of Understanding signed with the CUFE (Central University of Finance and Economics) in China. There are further significant developments expected in this region within the next reporting period.

More recently, the NIA and the Open University Malaysia signed a Memorandum of Agreement that will see the NIA's Advanced Diploma of Accounting being offered through the University to students from September 2007.

Along with the other representative bodies, the NIA was a platinum co-sponsor of the 2007 Accounting and Finance Association of Australia and New Zealand

(AFAANZ) Conference held in Australia. AFAANZ is a key academic body for the region and the NIA is looking forward to continuing our close relationship.

Change

It has been a year that has seen us bid farewell to a number of key staff and we have also welcomed the key personnel who will take the organisation into the future.

The additional members of staff introduced to the Technical Area has greatly increased our ability to respond quickly to member queries, to provide feedback and to contribute 'thought leadership' to the professional submissions that are required, nationally and internationally, on a regular basis.

Of particular note among the newcomers is Andrew Conway who, prior to joining the NIA, was Senior Adviser and Chief of Staff for the Office of the Parliamentary Secretary to the Federal Treasurer, The Hon. Chris Pearce. Andrew has taken on the role of Deputy Chief Executive Officer of the NIA and has been charged with focussing on developing the technical area, member integrity and our international campaigns.

The NIA has also commenced the process of seeking a new home for the National Office. The organisation has expanded considerably in recent years and at the same time become a victim of its own success. A growing organisation requires a larger staff and more sophisticated accommodation with better meeting facilities and modern communication abilities.

Conclusion

The more we can do together to raise the profile of the NIA – the greater the benefits for members.

All the work that is done by the NIA is for the short and long-term benefit of the members and the profession as a whole; it is about consolidating the foundation so members know where they are 'right now' and it is also about firming the groundwork for the profession's future.

We would like to thank everyone who is part of the NIA community for your efforts and your support and we look forward with much enthusiasm to building our collective strengths in the years ahead. Thank you as your efforts count.



A white handwritten signature of Greg Dennis on a dark background.

Greg Dennis, FPNA
President
31 August 2007



A white handwritten signature of Roger Cotton on a dark background.

Roger Cotton
Chief Executive Officer
31 August 2007

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 2007.

Board of Directors

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

• Greg Dennis	FPNA	President
• Greg Parr	FPNA	Deputy President
• Kevin Dawes	FPNA	Vice President
• Christine Leetham	PNA	Treasurer
• Ralph Green	PNA	
• David Hickman	FPNA	
• Russell Hillard	PNA	Appointed 26/02/2007
• Kerry King	PNA	Resigned 06/12/2006
• Glenn Mann	FPNA	
• Michael Soon	FPNA	Appointed 03/11/2006; Resigned 30/03/2007
• John Waugh	PNA	
• 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' Report (continued)

Information on Directors

Greg Dennis

Greg Dennis FPNA

President

Occupation: Managing Director,

Denthar Accountants

Division: Australian Capital Territory

Elected NIA President in 2006 Greg was first elected to the Board of Directors in 2003 after having served as Alternate Director for the period 2001–2003. Greg has previously served as member and Chair of the National Audit Committee during 2004–2005 and is currently serving as a Director on the Board of Accounting Education Australia. Greg has previously served as the ACT Council Vice-President 2001–2002 and has been a part of the ACT Council since 2000. Greg holds a Masters of Business Administration qualification through University of New England, Australia.

Greg Parr

Greg Parr FPNA

Deputy President

Occupation: Partner,

Mouldens Solicitors

Division: South Australia

NIA Director (1998–2003 and 2005–2007), National Vice President (2001 and 2002). 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).

Kevin Brian Dawes

Kevin Brian Dawes FPNA

Vice President

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 has chaired the National Audit Committee. Kevin currently is a member of the National Resources Committee.

Christine Julianna Leetham

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 has just concluded her third non consecutive term as NSW President. Christine has also served on the NSW Divisional Recognition Action Committee.

