

2009 ANNUAL REPORT

# FIT for the FUTURE

*Strength in numbers*

*Working together, thriving together.*





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## WHAT WE DO

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The New Zealand Institute of Chartered Accountants promotes, controls and regulates the profession of accountancy in New Zealand. We ensure that the quality, expertise and integrity of our members meets the highest standards. We deliver the professional education and training people need to achieve our various designations and continuing professional development to assist them to maintain high standards.

We work in the public interest to advocate for sound public policy in the financial, regulatory and taxation areas. Internationally, we advocate for New Zealand's interests through our membership of international accountancy bodies.

We represent more than 31,000 members in New Zealand and around the world.

Our designations represent competence, integrity and commitment to the profession and to the users of our members' services.

Our members work in public practice, in corporate organisations, in educational institutions, in government and in not-for-profit organisations. They work in towns and cities in New Zealand and across the world in professional roles that are as diverse as their workplaces.

## WITH THANKS TO

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The cover image features seven current Institute staff members. From left:

**Leona Head**, Member Services and Support Co-ordinator

**Raina Ameer**, Analyst – Professional Conduct

**Marama James**, Marketing Executive – Youth

**Debbie Moore**, Management & Systems Accountant

**Jonathon Corlett**, Member Communications Executive

**Michael Bao**, Web Developer

**Tom Davies**, Director – Professional Support





**LINDA TURNER**  
President

## PRESIDENT'S REPORT

The 2008/09 business year has been one of the toughest in history. In New Zealand we have endured five (probably soon to be six) successive quarters of negative economic growth.

The talk of 'green shoots' and a bottoming out of the recession, whether in the shape of a U, V or W, is reflected in recent consumer confidence surveys. However, the facts, and the reality of rising unemployment, increased numbers of business failures, and an uncertain housing market have affected most of us.

The Institute has been working at the branch and national level to support you, our members, to respond to these economic pressures.

### A year of change for the Institute

In October 2008, the year in which we celebrated our Centennial, Council voted for a more streamlined and efficient governance structure. The changes made over the next three years to implement this structure will position our Institute as a more flexible and responsive organisation for the future. Your vote for Fit for the Future at the Special General Meeting enabled the overall governance structures to be put in place.

The key changes were to the composition and accountabilities of Council and Board, and the addition of a Nominations and Governance Committee. The new structure also features the implementation of a performance assessment of the entire governance structure as well as each of its components.

The second phase of Fit for the Future is the review of all national boards and committees. This work is currently underway and a draft report is due around the middle of next year.

The third phase will address the branch structure. Regional branches provide a valuable forum for you to interact with other members and gain value from the Institute. To meet this aim, we need to ensure we have the optimal branch structure for the future. Branches should be empowered to offer the best service and to be positioned as an integral component of our strategy. We have commenced this process this year by incorporating a greater contribution from branch committees and branch chairs into strategic planning.

I would like to take this opportunity to thank the members of the 2008/09 Executive Board and Council for their rigorous decision-making over the past year, which has culminated in the proposals that will ensure our professional body will be fit for the future.

### Members and branches

Our Institute is internationally unique because it incorporates three membership colleges – accounting technicians (ATs), associate chartered accountants (ACAs) and chartered accountants (CAs). We are able to fully cover the breadth and depth of the accountancy profession in New Zealand.

At the end of June 2009, our membership totalled 31,674 – an increase of more than four percent from the previous year. Trends in new members show an increasing number of women and Asian members, with women now representing nearly 40 percent of total membership and Asian members representing more than 10 percent.

The corporate sector is by far the largest group of membership at 41 percent, while those in chartered accountancy practice are at 28 percent.

A highlight of my presidential year has been meeting with members at branches throughout the country and overseas. It has been a privilege to welcome new members into our profession, to honour new fellows and to acknowledge our members who have reached 50 years, 60 years, and 70 years membership. The combination of the energy and passion of newer members alongside the success, contribution and dedication of our older members positions our Institute strongly for the future.

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In particular, I would like to acknowledge the large number of new associate chartered accountants who have been admitted to the Institute this year. This college and its members have a unique strength and point of difference from the CA college.

I believe we may see the ACA college develop as the home of students with double degrees, honours degrees, and double majors who are heading for the corporate sector with qualifications in accounting and another discipline, such as marketing, finance, management, or information technology.

### **Global stage**

The relationships we have developed, and the contribution of our Institute to the international accountancy profession continues to gain the respect of our overseas partners. We work closely with the Institute of Chartered Accountants of Australia (ICAA), and also with our fellow chartered bodies in Ireland, Scotland, and England and Wales.

While in the United Kingdom visiting these bodies, the Chief Executive Terry McLaughlin and I also met with the Chartered Institute of Public Finance and Accountancy (CIPFA), the Chartered Institute of Management Accountants (CIMA) and the Association of Accounting Technicians (AAT). I was proud to represent the Institute at these sessions. Our Institute and its representatives are highly regarded on the international scene. These representatives include Ian Ball (Chief Executive of IFAC), Warren Allen (IFAC Board member and a member of its Nominations Committee), Garry Muriwai (our former Chief Executive and the driver of the Global Accounting Alliance) and Keith Wedlock (our representative on CAPA – the Confederation of Asian and Pacific Accountants).

The initiatives we can develop in partnership to share and learn from our overseas partners will flow through to you. We are an integral member of the Global Accounting Alliance (GAA) and the International Federation of Accountants (IFAC).

A key goal of the Institute has always been to equip our chartered accountants with an internationally recognised portable qualification that enables them to live and work overseas. We are proud of the international reciprocities that our CA college has. If chartered accountants work in GAA-member countries, they are also able to access member services as if they were local members.

Our reciprocity network was extended further in August 2009 with the signing of a mutual recognition agreement with the United States International Qualifications Appraisal Board. New Zealand will be just one of five countries to have this recognition, which will enable greater opportunities for chartered accountants in New Zealand and their equivalents in the United States to practice in each other's country.

### **Thank you**

Our profession is all about people, and our Institute relies on the voluntary contribution of many of you. Thank you for your contributions.

I extend my sincere thanks to the Chief Executive Terry McLaughlin, and our two Vice Presidents Dinu Harry and Ross Jackson.

I would also like to thank the Institute staff for your commitment to our profession and to us, the members.

Finally, a special thanks to my employer, Eastern Institute of Technology, for its support.



Linda Turner, President



**TERRY McLAUGHLIN**  
Chief Executive

## CHIEF EXECUTIVE'S REPORT

It's been a year of enormous change as we progress through the Fit for the Future programme and put in place a number of building blocks for our future. Amongst all of this change, I'm very grateful to my staff and our members who have kept the Institute focussed on our core areas to deliver the 2008/09 business plan.

### The centennial epitomises past achievements and future opportunities

2008 marked the centenary year for the Institute and it was fantastic to reflect on 100 years of achievement. I feel privileged to have become Chief Executive at this important time for the Institute.

After celebrating the successes of the Institute's first 100 years, we turned our attention to meeting the challenges of the future through the Fit for the Future review.

### Fit for the Future lays the right foundation to respond to future challenges and opportunities

A huge amount of work and effort went into the review of our governance arrangements with extensive consultation undertaken with past presidents, the Council, the Executive Board, national boards and committees, branches, staff, and external stakeholders.

We reviewed the governance arrangements of accounting bodies and professional organisations within New Zealand and around the world and incorporated the principles of international best practice. We were very conscious that, as a member body, we struck a balance between efficient and effective corporate governance and upholding the voice of our 31,000 members.

Our research and recommendations were endorsed by Council in late 2008, which allowed the proposed changes to be voted on by members in the April 2009 Special General Meeting. There was overwhelming support to implement these changes.

The first task was to establish the new Nominations and Governance Committee to facilitate the establishment of the new Board. I am delighted with the calibre of our new eight-member Board, of which six are Institute members. The Nominations and Governance Committee has more foundations to put in place including a process to recommend Appointed Councillors, evaluation processes for the Board and Council, and in assisting Council with presidential selection and succession planning.

There are three further phases of the Fit for the Future review.

1. A review of all national boards and committees, which is likely to be completed in mid-2010.
2. A review and alignment of rules with the new governance arrangements. This will involve the creation of a rules framework and adoption of a new approach, both of which are likely to be presented at the Annual General Meeting in 2010.
3. A review of the branches, which is likely to be initiated in 2011.

### Greater focus brought to strategy development and long-term planning

One of the assurances given to Council during the course of the Fit for the Future review was the commitment to better strategy development and reporting processes. I'm pleased to say that great progress has already been made in this area, and will continue to be a principal contribution of Council.

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### **More active engagement with members and strengthening of key relationships**

During my first year as Chief Executive, I have met hundreds of members throughout the country and have enjoyed these interactions and discussions immensely. I've learned a great deal about members' needs and the challenges and opportunities facing those involved in the accounting profession and have received valuable feedback on the Institute's performance.

I am committed to maintaining these interactions as a fundamental component of my role.

Likewise, I'm pleased to report that our international and government relationships are also in a strong position. Much of my time is focussed on maintaining and strengthening these key relationships with groups including the International Federation of Accountants, the Global Accounting Alliance, as well as with our counterparts in Australia and government ministers and officials within New Zealand.

We have a solid reputation with these groups which increases the standing and influence of the Institute and is a significant benefit of membership.

### **Organisational restructuring will ensure more effective support to the Board**

An organisational restructuring of the Institute was completed during the second half of this financial year to enable us to best support the new Board. I'm delighted with the new management team we have put in place. The roles and accountability lines are clearer and will ensure that we are better structured to provide a high standard of service and support. I would like to thank my staff for their tolerance and professionalism, and for their focus and commitment during this period of change.



Terry McLaughlin, Chief Executive

## FIT FOR THE FUTURE

In April 2009, via member vote at a Special General Meeting, a new governance structure for the Institute was adopted. This was the result of a review of the previous governance system to identify how the Institute could support effective and efficient decision-making, be responsive to current issues, achieve strategic objectives, and incorporate best practice in governance.

The main changes to the Institute's governance were:

- > a smaller Council and a change to its composition
- > greater focus on the Council's role on strategic issues and member representation
- > a smaller Executive Board (re-named the Board) and the introduction of two positions for non-Institute members
- > separation of the President and Board Chair into two roles
- > the establishment of a Nominations and Governance Committee.

### Nominations and Governance Committee

The Nominations and Governance Committee was established to oversee Council and Board appointments and monitor governance processes, and came into effect under the new model on 1 May 2009. The Committee comprises the following members: Tony Burn *Chair*, Warren Allen, Peter Gulliver, Linda Turner *President*, and Nicki Crauford *Independent*. The Chair of the new Board, Graham Crombie, joined on 1 July 2009.

The Nominations and Governance Committee's first task was to identify and recommend candidates for the new Board. Council approved candidates at its 18 June meeting.

The new Board commenced on 1 July, while the new Council is to commence on 12 November 2009.

### Governance challenges

The Institute must balance its role under the Institute of Chartered Accountants Act 1996 as the New Zealand professional body for accountants and its role as a representative organisation for members. The Council and Executive Board achieve this balance by recognising that the interests of the profession, and therefore members, are best served when the Institute works in the public interest as required by the Code of Ethics. This philosophy forms a touchstone for specific decisions, including decisions about which activities the Institute should engage in.

## GOVERNANCE

- > Governing principles
- > Rule changes
- > Governance
- > Council
- > Executive Board
- > National Committees and Boards

## GOVERNING PRINCIPLES

### Institute of Chartered Accountants of New Zealand Act 1996

The New Zealand Institute of Chartered Accountants (the Institute) operates under the Institute of Chartered Accountants of New Zealand Act 1996 (the Act). The Act prescribes the functions of the Institute:

- > to promote quality, expertise and integrity in the profession of accountancy by its members in New Zealand
- > to promote, control and regulate the profession of accountancy by its members in New Zealand
- > to promote the training, education and examination of persons practising, or intending to practise, the profession of accountancy in New Zealand or elsewhere
- > any other functions that are conferred on it by the Rules.

The Institute's Rules are consistent with the Act and prescribe provisions around governance, conduct, public practice, branches, and other aspects of the Institute's operation. The most recent issue of the Rules (June 2009) can be found at [www.nzica.com/rules](http://www.nzica.com/rules). This reflects the changes adopted at the Institute's Special General Meeting in April 2009.

### Conflicts of Interest and Code of Ethics

Members of the Council and Executive Board are bound by the Code of Ethics of the Institute.

Councillors and Executive Board members declare any conflicts of interest they have and do not participate in discussion or voting on those matters. See also note 21 on p86 in the Notes to the Financial Statements.

The Institute's Code of Ethics can be downloaded from [www.nzica.com/ethics](http://www.nzica.com/ethics)

# GOVERNANCE

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## The role of consultation

The Institute undertakes extensive consultation with members when considering changes that affect membership conditions or professional practice. During the 2008/09 year, members were consulted on:

- > proposed changes to, and new, accounting and professional standards (both international and national)
- > the review of continuing professional development policy
- > the review of the CA and ACA admissions policy.

## RULE CHANGES

There were two sets of rule changes approved by members this year, as per Rule 27.1.

### Changes approved at the Annual General Meeting in October 2008

Rules relating to public practice received considerable attention during the previous two years, and resulted in the changes approved at the October 2008 Annual General Meeting. The Institute's solicitors and various Institute boards and committees with interests in public practice were widely consulted.

Other proposed rule changes related to practical matters such as the provision of guidance notes for members; committees and boards of the Institute; the name change of the Audit, Finance and Risk Management Committee of the Executive Board; non-compliance of continuing professional development; services provided to the public; and professional conduct.

Rule changes were accepted in total.

### Changes approved at the Special General Meeting in April 2009

These rule changes were proposed to put into effect the Fit for the Future governance model, and required significant amendments. Members voted in favour of the 10 key changes.

1. The functions of Council were changed to reflect high-level strategic direction.
2. The number of Councillors was reduced.
3. A new committee was established – Nominations and Governance Committee.
4. The role of Second Vice President was removed.
5. Key strategic, policy and operational functions of the Board were identified.
6. The composition of the Board was changed, and independent members were included.
7. The role of Chair of the Board (not being the President) was introduced.
8. A clarification was made for all permanent bodies to report to the Board.
9. Overly prescriptive rules and appendices in relation to the Council and the Board were deleted.
10. Consequential amendments were made to numerous rules and transitional rules for the inaugural bodies.

## COUNCIL

The functions of the Council were to:

- > carry out the functions of the Institute
- > set the Institute's strategic objectives
- > manage and control the Institute's affairs.

The Council elected the Executive Board from the membership and may delegate to the Executive Board any of its functions and powers. Subject to any delegation to the Executive Board and with the agreement of the Executive Board, the Council could also from time to time constitute from its membership any committee of the Council to discharge any of its functions and powers, with any such committee regulating its meetings and passing its resolutions as it saw fit.

Councillors were elected by Branch members to hold office for three years, with no limit on eligibility for further terms.

The Council was constituted according to the Institute's Rules (November 2007).

Three full Council meetings were held during the year: in October 2008, and April and June 2009. 40 councillors attended the October meeting; 39 councillors attended the April meeting; 41 councillors attended the June meeting. Council members were sent seven Circular Resolutions that covered 29 decisions regarding approval of Professional Standards and two other decisions. Between meetings, communication between the Council and Executive Board was maintained through the Council/Executive Board regional group system.

### 100th COUNCIL



**Linda Turner FCA, *President***, Hawke's Bay Branch, elected 1998

**Dinu Harry FCA, *First Vice President***, Auckland Branch, elected 2002

**Ross Jackson FCA, *Second Vice President***, Southland Branch, elected 1999

**Rodney Aitken FCA**, Waikato/Bay of Plenty Branch, elected 2005

**John Apanowicz CA**, Wellington Branch, elected 2007

**Gavin Austin CA**, Northland Branch, elected 2006

**Richard Austin CA**, Canterbury Branch, elected 2004

**Jeff Barkwill FCA**, Auckland Branch, elected 2007

**John Bennett FCA**, Manawatu Branch, elected 2006

**Denise Bufton FCA**, Waikato/Bay of Plenty Branch, elected 2002

**Rosemary Chung CA**, Auckland Branch, elected 2006

**Forde Clarke FCA**, Wellington Branch, elected 1995

**Sharon Cooke FCA**, Canterbury Branch, elected 2002

**Victoria Craig CA**, Wellington Branch, elected 2007

**Richard Dey CA**, Waikato/Bay of Plenty Branch, elected 2006

**Andrew Dick CA**, Auckland Branch, elected 2005

**Graham Edwards FCA**, Hawke's Bay Branch, elected 2000

**Giles Ellis CA**, Auckland Branch, elected 2008

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## GOVERNANCE

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**Catherine Gillies CA**, Gisborne/East Coast Branch, elected 2005