Ralph Eric Green

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 and also serves on the Audit Committee. 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.

David Lloyd Hickman

David Lloyd Hickman FPNA

Occupation: Management Accountant,

Commercial Equity Group Pty Ltd

Division: Tasmania

David is currently chairman of the Legislation and Standards Committee (LSN) and the immediate NIA Past President. He 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.

Directors' Report (continued)

Information on Directors (continued)

Russell Hillard

Russell Hillard PNA

Occupation: Public Accountant,

Wise Group (Aust) Pty Ltd

Division: Queensland

First Elected to the Board of Directors in February 2007, Divisional Councillor (2004-2007) and Divisional President (2006-2007).

Glenn Cameron Mann

Glenn Cameron Mann FPNA

Occupation: General Manager,

Australian Steel Supplies Pty Ltd

Division: Western Australia

First elected to the Board of Directors in April 1999 and was elected Chairman of the National Audit Committee in 2006 and also serves on the Membership Committee. Glenn has held the position of Deputy President in 2004 - 2006, member of 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.

John Waugh

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 the National Resources Committee in October 2005, Divisional Councillor (2002-2006) and Divisional President (2003-2005).

Alex Wilson

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 including National Treasurer (1980-1984) and again in (1994). He is the current Victorian Divisional Council representative on the ASIC Accounting and Audit Liaison Committee and the Australian Prudential Regulation (APRA), Accounting and Audit Liaison Committee, a member of the National Legislation and Standards Committee since 2003 and its Chairman (2003-2006). In February 2006 Alex was appointed by the Parliamentary Secretary to the Treasurer to the Insolvency Law Advisory Group.

Klaus Zimmermann

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.

Directors' Report (continued)**Meetings of Directors**

Attendance at Board Meetings		Board Meetings attended/eligible	Committee Meetings attended/eligible
Greg Dennis	FPNA	4/4	-/1
Greg Parr	FPNA	4/4	-
Kevin Dawes	FPNA	4/4	4/4
Christine Leetham	PNA	4/4	4/4
Ralph Green	PNA	4/4	4/4
David Hickman	PNA	4/4	1/1
Russell Hillard	PNA	1/2	-
Kerry King	PNA	2/2	2/2
Glenn Mann	FPNA	4/4	4/5
Michael Soon	FPNA	1/1	-
John Waugh	PNA	4/4	3/3
Alex Wilson OAM	FPNA	4/4	-
Klaus Zimmermann	FPNA	3/4	1/1

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 6 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 \$24,002 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 result for the financial year for the consolidated group was a profit of \$177,010, and for the parent entity, a profit of \$173,415.

Events Subsequent to Balance Date

On 6 June 2007 the members of the controlled entity, Association of Accounting Technicians (Australia) Ltd (AAT), voted to alter their constitution changing the requirements

for board appointments to that company. In July 2007 the directors of AAT Australia appointed 2 directors from each of the sponsoring bodies, NIA, CPA Australia and the Institute of Chartered Accountants in Australia. Consequently, the result of these changes is that AAT has ceased to be a controlled entity of NIA effective from August 2007. Further information as to the AAT loan is disclosed in Note 8 to the accounts. The financial effect of this change is estimated to be an increase of the net assets of NIA by approximately \$48,000.

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 10.

Likely Developments and Results

The 2007/2008 projected operating result is a surplus of \$67,000. This projected result is due to the continuation of a number of significant expenditures for strategic Board initiatives aimed at increasing brand awareness in key markets and increasing the professional standing of the members in the employment sector.

The Board of Directors is of the opinion that future planned activities are expected to further enhance the key service goals as set out in the NIA 2007-2012 Strategic Plan.