**Mike Hanaray FCA**, Waikato/Bay of Plenty Branch, elected 2002

**Laurie Jordon FCA**, Taranaki Branch, elected 1998

**Ian G. Leggett FCA**, UK (Alternate) Branch, elected 2007

**Tim Livingstone FCA**, Auckland Branch, elected 2004

**Anne Marett CA**, Canterbury Branch, elected 2004

**Marin Matulovic CA**, Auckland Branch, elected 2004

**Bernard Mazur CA**, Auckland Branch, elected 2008

**Cameron McGregor FCA**, Auckland Branch, elected 2006

**Rex McKinnon FCA**, Wanganui Branch, elected 1999

**Baubre Murray CA**, Wellington Branch, elected 2008

**John Murray CA**, Nelson/Malborough Branch, elected 2004

**Gerald Naughton FCA**, Sydney/Melbourne Branch, elected 2002

**Allan Newman FCA**, Wairarapa Branch, elected 2005

**Kevin Newson FCA**, Wellington Branch, elected 2003

**David Osborne FCA**, Auckland Branch, elected 2002

**Paul Pedofski FCA**, Otago Branch, elected 2001

**Craig Roberts ACA**, Wairarapa Branch, elected 2008

**Alan Sharr CA**, Canterbury Branch, elected 2006

**Gary Swift CA**, Auckland Branch, elected 2006

**Murray Taylor ACA**, Auckland Branch, elected 2008

**Susan Tremlett CA**, Auckland Branch, elected 2008

**Stephen Tubbs FCA**, Canterbury Branch, elected 2008

**Chris Welch FCA**, United Kingdom Branch, elected 2002

**Craig Wyatt CA**, Otago Branch, elected 2008

## EXECUTIVE BOARD

The functions of the Executive Board were to:

- > act as the executive body of the Institute, implement policy decisions of the Council and carry out functions delegated to it
- > consider matters referred to it by the Council, the President or a Vice President
- > consider and action remits passed by the councillors at the National Conference
- > appoint committees and their chairs
- > be responsible for the financial affairs of the Institute and receive regular reports from the Audit, Finance and Risk Management Committee.

Under Rule 9.2, the Executive Board may delegate the performance of any of its functions and powers.

The Executive Board was constituted according to the Institute's Rules (November 2007).



President:

**LINDA TURNER**

FCA

Head of School, Business, Eastern Institute of Technology. Member of the following committees: College of Accounting Technicians, College of Associate Chartered Accountants, College of Chartered Accountants, Nominations and Governance, Nominations, Remuneration, Research/PhD Scholarships Selection. Elected to the Board in 2002.



First Vice President:

**DINU HARRY**

FCA

Director, Bertelsen Harry Waters Limited. Member of the following committees: Public Practice, College of Accounting Technicians, College of Associate Chartered Accountants, College of Chartered Accountants, Nominations, Remuneration. Elected to the Board in 2004.



Second Vice President:

**ROSS JACKSON**

FCA

Partner, McCulloch and Partners. Chair of the Practice Review Board and member of the following committees: College of Accounting Technicians, College of Associate Chartered Accountants, College of Chartered Accountants, Nominations, and Remuneration. Elected to the Board in 2006.



**TERRY MCLAUGHLIN**

FCA

Chief Executive of the New Zealand Institute of Chartered Accountants from 30 June 2008. Member of the following committees: College of Accounting Technicians, College of Associate Chartered Accountants, College of Chartered Accountants.



**ROSEMARY CHUNG**

CA

Executive Manager – Finance, United Group (NZ) Limited. Member of the Admissions Appeals Tribunal. Elected to the Board in 2008.



**MIKE HANARAY**

FCA

Director, Accountants on London Limited. Member of the Admissions Board. Elected to the Board in 2004.

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## GOVERNANCE

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**FRED HUTCHINGS**

CA

Partner, PricewaterhouseCoopers. Chair of the Audit, Finance and Risk Management Committee. Co-opted to the Board in 2005.



**LAURIE JORDAN**

FCA

Partner Jordan Horton & Co Limited. Member of the Public Practice Committee. Elected to the Board in 2007.



**DAVID OSBORNE**

FCA

Head of New Zealand Group Reporting, Westpac. Member of the Corporate Sector Committee. Elected to the Board in 2004.



**PAUL PEDOFSKI**

FCA

Financial Analyst, University of Otago. Member of the Corporate Sector Committee. Elected to the Board in 2005.



**GARY SWIFT**

CA

General Manager – Finance, Watercare Limited. Chair of the Sustainability Development Reporting Committee. Elected to the Board in 2008.

**Attendance at Executive Board meetings**

Member	Meetings	Attended
Rosemary Chung**	4	4
Graham Crombie*	5	5
Mike Hanaray	8	8
Dinu Harry	8	7
Fred Hutchings	8	7
Ross Jackson	8	8
Laurie Jordan	8	7
David Osborne	8	7
Paul Pedofski	8	8
Sarah Taylor*	5	4
Linda Turner	8	7
Gary Swift**	4	2
Terry McLaughlin	7	6

\*Term ended 31 December 2008.

\*\*Executive Board member from December 2008.

**Delegations**

As empowered by Rule 7.2 (before April 2009), the Council had delegated the following functions and powers to the Executive Board:

- > administration, including planning and budgeting, performance and financial management
- > oversight of activities
- > public relations/marketing
- > relationships with professional bodies
- > relationships with government
- > rules and legislation
- > policy implementation
- > quality control.

**Executive Board/Council regional groups**

Each Executive Board member was associated with a group of Councillors in his or her region. These groups met regularly for feedback and discussion, so that the Executive Board member was able to hear the concerns and comments of members as expressed through the Councillors, and Councillors were kept informed of the activities and intentions of the Executive Board. The five regional groups are: South Island, Midlands/International, Wellington, Auckland, and Central North Island.

**President and other office bearers**

At the 2008 National Conference, the following office bearers were elected from the College of Chartered Accountants by the Council to hold office until the next election:

- > President
- > First Vice President
- > Second Vice President.

In the event of a casual vacancy, the Council would elect one of its members to fill the vacancy as soon as practicable after the vacancy occurs.

As from the 2009 National Conference, under the new governance structure, the Institute's Rules provide for two office bearers: President and Vice President. The eligibility, nomination and election procedures are contained in the Institute's Rules, which can be downloaded from [www.nzica.com/rules](http://www.nzica.com/rules).

## **Council and Executive Board operating costs**

The direct operating costs of the Council and Executive Board were \$753,544.

Members of the Council and Executive Board were reimbursed for travel and accommodation at an agreed rate, detailed in the Institute's travel policy.

Council and Executive Board members received no compensation for their time, except for office bearers and the Chief Executive. Honoraria for the presidential year commencing January 2009 are:

President \$150,000 (2008 \$145,000)

First Vice President \$31,000 (2008 \$30,000)

Second Vice President \$16,000 (2008 \$15,000).

## **Performance of the Chief Executive**

Key performance indicators for the Chief Executive are set and assessed each year by the outgoing and incoming Presidents, in conjunction with the Executive Board. This year, the key performance indicators were set based on the Institute's annual business plan.

## **Changes to the Executive Board**

As a consequence of the changes to the governance structure approved at the April 2009 Special General Meeting, a new Board of Directors was established on 1 July 2009. This Board has approved this annual report and financial statements.

## **Committees of the Executive Board**

### **Audit, Finance and Risk Management Committee**

The Audit, Finance and Risk Management Committee is responsible to the Executive Board for reviewing and commenting on all financial reporting, non-financial reporting, corporate governance and corporate control matters. The Committee oversees all aspects of financial control as it deems appropriate, and defines and analyses risk with a view to minimising risk where possible.

The members of the Committee were Fred Hutchings *Chair*, Graham Edwards and Ross Pritchard (term completed December 2008) and Ross Jackson (term commenced January 2009). The Chief Executive and Chief Financial Officer were required to attend meetings of the Committee as directed by the Chair, and had speaking rights but not voting rights. The Committee met eight times during the year.

### **AUTHORITY OF THE CHAIR**

The Chair was responsible for authorising expenditure incurred by the President, and expenses incurred by the Chief Executive, if the President was unavailable.

Committee functions:

- > Identify and recommend to the Executive Board the appointment of external auditors, their remuneration and the terms of their engagement.
- > Enquire of management and the external auditors about significant risks of exposures and assess the steps management has taken to minimise such risk to the Institute.
- > Consider, in consultation with the external auditors, the audit scope and plan.
- > Review the business plan, budget assumptions and the Institute's budget prior to Executive Board approval.
- > Review forecast methodology and review forecasts conducted during the year.
- > Develop, implement and monitor a risk management process.
- > Receive and review the conflicts of interest register.

The Audit, Finance and Risk Management Committee is constituted according to the Institute's Rules (Audit Committee), which can be downloaded from [www.nzica.com/rules](http://www.nzica.com/rules).

## **Remuneration Committee**

The Executive Board established the Remuneration Committee to determine and review compensation arrangements for the Chief Executive and senior employees. The Committee also reviewed the remuneration process of all Institute employees.

The members of the Remuneration Committee were Linda Turner *Chair*, Dinu Harry and Ross Jackson. The committee met two times during the year.

A new Remuneration Committee will be formed under the new Board. This will be reported on in the 2010 Annual Report.

## **Nominations Committee**

The Nominations Committee is responsible for overseeing nominations to national boards and committees.

The members were Linda Turner *Chair*, Graham Crombie (term completed December 2008), Dinu Harry and Ross Jackson (term commenced January 2009). The Committee met regularly during throughout the year.

A new Nominations Committee will be formed under the new Board, which will be reported on in the next year's annual report.

## NATIONAL COMMITTEES AND BOARDS

### Admissions Appeals Tribunal

John Marshall *Chair*, Rosemary Chung, George Green, Alan MacGregor, Alison Molloy, Sue Sheldon, Karen Wallace, Keith Wedlock.

### Admissions Board

David Morrow *Chair*, John Murray *Deputy Chair*, Howard Davey, Graham Edwards, Chris Ellis, Owen Gibson, Mike Hanaray, Maurice Horner, Fawzi Laswad, Sue Malthus, Ann Tod, David Vial.

### Admissions Board – Academic Committee

Howard Davey *Chair*, David Hay, Jane Needham, Kate Wynn-Williams.

### Admissions Board – Practical Experience Committee

Owen Gibson *Chair*, Rachel Farrant, Tracey Grant, Gordon Hansen, Brendan Lyne.

### Appeals Council

John Marshall *Chair*, Paul Armstrong, John Hagen, Alan MacGregor, Sue Sheldon, Douglas Brown, Falcon Clouston, Joe Pope.

### College of Accounting Technicians Committee

Linda Turner, Dinu Harry, Ross Jackson, Terry McLaughlin.

### College of Associate Chartered Accountants Committee

Linda Turner, Dinu Harry, Ross Jackson, Terry McLaughlin.

### College of Chartered Accountants Committee

Linda Turner, Dinu Harry, Ross Jackson, Terry McLaughlin.

### Corporate Sector Committee

Richard Maher *Chair*, Bill Cotton, Ian Leggett, Marin Matulovic, Rachael Newfield, David Osborne, Paul Pedofski, Murray Taylor.

### Disciplinary Tribunal

Jim Hoare *Chair*, Jan Dawson, Craig Fisher, Gary Leech, David Macdonald, Colin Notley, Marsden Robinson, Peter Scott, Mike Whale, Angela Hauk-Willis *Lay member*, John Hinchcliff *Lay member*, Phillip Meyer *Lay member*.

### Financial Reporting Standards Board

Joanna Perry *Chair*, Mike Bradbury, Christine Burns, David Foster, Marcus Henry, Denise Hodgkins, Angela Ryan, Richard Smyth, Kate Thomson, Steven Todd, Sanel Tomlinson, Bruce Porter *Non-member*, Warren McGregor *Observer*, Ken Warren *Observer*.

### National Tax Committee

Geof Nightingale *Chair*, Paul Dunne *Deputy Chair*, Paul Argar, Geoff Blaikie, John Cantin, Chris Cunniffe, Gill Down, Grant Duncan, Craig Elliffe, Greg Haddon, Matthew Hanley, Ian Kuperus, Stewart McCulloch, Alan Scott, Michael Turner.

### Not for Profit Sector Advisory Committee

Carolyn Cordery *Chair*, Ross Rattray *Deputy Chair*, Kimberley Black, Chris Carson, Margaret Carter, Frank Claridge, Gavin Hampton, Graeme McGlinn, Alison Molloy, Victor Saywell, Rowena Sinclair.

### Practice Review Board

Ross Jackson *Chair*, Lynton Campbell, Geoff Devine, Linda Gray, Bruce Hassall, Paul Herrod, Graeme McGlinn, Michael Wilkes.

**Primary Sector Committee**

Stephen Stafford-Bush *Chair*, Trudi Ballantyne, Rob Braithwaite, George Collier, Marilyn Davies, Kathryn de Bruin, Richard Dey, Lyall Evans, Richard Perry, Frazer Weir.

**Professional Conduct Committee**

John Falloon *Chair*, David Barker, Joyce Brooks, Peter Chatfield, Chris Dixon, Leicester Gouwland, Brian McCulloch, John Meehan, Jeffrey Meltzer, Graeme Mitchell, Jane Mitson, John Naylor.

**Professional Development Committee**

Jeff Barkwill *Chair*, Don MacKenzie, Richard Austin, John Bennett, Darby Healey, Sue Jackman, Anne Marett, Liz Rainsbury, Gail Reichert.

**Professional Standards Board**

Neil Cherry *Chair*, Nives Botica Redmayne, Charles Carslaw *Adviser*, Forde Clarke, Roy Glass, Sharyn Joyce, Chong Lim, Philip de Lisle *Adviser*, Simon O'Connor, Graeme Pinfold, Kumar Aravinda, Alex Skinner, Bruce Taylor, Colin Vazey.

**Public Practice Committee**

Allan Newman *Chair*, Cameron McGregor *Deputy Chair*, Rodney Aitken, Judith Cambridge, Dinu Harry, Laurie Jordan, Anne Marett, Ross McKinley, Baubre Murray, Mike Rondel, Craig Wyatt.

**Public Sector Committee**

Jacqueline Robertson *Chair*, John Bole, Chris Carson, John Gill, Rose Anne MacLeod, Helen Rogers, Ken Warren.

**Publications Committee**

John Gill *Chair*, Randall Burt, Linda Gray, Lynley Hutton, Ian Leggett, David Lont, David Waine.

**Research/PhD Scholarships Selection Committee**

Steven Cahan *Chair*, Mike Bradbury, Philip Colquhoun, David Lont, Deryl Northcott, Liz Rainsbury.

**Sustainable Development Reporting Committee**

Gary Swift *Chair*, Amanda Ball, Judy Brown, Peter Casey, Shaun Collins, Raechel Cummins, Tony Gray, Richard Maher, Leah Murphy, Jamie Sinclair.

## EXECUTIVE MANAGEMENT TEAM



**TERRY McLAUGHLIN FCA**  
Chief Executive



**KEVIN MARLOW**  
General Manager –  
Member Services & Support



**BRUCE BENNETT FCA**  
General Manager –  
Standards & Advocacy



**GILL COX FCA**  
Executive Director –  
Advanced Business Education Limited  
(ABEL)



**RICHARD MOON**  
General Manager –  
Compliance & Quality  
General Counsel



**MELISSA CHEALS**  
General Manager –  
Sales, Marketing & Communications



**KELVIN WONG CA**  
Chief Financial Officer



**BRENDA TWEEDY**  
Manager –  
Human Resources



**ALLISTAIR KOHING**  
Director –  
Information Technology



**LIZ HENDERSON**  
Director –  
Strategy & Business Planning



**HARVEY REES-THOMAS**  
Governance Secretary

## CHIEF EXECUTIVE'S OFFICE

The Chief Executive's Office administers the Executive Management Team and comprises three business units.

Human Resources supports and advises managers, and manages recruitment, staff retention, training, counselling, and health and safety matters.

Strategy & Business Planning, a newly-formed business unit, will oversee development of long-term strategies for the Institute.

General Counsel provides in-house legal services.

### CHIEF EXECUTIVE'S OFFICE

- > Human Resources
- > Strategy & Business Planning
- > General Counsel

## HUMAN RESOURCES

The Human Resources (HR) team provides support across the whole of the Institute, giving advice, mentoring, coaching, training, counselling and managing health and safety.

During the year staff turnover was kept at 15 percent.

The Institute underwent a major restructure as a result of the Fit for the Future project that also had an impact on the internal operations of the organisation. New divisions were created resulting in the realignment of work units. A recruitment drive was undertaken leading to the appointment of five new general managers and directors.

The realignment has now moved down into the divisions, in which a total of nine positions were disestablished.

Work has continued on building the culture of the Institute. The members of HR have been accredited to use the Human Synergetics tools for this purpose.

## STRATEGY & BUSINESS PLANNING

The Director of Strategy & Business Planning is a new fixed-term position created in early 2009. Liz Henderson was appointed to the role as a contractor to lead the Institute through the strategy development process.

The plan to develop the strategy involves analysing the business environment and receiving input from key stakeholders. From this information the Institute will formulate its longer-term strategic priorities (5-10 year view), taking advantage of strategic opportunities and moderating its greatest strategic risks.

The outcome will be a strategic plan that identifies the Institute's key priorities for the future and ensures alignment throughout all levels of the organisation, together with effective ways of measuring and reporting on progress to achieve the Institute's objectives.

Implementation of the strategic plan, together with the revised governance structure, will ensure that the Institute is Fit for the Future.

A start was made in the last quarter of the 2008/09 year on the stakeholder consultation phase of the planning process. This will continue into 2009/10 year.