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



Greg Dennis, FPNA
Director
31 August 2007



Christine Leetham, PNA
Director
31 August 2007

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 2007 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 Hall Chadwick

McLean Delmo Hall Chadwick Audit Assurance Pty Ltd
Level 12, 459 Collins Street, Melbourne, 3000
30 August 2007



George Georgiou
30 August 2007

Income Statement for the year ended 30 June 2007

	Note	Consolidated		Parent	
		2007 \$	2006 \$	2007 \$	2006 \$
Revenue	2	11,153,559	10,469,697	10,832,740	10,426,477
Marketing and publications expenses		(1,369,044)	(1,160,313)	(1,369,044)	(1,160,313)
Corporate services expenses		(2,050,632)	(1,989,829)	(2,050,632)	(1,989,829)
Corporate governance expenses		(859,095)	(789,140)	(859,095)	(789,140)
Members services expenses		(5,968,662)	(5,205,994)	(5,736,649)	(5,060,981)
Finance costs	3	(30,097)	(27,234)	(30,097)	(27,234)
Other expenses		(699,019)	(672,044)	(613,808)	(575,649)
Profit (loss) for the year		177,010	625,143	173,415	823,331

The accompanying notes form part of these financial statements.

Balance Sheet as at 30 June 2007

	Note	Consolidated		Parent	
		2007 \$	2006 \$	2007 \$	2006 \$
<i>CURRENT ASSETS</i>					
Cash and cash equivalents	7	7,233,186	6,755,603	6,917,894	6,421,343
Receivables	8	224,270	113,880	615,713	458,940
Other assets	12	539,167	427,431	526,619	404,626
TOTAL CURRENT ASSETS		7,996,623	7,296,914	8,060,226	7,284,909
<i>NON-CURRENT ASSETS</i>					
Receivables	8	-	-	350,000	450,000
Other financial assets	9	-	-	100	100
Property, plant and equipment	11	696,513	857,671	694,392	857,671
TOTAL NON-CURRENT ASSETS		696,513	857,671	1,044,492	1,307,771
TOTAL ASSETS		8,693,136	8,154,585	9,104,718	8,592,680
<i>CURRENT LIABILITIES</i>					
Trade and other payables	13	4,382,826	4,110,018	4,137,913	3,888,023
Short term provisions	14	265,528	255,702	265,528	255,702
TOTAL CURRENT LIABILITIES		4,648,354	4,365,720	4,403,441	4,143,725
<i>NON-CURRENT LIABILITIES</i>					
Long term provisions	14	546,065	467,158	546,065	467,158
TOTAL NON-CURRENT LIABILITIES		546,065	467,158	546,065	467,158
TOTAL LIABILITIES		5,194,419	4,832,878	4,949,506	4,610,883
NET ASSETS		3,498,717	3,321,707	4,155,212	3,981,797
<i>EQUITY</i>					
Retained profits		3,498,717	3,321,707	4,155,212	3,981,797
TOTAL EQUITY		3,498,717	3,321,707	4,155,212	3,981,797

The accompanying notes form part of these financial statements.

Statement of Changes in Equity for the year ended 30 June 2007

	Note	Consolidated			Parent		
		Retained Earnings	Asset Revaluation Reserve	Total	Retained Earnings	Asset Revaluation Reserve	Total
		\$	\$	\$	\$	\$	\$
BALANCE AT 1 JULY 2005		2,696,564	-	2,696,564	3,158,466	-	3,158,466
Profit attributable to members		625,143	-	625,143	823,331	-	823,331
BALANCE AT 30 JUNE 2006		3,321,707	-	3,321,707	3,981,797	-	3,981,797
Profit attributable to members		177,010	-	177,010	173,415	-	173,415
BALANCE AT 30 JUNE 2007		3,498,717	-	3,498,717	4,155,212	-	4,155,212

The accompanying notes form part of these financial statements.