Stakeholders to be consulted include:

- > Council
- > Board
- > Executive Management Team and staff
- > branch committees
- > national committees
- > relevant external stakeholders
- > past presidents
- > academics and students.

## PERFORMANCE

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The strategic plan will be presented to the Council and the Board for approval at the Institute's National Conference in November 2009 and once approved, will translate to business unit level during 2010.

### GENERAL COUNSEL

The role of General Counsel has been established from 1 July 2009 to provide in-house legal services to the Institute.

## INFORMATION TECHNOLOGY

The Information Technology (IT) division supports the Institute's business units through provision of technology platforms and solutions to enhance business efficiency and effectiveness.

Throughout the year, the IT division implemented a job management system to assist with management of workload, job prioritisation, and resolution tracking. Additionally, the core backbone infrastructure was virtualised in order to centralise hardware platforms, provide increased disaster recovery options, and reduce the carbon footprint of the data centre.

The development team had a busy year working on a number of internal efficiency and reporting systems, and also improving the Institute's website functionality with a new careers portal, online registrations for Student Affiliate members, eLearning webcasts, and online voting for councillor elections and rule changes.

The most significant change to the division's structure this year occurred with elevation of the Director to a position on the Executive Management Team to enable IT to align better strategically with the Institute's business direction.

In coming months, the IT division will be creating and implementing an Information Systems Strategic Plan to guide the IT division in prioritising the provision of IT solutions that will strategically enhance the Institute's core business operations.

## FINANCE & BUSINESS SERVICES

The Finance and Business Services division is responsible for providing financial and corporate services support to the Institute's business units.

The key functions include: co-ordination of the Institute's annual budget, production of the annual financial statements, management reporting, co-ordination of business planning and risk management, and provision of copying, mail, catering and travel management within the Institute.

A significant feature of the year has been co-ordinating and assisting with premises relocations. New premises for the Institute's national office were identified, leased and fit-out begun during the year. One branch relocation and one branch lease renewal were also completed during the year.

Other achievements include the introduction of enhanced business plan reporting and a more refined and integrated business planning and budgeting process.

Since the end of the financial year, the Business Services team has been merged into the Member Services and Support division to enable integration of its services with other units servicing the national office.

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### FINANCE & BUSINESS SERVICES

- > Finance
- > Business Services

#### Finance

The business planning and risk management processes were revised this year and also more closely integrated with the budgeting cycle. The changes made allowed for a more efficient budgeting process with clear linkages back to the business plan and risk register.

In the coming year, the Finance team will investigate upgrading its core financial system to enable greater baseline functionality and processing efficiency. Further investigation will be made of additional modules to provide integrated strategic and business planning, risk management, management reporting, budgeting and forecasting. Anticipated benefits include greater efficiency and improved functionality.

#### Business Services

The Business Services team provides a variety of corporate services to the Institute's business units including: high-speed copying and collating, mail and courier services, catering for internal national office meetings, co-ordination of councillor elections, travel management, and premises management.

During the year Business Services took delivery of a new high-speed programmable copier. The new machine has enabled the team to provide a more comprehensive copying service to national office and branches, especially for Board and committee information packs and branch newsletters. This new machine has also reduced the unit copy cost, contributing to better use of members' funds.

Another highlight for Business Services was co-ordinating the design and fit-out for the new national office premises.

In the coming year the Business Services team will continue to provide its services in the new premises within the Member Services & Support division.

## COMPLIANCE & QUALITY

The Compliance & Quality division ensures and promotes the standards and quality of the accounting profession. The division comprises four business units: Professional Conduct, Practice Review, Professional Support and Continuing Professional Development (CPD) Compliance.

Professional Conduct manages the process by which the complaints against members are investigated and, if necessary, prosecutes any perceived breaches of the Code of Ethics or Rules.

Practice Review is a quality assurance process designed to ensure members who hold Certificates of Public Practice remain competent, act with integrity and comply with professional and technical standards. It is both educational and compliance focused.

Professional Support is primarily engaged in dealing with enquiries from members on a wide range of topics, including ethical dilemmas, technical problems, practitioners dealing with clients (and clients dealing with practitioners), the Institute's Rules and practice administration. Professional Support dealt with just over 1000 enquiries this year.

CPD Compliance monitors members' standards of professional competence through surveys and random audits.

### Future

In the coming year the division expects to:

- > develop further procedures to streamline the complaints process
- > complete the review of auditors of finance companies
- > identify further targeted practice reviews by reference to industry or member groups
- > complete an audit of 500 CPD declarations.

### COMPLIANCE, QUALITY & GENERAL COUNSEL

- > Professional Conduct
- > Continuing Professional Development Compliance
- > Practice Review
- > Professional Support

### Professional Conduct

The Institute is required under its Act to have a Professional Conduct Committee, a Disciplinary Committee and an Appeals Council.

All complaints received against Institute members are initially investigated by the Professional Conduct Committee, which can refer a complaint to the Disciplinary Tribunal. The Professional Conduct Committee presents these cases before the Disciplinary Tribunal through its legal advisor. The Appeals Council can, following an appeal by either the member concerned or the Professional Conduct Committee, vary or reverse a decision of the Disciplinary Tribunal.

During 2008/09, 142 complaints were received compared with 70 in the previous year. Of these, 102 (73 percent) were resolved within six months.

The Professional Conduct Committee met 10 times and resolved 76 complaints. Of these complaints 13 were referred to the Disciplinary Tribunal.

The Disciplinary Tribunal met five times and heard 11 complaints. The outcome of the Disciplinary Tribunal's hearing of complaints was that four members were censured, five members were struck off and two members were suspended from membership. The Appeals Council was not required to meet during the period.

Two complaints were made to the Reviewer of Complaints Procedures during the 2009 financial year.

### Continuing Professional Development Compliance

The Institute's Code of Ethics requires members to maintain high standards of professional competence throughout their professional careers. Compliance with CPD requirement is monitored through the Institute's annual CPD Survey which is included within the members' Annual Return.

During the year, CPD Compliance completed 500 random audits of CPD declarations from members.

### Practice Review

Reviews of public practitioners are an essential element in the regulation of the profession. The Institute now has a full complement of practice reviewers which has meant that the aim to undertake more than 500 new reviews and 100 re-reviews this financial year has been achieved. All outstanding reviews have been completed.

# PERFORMANCE

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The Practice Review unit completed 622 reviews during the year ended 30 June 2009 with 94 percent of practices showing acceptable results.

Practice Review has actively reviewed the auditors of finance companies, and also undertaken monitoring of ongoing authorisation for expenditure and overdue taxes of members in practice.

Practice Review has continued to forward complaints to the Professional Conduct Committee where the standard of work undertaken by a member is unacceptable. Twenty complaints were forwarded this year.

## **Practice entity applications**

In 2008, Practice Review took over the assessment of company applications. Following the rule change that all changes to practice entities were to be approved, 136 practice entities were approved between 1 July 2008 and 30 June 2009.

## **Possible breaches**

Practice Review has taken on the responsibility to write to people for possible breaches of the Institute's Rules and Act. Approximately 60 people have been written to for activities including practising without a Certificate of Public Practice or through an unapproved practice entity, and falsely representing themselves as an Institute member. Many of these cases have been resolved.

## **Professional Support**

The Professional Support team is primarily engaged in dealing with members' enquiries on a wide range of topics including ethical dilemmas, technical problems, practitioners dealing with clients and vice versa, the Institute's Rules, and practice administration.

Where professional judgements are involved, Professional Support provides advice and guidance but leaves final decisions to the enquirer.

The team is frequently involved in resolution of disputes between practitioners and clients, thus avoiding escalation to formal complaints. The team is also a source of advice for various units within the Institute's national office, including Professional Conduct, Practice Review and Membership.

Professional Support deals with some 1,000 enquiries each year, and has been consulted at one time or another by more than half of New Zealand's chartered accounting practices.

In addition to its advisory function, Professional Support assists with requests from third parties for appointments of independent experts, arranges for arbitration under the Fee Resolution Service and approves and records practitioners' power of attorney appointments.

## MEMBER SERVICES & SUPPORT

Member Services & Support was created in the final quarter of the year. The units in this division are Branch Network, Library & Information Services, and Registry Services.

The Branch Network has four regions (Northern, Central, Southern and Overseas) and is represented by 20 branches and sub-branches throughout New Zealand and the world.

Library & Information Services provide a library and research service to support the professional practice and development of members of the Institute. It provides members with access to relevant and authoritative information, both print and online, as well as the skills of experienced information professionals.

Registry Services comprises three groups: Registry Helpdesk, Annual Billing and Business Support. The Helpdesk team acts as a contact centre. The team processes transactions and payments for event registrations, publications orders, various membership applications and changes and special business initiatives, as well as updating member details in the database. The Annual Billing team manages the annual update and return, and the billing collection and cancellation process. The Business Support team provides database reports and analysis, and develops and conducts ongoing staff training programmes.