Cash flow statement for the year ended 30 June 2007

	Note	Consolidated		Parent	
		2007	2006	2007	2006
		\$	\$	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from members and customers		12,105,573	11,391,396	11,831,285	10,971,839
Payments to suppliers and employees		(11,823,983)	(10,065,351)	(11,517,016)	(9,836,840)
Interest received		342,082	314,563	326,247	304,183
Net cash provided by (used in) operating activities	16	623,672	1,640,608	640,515	1,439,182
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment		(146,089)	(283,935)	(143,964)	(283,935)
Proceeds from sale of property, plant & equipment		-	-	-	-
Net cash provided by (used in) investing activities		(146,089)	(283,935)	(143,964)	(283,935)
Net increase (decrease) in cash held		477,583	1,356,673	496,551	1,155,247
Cash at beginning of financial year		6,755,603	5,398,930	6,421,343	5,266,096
Cash at end of financial year	9	7,233,186	6,755,603	6,917,894	6,421,343

The accompanying notes form part of these financial statements.

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, including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

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

The financial report of the National Institute of Accountants Limited and controlled entities, and the National Institute of Accountants Limited as an individual parent entity comply with all International Financial Reporting Standards (IFRS) 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.

Basis of Preparation:

The accounting policies have been consistently applied, unless otherwise stated.

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

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

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

b. Income Tax:

The National Institute of Accountants is a non profit organisation to which the principle of mutuality applies. The principle of mutuality is a common law principle arising from the premise that a person cannot profit from himself. The effect of this is that the National Institute of Accountants only pays income tax on net income, which is not derived from members. Income, which is derived from members, is exempt from income tax.

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:

<u>Class of Fixed Asset</u>	<u>Depreciation Rate</u>
Leasehold improvements	12.5%
Plant and equipment	12-40%

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).

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 \$15,336.

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.

Notes to the Financial Statements for the year ended 30 June 2007 (continued)

Note 2: Revenue

	Note	Consolidated		Parent	
		2007 \$	2006 \$	2007 \$	2006 \$
<i>Operating Activities</i>					
- Members subscriptions		6,633,478	6,203,869	6,530,913	6,127,186
- Members activities		1,285,943	1,317,201	1,258,565	1,317,201
- Non member activities		2,783,087	2,480,259	2,521,836	2,593,148
- Interest earned	2a	417,405	332,321	429,931	321,941
- Other revenue		33,645	136,047	32,136	34,376
- Management fees		-	-	59,360	32,625
Total Operating Revenue		11,153,559	10,469,697	10,832,740	10,426,477
Total Revenue		11,153,559	10,469,697	10,832,740	10,426,477
<i>Other Income</i>					
a. Interest revenue from:					
Other persons		417,405	332,321	401,570	300,441
Loan to controlled entity		-	-	28,361	21,500
Total Interest Revenue		417,405	332,321	429,931	321,941

Note 3: Profit for the Year

<i>a. Expenses</i>					
Rental expense on operating leases					
- minimum lease payments		562,173	653,982	562,173	653,982
Finance Costs					
- finance cost on lease restoration provision		30,097	27,234	30,097	27,234
<i>b. Significant Revenue and Expenses</i>					
<i>The following significant expense items are relevant in explaining the financial performance:</i>					
Employee benefit expense		3,897,385	3,695,093	3,897,385	3,695,093
Advertising and promotions		287,245	270,896	258,780	241,008
AASB contribution		114,000	100,000	114,000	100,000
AUASB contribution		171,000	175,000	171,000	175,000
AAT contribution	8	-	-	100,000	-
Australian Professional Ethical Standards Board Contribution		406,732	-	406,732	-
International Federation of Accountants contribution		97,206	90,916	97,206	90,196

Notes to the Financial Statements for the year ended 30 June 2007 (continued)

Note 4: 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 \$53,103 (2006- \$187,543) and for the parent entity \$52,025 (2006- \$246,999) is offset by a permanent difference arising from mutual activities with members.