### MEMBER SERVICES & SUPPORT

- > Branch Network
- > Library & Information Services
- > Registry Services

#### Branch Network

The Institute has four regions (Northern, Central, Southern and Overseas) and is represented by 20 branches and sub-branches throughout New Zealand and the world. Branches offers a wide range of services to members, including professional development, special interest groups and networking opportunities.

Elections to the governing body of the Institute, the Council, along with fellowship selection and recommendations are also made through branches.

During the past financial year, branches around New Zealand organised school expos and visits that raised awareness among students of accounting as a career option.

Institute branches supported Inzone school bus visits, the Executive Insight programme for tertiary students, and the Young Enterprise Trust programme, to encourage business thinking.

Members will have noticed improvements in the use of technology to deliver information to groups around the country with a focus on expanding webcasts and video conferencing for special interest groups. Branches also took steps to collect online feedback from members who attended local seminars.

Another key achievement was highlighting the benefits of membership in the Global Accounting Alliance, which encouraged information exchange and member support among accounting associations around the world.

Overseas branches in Sydney, Melbourne and the United Kingdom offered support to expatriates and members returning to New Zealand. The United Kingdom Branch hosted a very successful joint conference with the Australian and South African Institutes, which attracted 456 people.

Working alongside National Professional Development, Wellington Branch piloted an in-house training initiative for the Commerce Commission. The topic was Accounting for Non-Accountants and was delivered successfully to 38 managers.

Waikato-Bay of Plenty Branch organised and hosted an extremely successful Corporate Sector Business Conference and its Annual Awards Ceremony attracted a record number of people.

Otago Branch organised and held a successful Queenstown Conference for 180 people that commenced with a charity golf tournament organised by Southland Branch.

Nelson-Marlborough Branch arranged school visits to accounting and economics students and attended the Nelson Careers Expo.

## PERFORMANCE

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Canterbury-Westland Branch offered three scholarships of \$1,500 to secondary school students intending to enrol at a tertiary institution and pursue a career in the accounting profession.

Auckland Branch held a successful one-day Business and Tax Update conference, and ran more than 50 local professional development courses.

### Library & Information Services

Library & Information Services provided a library and research service to support the professional practice and development of members of the Institute. It provided members with access to relevant and authoritative information, both print and online, as well as the skills of experienced information professionals.

A targeted member survey was undertaken this year to ascertain awareness and use of the Library and identify future directions for its services. The survey's findings resulted in an increased focus on promotion of services through the Institute's national and branch communications, and monthly current awareness publication.

The Library continued to have a regular presence in the the *Chartered Accountants' Journal*, but also had a scheduled post in each issue of the Auckland and Wellington branch newsletters.

In April 2009, the Library relaunched its monthly current awareness publication as the *Informed Professional*. The subscriber list increased from 1,086 to 1,626 between April and June and the open and click rates were about 45 percent – the highest of any regular Institute email communication.

Satisfaction with the service remains high at more than 80 percent.

### Registry Services

Registry worked to ensure that the Annual Billing process ran smoothly for members. Effort largely focused on improvements to the online experience through the website so that the process for members to update details and pay membership fees was as quick and easy as technology would allow. The improvement resulted in substantially fewer email and phone enquiries than in previous years.

After considerable IT development, members were able to reset their own password to log onto the secure section of the website. Having a "forgot your password" option enabled members to complete declarations and payments at a time of their choice and saved more than a week's work to reset passwords and respond to related enquiries.

384 companies accepted the offer of bulk-paying the fees of their member employees. This saves time and hassle for the member, the company, and the Institute.

The option to pay a week earlier than last year proved helpful and ensured some members were able to pay by the end of the financial year.

## SALES, MARKETING & COMMUNICATIONS

The Sales, Marketing & Communications unit was developed in the later stages of the final quarter of the year. This new unit brought together and then refined the media and communications, marketing, Journal, visual communications, tertiary liaison and authorised training organisation liaison teams, which were previously connected to other units within the Institute.

The Sales, Marketing & Communications unit comprises four key areas: marketing and communications, business development, the Journal and, visual communications. It provides a cohesive and integrated approach to the services and communications for members.

The Marketing & Communications team is responsible for the effective marketing of the Institute and communication to both members and wider stakeholders.

The Business Development team builds partnerships with three key sectors of the community – employers, the tertiary sector, and business partners.

The Journal team is responsible for the collation and production of the Institute's premier publication, the *Chartered Accountants' Journal*.

The Visual Communications team is the in-house design team, responsible for the design and production of all Institute materials, both in hard copy and electronic form.

### SALES, MARKETING & COMMUNICATIONS

- > Marketing & Communications
- > Business Development
- > Journal
- > Visual Communications

### Marketing & Communications

This unit is responsible for the effective marketing and communications of the Institute to its members and the wider community. Throughout the year, the team developed a number of activities that promoted the Institute, communicated and connected with members and encouraged, educated and assisted students with their accountancy careers.

Highlights for the year include:

- > the Chartered Accountants of the Year Awards 2008 – these awards highlighted the excellence, achievement and leadership displayed across various categories
- > the Vero Awards – the Institute was the winner of the Vero Excellence in Business Support Awards (not for profit category)
- > the Centenary Conference – this brought together chartered accountants of all ages from many parts of the country, creating a sense of community and history among members
- > the 100th birthday party – held at Parliament, this milestone was celebrated with members of parliament, secondary school students, and business people
- > the remuneration survey – an annual survey that takes a snapshot of salaries across the profession was produced and made available online to the profession and industry
- > development of a members' careers' portal, which will grow and be enhanced over time
- > a programme of e-newsletters and member information distributed regularly to members
- > production and distribution of textbooks and online materials for members and students
- > launch of the Fly Higher website ([www.flyhigher.co.nz](http://www.flyhigher.co.nz)) for tertiary students
- > launch of the student affiliate programme to encourage tertiary students to engage with the Institute through the academic stages of their career.

Moving forward, the new team has roles that focus on member, youth and product development marketing and on greater streamlining and effective communication with members and the wider industry.

### Business Development

This unit is responsible for liaison with key employer and tertiary stakeholders to enhance the Institute's presence, profile, relevance, and member interests. The unit engages with employers, mentors, authorised training organisations, recruitment agencies, academics and prospective new members.

# PERFORMANCE

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Activities undertaken this year included:

- > establishment of the Tertiary Liaison team – a Wellington-based manager, and two liaison co-ordinators, one each in Auckland and Wellington
- > presentations to more than 3,500 tertiary and secondary school students
- > appointment of two student advocates, one each at the University of Auckland and Auckland University of Technology
- > a sponsorship arrangement with student association AIESEC at Massey University
- > dual hosting of a stand at the Accounting and Finance Association of Australia and New Zealand conference with the Institute of Chartered Accountants in Australia (ICAA)
- > hosting of the Financial Accounting Forum
- > sponsorship of the Management Accounting Conference at the University of Auckland, the Auckland Region Accounting Conference at Unitec Business School, and the Public Accounting Review Conference at the University of Otago
- > meetings and workshops with recruitment companies and employers.

Moving into the 2009/10 year, the Tertiary and Employer Liaison teams have been restructured to contribute to a newly-formed Business Development team.

This team includes a business partnership manager, who is responsible to source and administer alliances that will provide member benefits and generate revenue. Over the next 12 months, a strategy will be implemented to strengthen relationships and gain deeper understanding of stakeholder needs and their connections with the Institute. This understanding and analysis will be used to develop products and services to ensure the Institute maintains its relevance, lifts its stakeholder profile and creates opportunities to increase revenue.

The team will also attend events and initiatives at universities and career fairs to connect with potential future members of the Institute.

## **Journal**

The *Chartered Accountants' Journal* continues to provide up-to-date industry information, Institute communications and thought leadership to members. There are 28,000 copies printed monthly (February to December) and distributed to members around the world.

The *Journal* has undergone a revamp to make it more readable and relevant to members. This has been well received and more changes are likely as the process of refreshing the publication continues.

Key topics covered over the previous 12 months include in-depth reporting on the Institute's centenary, explanations of new tax rules, general business advice, and articles about members who have achieved major successes.

## **Visual Communications**

Visual Communications provides an Institute-wide graphic design, print and mail house service. Four personnel – three designers and one designer/manager – create collateral that includes branch newsletters, local and national professional development flyers, marketing material and membership brochures. This year Visual Communications produced more than 800 individual pieces of work.

Another key area for Visual Communications is the application of the Institute's graphic standards to ensure the brand is always used correctly on Institute material and by business partners. The unit also advises members on the correct use of the Chartered Accountants' brand logo.