At balance date, unconfirmed accumulated tax losses of \$3,314,256 (2006- \$3,165,013) 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 5: Key Management Personnel Compensation

The compensation of the 7 Key Management Personnel (2006: 5) of the economic entity:

		Economic Entity	
		2007 \$	2006 \$
Short Term Benefits	Salary	639,820	446,219
	Cash incentive	92,673	74,700
	Non cash benefit	41,699	39,873
Retirement Benefits	Superannuation contributions	261,966	225,090
		1,036,158	785,882

Note 6: Auditors' Remuneration

	Note	Consolidated		Parent	
		2007 \$	2006 \$	2007 \$	2006 \$
Remuneration of the Auditor of the Parent Entity:					
- auditing or reviewing the financial report		33,000	33,000	25,000	27,600
- other services		17,100	10,503	13,450	10,503

Notes to the Financial Statements for the year ended 30 June 2007 (continued)

Note 7: Cash and Cash Equivalents

	Note	Consolidated		Parent	
		2007 \$	2006 \$	2007 \$	2006 \$
Cash at bank and on hand		268,365	86,595	53,073	58,576
Deposits at call		1,276,734	894,680	1,176,734	674,680
Government term deposits		2,188,087	774,328	2,188,087	688,087
Bank term deposits		3,500,000	5,000,000	3,500,000	5,000,000
		7,233,186	6,755,603	6,917,894	6,421,343

The effective interest rate on bank term deposits and government term deposits was 6.6 % (2006: 5.9%); these deposits have an average maturity of 198 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		7,233,186	6,755,603	6,917,894	6,421,343
		7,233,186	6,755,603	6,917,894	6,421,343

Note 8: Trade and Other Receivables

CURRENT					
Receivables		239,606	118,885	211,400	109,744
Provision for impairment of receivables	8	15,336	5,005	15,336	5,005
		224,270	113,880	196,064	104,739
Amounts receivable from:					
Association of Accounting Technicians (Aust) Ltd		-	-	92,628	62,602
Accounting Education Australia Pty Ltd		-	-	327,021	291,599
		224,270	113,880	419,649	354,201
		224,270	113,880	615,713	458,940
NON-CURRENT:					
Loan - Association of Accounting Technicians (Aust) Ltd	8	-	-	350,000	450,000
		-	-	350,000	450,000

Loan to Association of Accounting Technicians (Australia) Ltd

The directors have agreed to reduce the AAT loan balance through a grant of \$100,000. The expense amount is disclosed at Note 3b. The basis of the grant is an equalisation of the existing loan on the same terms and conditions as the loan from CPA Australia and ICAA signed on 30 August 2007. The impact of this change is disclosed in the Directors Report under Subsequent Events.

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 2007 (continued)

Note 9: Other Financial Assets

	Note	Consolidated		Parent	
		2007 \$	2006 \$	2007 \$	2006 \$
Shares in controlled entities at cost		-	-	100	100

Note 10: Controlled Entities

	Country of Incorporation	Percentage Owned		Percentage Controlled	
		2007	2006	2007	2006
<i>Controlled Entities Consolidated</i>					
Parent Entity:					
National Institute of Accountants Ltd	Australia				
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%

Notes to the Financial Statements for the year ended 30 June 2007 (continued)

Note 11: Property, Plant and Equipment

	Note	Consolidated		Parent	
		2007 \$	2006 \$	2007 \$	2006 \$
PLANT AND EQUIPMENT					
Plant and equipment:					
At cost		1,173,053	1,118,698	1,170,932	1,103,781
Accumulated depreciation		(719,757)	(602,307)	(719,757)	(587,389)
		453,296	516,391	451,175	516,392
Leasehold improvements:					
At cost		853,871	831,799	853,871	831,799
Accumulated amortisation		(610,654)	(490,519)	(610,654)	(490,519)
		243,217	341,280	243,217	341,280
Total Property, Plant & Equipment		696,513	857,671	694,392	857,671

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	Total
Consolidated			
Balance at the beginning of year	516,391	341,280	857,671
Additions	124,016	22,073	146,089
Disposals	(954)	-	(954)
Depreciation and amortisation expense	(186,157)	(120,136)	(306,293)
Carrying amount at the end of year	453,296	243,217	696,513
Parent			
Balance at the beginning of year	516,391	341,280	857,671
Additions	121,892	22,073	143,965
Disposals	(954)	-	(954)
Depreciation expense	(186,153)	(120,136)	(306,289)
Carrying amount at the end of year	451,175	243,217	694,392

Note 12: Other Assets

	Note	Consolidated		Parent	
		2007 \$	2006 \$	2007 \$	2006 \$
CURRENT					
Prepayments		264,026	181,616	251,599	158,885
Deposits and bonds		131,331	127,328	131,331	127,328
Accrued income		143,810	118,487	143,689	118,413
		539,167	427,431	526,619	404,626

Notes to the Financial Statements for the year ended 30 June 2007 (continued)

Note 13: Trade and Other Payables

	Note	Consolidated		Parent	
		2007 \$	2006 \$	2007 \$	2006 \$
<i>CURRENT</i>					
Members subscriptions in advance		2,920,227	2,403,412	2,870,859	2,364,266
Other income in advance		544,235	556,287	374,042	398,841
Trade payables		109,443	136,909	109,443	136,909
Accrued expenses		553,630	815,324	533,102	801,174
GST payable		255,291	198,086	250,467	186,833
		4,382,826	4,110,018	4,137,913	3,888,023

Note 14: Provisions

	Consolidated			Parent		
	Long-term Employee Benefits \$	Lease Restorations \$	Total \$	Long-term Employee Benefits \$	Lease Restorations \$	Total \$
Opening balance at 1 July 2006	347,816	375,044	722,860	347,816	375,044	722,860
Additional provisions	58,636	-	58,636	58,636	-	58,636
Amounts used	-	-	-	-	-	-
Finance costs	-	30,097	30,097	-	30,097	30,097
Balance at 30 June 2007	406,452	405,141	811,593	406,452	405,141	811,593

	Note	Consolidated		Parent	
		2007 \$	2006 \$	2007 \$	2006 \$
<i>Analysis of Total Provisions</i>					
Current		265,528	255,702	265,528	255,702
Non-current		546,065	467,158	546,065	467,158
		811,593	722,860	811,593	722,860

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.

Notes to the Financial Statements for the year ended 30 June 2007 (continued)

Note 15: Capital and Leasing Commitments

	Note	Consolidated		Parent	
		2007 \$	2006 \$	2007 \$	2006 \$
<i>a. Operating Lease Commitments</i>					
Non-cancellable operating leases contracted for but not capitalised in the financial statements					
Payable — minimum lease payments					
- not later than 1 year		615,460	584,965	615,460	584,965
- between 1 year and 5 years		816,520	1,092,780	816,520	1,092,780
- greater than 5 years		-	-	-	-
		1,431,980	1,677,745	1,431,980	1,677,745

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 16: Cash Flow Information

	Note	Consolidated		Parent	
		2007 \$	2006 \$	2007 \$	2006 \$
<i>Reconciliation of Cash Flow from Operations with Profit after Income Tax</i>					
Profit after income tax		177,010	625,143	173,415	823,331
Non-cash flows in profit					
Amortisation		120,135	106,667	120,135	106,667
Depreciation		186,157	161,351	186,153	158,818
Net (gain)/loss on disposal of property, plant and equipment		954	501	954	501
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries					
(Increase)/Decrease in receivables		(110,390)	(36,714)	(56,773)	(343,867)
(Increase)/Decrease in other assets		(111,736)	(31,945)	(121,992)	(31,658)
Increase/(Decrease) in subscriptions paid in advance		504,763	522,417	481,794	452,202
Increase/(Decrease) in trade creditors and accruals		(231,955)	152,753	(231,904)	132,753
Increase/(Decrease) in provisions		88,733	140,435	88,733	140,435
Cash flows from operations		623,672	1,640,608	640,515	1,439,182