Moving forward, there are a number of new opportunities where Visual Communications will make a valuable contribution to the Institute's work, including a refreshment of the brand and the use of design solutions to develop products and services that will appeal to prospective members to secure the Institute's future membership.

## STANDARDS & ADVOCACY

The Standards & Advocacy division sets accounting standards and professional standards to promote quality, expertise, and integrity in the profession of accountancy by members as required by the Institute of Chartered Accountants of New Zealand Act 1996. This team works in the public interest to advocate sound public policy in New Zealand, largely in the financial, regulatory and taxation areas. It also advocates New Zealand's interests in the international accountancy environment.

The Government & International Relations and Tax teams work with governmental and other stakeholders to ensure that the Institute's voice is represented in policy making, regulation and government practice.

Membership develops policies to ensure the quality of those being admitted to any of the three colleges and retaining membership with continuing professional development.

In March 2009, the team provided the International Federation of Accountants (IFAC) with a detailed plan demonstrating how it would continue to meet member obligations.

One of the highlights this year was the deepening co-ordination and co-operation achieved by the Institute's Financial Reporting Standards Board (FRSB) and the Australian Accounting Standards Board (AASB). This was evidenced by a common guideline to make additions to financial reporting standards for the public benefit entity/not-for-profit sector.

These outcomes reflect the good work undertaken on the Trans-Tasman Accounting and Auditing Standards Advisory Group (TTAASAG), by the Chairs of the FRSB and Professional Standards Board (PSB), and the cross-appointment of FRSB Chair Joanna Perry to the AASB.

During the year reciprocity with the leading professional accountancy bodies in the world was renewed and agreement reached for mutual recognition with the United States International Qualifications Accreditation Board (IQAB), which represents the National State Boards of Accountancy (NASBA) and the American Institute of Certified Practising Accountants (AICPA). A revised admissions policy (from 1 January 2010) and continuing professional development policy (from 1 July 2010) were approved.

### STANDARDS & ADVOCACY

- > Professional Standards
- > Accounting Standards
- > Tax
- > Membership
- > Government & International Relations

### Professional Standards

In June 2009, Professional Standards achieved a key public interest milestone with completion of the project begun in 2005 to adopt the International Standards on Auditing (ISAs) in New Zealand. This has involved reviewing 36 ISAs that had been redrafted in a new clarified style along with the International Standard on Assurance Engagements (ISAE) 3000, and:

- > providing submissions to the International Board as each ISA was released for comment
- > preparing and releasing exposure drafts of ISAs (NZ) as the relevant ISAs were released in final form
- > preparing and releasing 36 final ISAs (NZ) and ISAE (NZ) 3000.

Significant time and energy went into meeting the objective of achieving convergence with ISAs and the Institute is pleased to note that New Zealand will be the first jurisdiction in the world to adopt the full suite of clarified ISAs.

Responding to the challenges created by the current global economic uncertainty, Professional Standards released a bulletin highlighting the matters that could require extra consideration in the preparation and audits of financial statements and providing links to international resources.

The International Auditing and Assurance Standards Board commissioned Professional Standards, along with auditing standard-setters in Canada and South Africa, to prepare a consultation paper to obtain views on significant matters that will require consideration in revising the international standard for engagements to review financial statements. This standard is especially relevant to members.

Progress was made on the project to prepare an Engagement Standard for members who provide financial advisory services. It is expected that the final Standard will be released in 2009/10 to coincide with the implementation of the new legislative regime for financial advisers.

## Accounting Standards

The Financial Reporting Standards Board (FRSB) consults with New Zealand constituents and prepares financial reporting standards to present to the Accounting Standards Review Board. All standards issued by the International Accounting Standards Board (IASB) are introduced into New Zealand as New Zealand equivalents to International Financial Reporting Standards, with appropriate modifications to meet the needs of public benefit entities and entities qualifying for differential reporting.

The FRSB plays a role in influencing the development of international standards through commenting on proposals made by the International Accounting Standards Board (IASB). It works closely with the Australian Accounting Standards Board and the two Boards have issued a joint process document and an Exposure Draft. Through the FRSB, New Zealand is a founding member of the recently established Asian-Oceanian Standard Setters Group and a participating member of the National Standard Setters and the World Standard Setters.

## Tax

The Institute is one of the largest stakeholders in New Zealand's tax system and its tax functions are varied. Together with the Institute's National Tax Committee, the Tax team plays a significant role in the development of tax law and policy. In doing so, it works closely with officials from Inland Revenue and Treasury, to critique both policy proposals, such as the discussion document to strengthen GST neutrality, and legislation, such as the Taxation (International Tax, Life Insurance and Remedial Matters) Bill and the Taxation (Business Tax Measures) Bill.

As well as work on the taxation of allowances, associated persons, international tax (controlled foreign company proposals) and the tax pooling rules, the team secured changes to the rules for the non-disclosure of accountants' tax advice to ensure it was not discoverable through court processes.

Feedback is provided to Inland Revenue on its draft public rulings and other policy documents, such as standard practice statements.

This year, the Institute commented on a dozen draft rulings and other policy statements, including Retirement Villages – GST treatment and the Care and Management draft ruling.

Member advocacy is a large part of the team's work, and it regularly engages with Inland Revenue on issues where members have difficulty. As with previous years, some good outcomes were secured for many members.

The Institute works very hard with Inland Revenue to ensure that it is aware of the issues that members face in their dealings with Inland Revenue. The relationship with Inland Revenue is maintained at many levels of seniority and a memorandum of understanding exists.

Member contact with the Tax team is encouraged, and some staff are now based in the Auckland office to service the demands of the growing numbers of members based here. The Tax team is happy to visit members or groups of members around New Zealand to discuss topical tax issues.

The Tax team regularly undertakes updates for members on tax and Accident Compensation Corporation issues and it aims to visit all branches once a year. The team also assists in running the Institute's annual tax conference and undertakes professional development in relevant areas. This year's training covered the new Foreign Investment Fund Rules and the rules applicable to tax debt.

The Tax team also supports other areas of the Institute, such as Practice Review, contributes articles to the *Journal* and sends out a regular e-mail update to members who have registered interest.

## Membership

Key roles of the Membership business unit are:

- > development of admission and membership policy which underpins requirements for entry to membership and the continuing professional development (CPD) of members
- > accreditation and quality assurance of training partners:
  - Approved Tertiary Institutions (ATIs) which deliver courses to meet the academic study requirements
  - Approved Training Organisations (ATOs) that employ and support trainee members
  - registered mentors which supervise trainees' practical experience
  - Advanced Business Education Limited (ABEL) which delivers the professional competence programme (PCP)
- > assessment of applications by students, trainees and members for provisional membership, PCP eligibility, full membership, Certificates of Public Practice, and transfer to concessionary and retired status.

Highlights of the year include the approval of revisions to the CA admission policy that further enhance and strengthen the accounting knowledge and skills of new members and satisfy highest international standards. Continued recognition of the highly valued CA qualification, and opportunities for members within the national and broadening international marketplace for professional accountants, are guaranteed as a result of reconfirmation of reciprocal membership arrangements with leading international accounting membership bodies of the Global Accounting Alliance and the upcoming arrangement with the US International Qualifications Board which represents the National Association of State Boards of Accountancy and the American Institute of Certified Public Accountants.

Extensive consultation culminated in approval of a new CPD policy from July 2010. Members will experience increased flexibility in the timing of CPD and the expectation that members will retain records of CPD activity. The new policy reflects an international trend towards output-based CPD in standards and practice. Random monitoring and auditing of members' CPD compliance resulted in the referral of 11 members to Professional Conduct.

The deadline for applications for ACA membership through the special entry route (SER) recognising prior study and several years' experience in accounting and accounting-related roles was extended to November 2008, with applicants having until November 2009 to complete PCE1 and transfer to full membership. 670 SER applications were received, assessed by member panels, and 720 new ACA members admitted to provisional and full membership through the SER.

## Government & International Relations

During the year the Government Relations & Strategic Projects team was renamed the Government & International Relations team to reflect its change in responsibilities. Strategic projects were spread across the Institute's divisions and the strategic planning and committees' review work went to the Chief Executive's direct area of responsibility. At the same time the team took on greater responsibility for the Institute's international relationships.

The team contributed significant resource to other areas of the Institute's work programme, in particular the designations review and temporary management responsibilities elsewhere in the Institute.

Significant gains were still achieved in government and international relations. In particular, a pre-election statement on broad Institute policy positions was published in the *Journal* and distributed to a wide range of stakeholders. In addition, the Institute prepared a substantive document for the Ministry of Economic Development (MED) outlining a framework for policy development that affects business.

## PERFORMANCE

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Twelve submissions were made to the Government promoting the public interest, on topics ranging from the regulation of financial advisers and insolvency practitioners, insurance, securities law, tribunals reform and government oversight of the Institute. The Institute also delivered a speech to the Public Sector Finance Conference on improving fiscal responsibility.