Notes to the Financial Statements for the year ended 30 June 2007 (continued)

Note 17: 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	Consolidated		Parent	
		2007 \$	2006 \$	2007 \$	2006 \$
<i>Directors Employer Reimbursement:</i>					
Klaus Zimmerman	Eldercare	5,000	5,000	5,000	5,000
Greg Parr	Mouldens Solicitors	5,000	5,000	5,000	5,000
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	5,000	2,500	5,000	2,500
Alex Wilson	Abbotts Debt Collection	-	3,750	-	3,750
	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	7,500	10,000	7,500	10,000
Kerry King	Prudent Accountants	2,500	5,000	2,500	5,000
Mary Robinson Brand	Marlas Pty Ltd	5,000	1,250	-	1,250
Greg Dennis	Denthair Accountants	-	5,000	-	5,000
	Geedess	7,500	-	7,500	-
Christine Leetham	TAFE NSW	5,000	5,000	5,000	5,000
Russell Hillard	Wise Group	1,250	-	1,250	-
Prof Barry Cooper	Asia Consulting	5,000	5,000	-	-
<i>CPE Speakers Expenses:</i>					
Tony Culberg Councillor	A C Culberg	6,750	5,560	6,750	5,560

Notes to the Financial Statements for the year ended 30 June 2007 (continued)

Note 18: 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	
	2007	2006	2007 \$	2006 \$	2007 \$	2006 \$	2007 \$	2006 \$	2007 \$	2006 \$
<i>Financial Assets:</i>										
Cash at bank and on hand	2.05	2.25	215,292	86,595	-	-	53,073	-	268,365	86,595
On call bank investment	6.26	5.69	1,276,734	894,680	-	-	-	-	1,276,734	894,680
Government term deposits	6.57	5.28	-	-	2,188,087	774,328	-	-	2,188,087	774,328
Bank term deposits	6.62	5.89	-	-	3,500,000	5,000,000	-	-	3,500,000	5,000,000
Receivables	-	-	-	-	-	-	224,270	113,880	224,270	113,880
Total Financial Assets			1,492,026	981,275	5,688,087	5,774,328	277,343	113,880	7,457,456	6,869,483
<i>Financial Liabilities:</i>										
Trade & sundry payables	-	-	-	-	-	-	1,454,483	1,706,606	1,454,483	1,706,606
Total Financial Liabilities			-	-	-	-	1,454,483	1,706,606	1,454,483	1,706,606

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.

Note 19: 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 20: 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 3, 4 Kennedy St, Kingston, ACT, 2604
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

Directors' Declaration

The directors of the company declare that:

1. the financial statements and notes, as set out on pages 11 to 26, 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 2007 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.

Christine Leetham, PNA
Director
31 August 2007



Greg Dennis, FPNA
Director
31 August 2007

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

Report on the financial report

We have audited the accompanying financial report of the National Institute of Accountants and its controlled entities (the consolidated entity), which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration 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.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: "Presentation of Financial Statements", that compliance with the Australian equivalents to International Financial Reporting Standards (IFRS) ensures that the financial report, comprising the financial statements and notes, complies with IFRS.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not

for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, provided to the directors of the National Institute of Accountants on 30 August 2007, would be in the same terms if provided to the directors as at the date of this auditor's report.

Auditor's Opinion

In our opinion:

- a. the financial report of National Institute of Accountants Limited and its controlled entities is in accordance with 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 2007 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
- b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1

McLean Delmo Hall Chadwick

McLean Delmo Hall Chadwick Audit Assurance Pty Ltd
Level 12, 459 Collins Street, Melbourne, 3000
4 September 2007



George Georgiou
4 September 2007
Melbourne