Meetings were held with the International Federation of Accountants (Dublin) and the Global Accounting Alliance (Edinburgh). A project to be led by the Institute to promote greater accountability for, and performance from, international regulatory bodies was approved by the Global Accounting Alliance.

Finally, the team represented the Institute on the Government's Standard Business Reporting Steering group (administered by MED), the Business Portal Private Sector Stakeholder Advisory Group (administered by MED), and the SME Compliance Cost Steering Group (administered by Inland Revenue).



**KEITH RUSHBROOK**  
Chairman, Advanced Business  
Education Limited

## ADVANCED BUSINESS EDUCATION LTD (ABEL)

ABEL is a wholly-owned subsidiary of the Institute, governed by a Board of Directors comprising Keith Rushbrook, David Macdonald, Professor Roger Field, Professor Fawzi Laswad and the Institute's Chief Executive, Terry McLaughlin.

ABEL also has an independent Academic Board, chaired by Fawzi Laswad, charged with monitoring the quality of the Professional Competence Programme (including both PCE 1 and PAS/PCE 2).

### Professional competence programme

The Institute's Annual Report for 2008 included reference to review work that ABEL had been undertaking in recent years relating to the Professional Competence Programme (PCE 1 and PAS/PCE 2).

More progress on the review work has been made during the year, with the following results:

- > As from 2010 the current PCE 1 programme will be replaced by an enhanced programme entitled "Foundations". Successful completion of Foundations will be required of all accounting technician (AT), associate chartered accountant (ACA) and chartered accountant (CA) candidates.
- > Foundations will be offered twice a year, which is expected to be in April and October. It will comprise a full-day workshop followed by a similarly sized examination as at present – 2 hours plus ½ hour reading/planning time.
- > The subject matter will be similar in nature to the current PCE 1 but will include a much greater emphasis on skill development in areas such as communication.
- > As from 2010 the current PAS/PCE 2 programme will be retitled the "CA Programme". Successful completion of the Programme will be required of CA candidates. The content and style of the programme for 2010 will remain "as is" for the PAS/PCE 2 programme.
- > The ACA Programme planned for introduction in 2010 has been deferred pending the results of the Institute's review of the positioning of its three designations, AT, ACA and CA. For those seeking admission to the ACA college and needing to successfully complete the relevant Professional Competence Programme in 2010, the deferral means that the relevant Programme will be Foundations.

### Professional Development

The National Professional Development (NPD) team delivers an annual programme of courses and conferences, contributing to the professionalism and competence of members who reside in New Zealand.

The business model for NPD has been in place for many years with limited change. But external research completed in 2008 showed that members are looking for more choice and flexibility to accommodate the demands of a rapidly changing workplace. In response, NPD launched a programme of change in 2008/09.

Over the year, the team has introduced and upgraded online tools that allow members to choose when and where they complete their professional development. These tools, such as webcast and DVD products, have performed well beyond expectation and are highly rated by members for the convenience they offer.

In addition to the introduction of new professional development products, NPD has focussed on reducing the high costs involved in the existing business model through preferred supplier arrangements. These achieved significant savings by the second half of the year, although presenter fees and expenses, which are the major cost, could not be addressed in such agreements.

Supporting the programme of change for NPD, the team worked towards ambitious targets for increased attendance over the year. While an increase

## PERFORMANCE

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of 27 percent on 2007/08 figures was achieved to March 30, the tightened economy reversed this trend in the final quarter. Overall, annual attendance was marginally above that of 2007/08.

From 1 July 2009 the ABEL Board has agreed to assume responsibility for post-admission professional development for members, thereby bringing all professional development under the one entity. A significant benefit of this unified responsibility will be the bringing of fresh ideas and a fresh approach to both the design and delivery of post-admission professional development – changes which members are expected to experience in the latter part of 2010.

### Enrolments

In almost every year since the inception of ABEL candidate enrolments have increased. Enrolments in the past year are no exception.

PCE 1 enrolments for the three sittings covering the period July 2008/June 2009 totalled 1,949 (2007/08 1,549). The average pass rate for PCE 1 was 86 percent (2007/08 86 percent).

PAS/PCE 2 enrolments for the 2009 year total 888 – clearly everyone seeking admission to the CA college of the Institute. This compares with the 2008 year enrolments of 811, who achieved an overall pass rate of 90 percent.

This level of business continues to ensure that both ABEL's financial performance and financial position are strong, allowing the company to invest in future programme developments with confidence.

The success of ABEL is due to its people – a small but incredibly focused management team headed by Philip Keeling; and a very large contractor group involved in authoring, reviewing, moderating, facilitating, marking and finally supervising of examinations. That more than 85 percent of this group (excluding examination supervisors) are members of the Institute is testament to the commitment that many of our members have to the continual development and growth of our profession.



Keith Rushbrook, Chairman, ABEL

## SERVICE PERFORMANCE INDICATORS

- > Strategic objective 1: Members' interest
- > Strategic objective 2: Attracting new members
- > Strategic objective 3: Continually refresh the profession
- > Strategic objective 4: Ensuring the competence and professionalism of members
- > Strategic objective 5: Public interest
- > Strategic objective 6: Profile
- > Strategic objective 7: Internal business systems

### Strategic objective 1:

## MEMBERS' INTEREST

*To ensure the Institute is always relevant to members and the marketplace within which it operates.*

### Keeping members at the forefront

The implementation of a new professional development strategy has been completed. Promotional material has been updated and refreshed and webcasts are now available from the Institute website, [www.nzica.com](http://www.nzica.com).

The Sales, Marketing & Communications team has developed a careers portal which will be developed to assist members plan and manage their career.

A minimum 80 percent of members rate satisfied or better with Institute service in surveys carried out by the Library, Helpdesk, Professional Support and Branches. The website is rated as good to excellent by 75 percent of users, up from 58 percent in the previous year.

The offer of concessionary membership has provided a measure of flexibility for members changing lifestyles and has provided options to maintaining continuous membership. There are currently 598 members with career break status and 397 members with low income status.

### International Innovation Network

The Institute actively participates in the International Innovation Network (IIN) group of accounting bodies around the world, who exchange ideas and experiences on the services and activities they conduct on behalf of their members. It has enabled the Institute to showcase the MINT career development tool and has resulted in the licensing of this product to two other accounting bodies, most recently the Hong Kong Institute of Certified Public Accountants.

The IIN also has regular taskforce meetings, via teleconference, on topics such as members in practice, members in business, publications, engaging young members, and responses to the global financial crisis. Participation on these taskforces provides an opportunity for the Institute to discuss its activities and share ideas and experiences with those in similar roles and environments.

The Institute was represented on the steering committee of the IIN for much of the past year and rates in the top quartile of international innovation surveys.

### Global Accounting Alliance (GAA)

Institute membership of the GAA ensures members are provided with support wherever they are in the world. A founding member of the GAA, the Institute works on the world stage to provide advocacy for accounting and business, and to promote research.

### Reciprocal membership agreements

The Institute has reciprocity arrangements with many accounting bodies overseas. Full members of these bodies who apply for membership of another with a reciprocity agreement can expect to be admitted subject to varying conditions.

Reciprocal body	Recognised designation
Canadian Institute of Chartered Accountants	Chartered accountant
Hong Kong Institute of Certified Public Accountants	Certified public accountant
Institute of Chartered Accountants in Australia	Chartered accountant
Institute of Chartered Accountants in England and Wales	Associate chartered accountant
Institute of Chartered Accountants in Ireland	Chartered accountant

## SERVICE PERFORMANCE INDICATORS

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Institute of Chartered Accountants in Scotland	Chartered accountant
South African Institute of Chartered Accountants	Chartered accountant

In August 2009, the Institute signed a mutual recognition agreement with the United States National Association of State Boards of accountancy and the American Institute of Certified Public Accountants that will extend recognition of the New Zealand CA designation throughout the United States.

### **Interface with employers**

The Business Development team works closely with major employers in order to understand their needs and ensure the Institute's qualifications remain responsive and relevant.

During the year a number of workshops were held around the country and the results of those fed back into the development of Institute policy.

The Institute plays a key role in many business forums and works to support members who work as mentors.

The Institute also works closely with recruitment agencies to ensure they understand the value of Institute membership and promote this to employers.

## Strategic objective 2:

### ATTRACTING NEW MEMBERS

*To attract high calibre graduates into Institute membership.*

#### Tertiary Liaison

A key part of the Institute's membership growth strategy is the Tertiary Liaison team, which represents the Institute on campus and at trade shows around New Zealand.

Initiatives included hosting sub-disciplinary academic forums, the launch of the [www.flyhigher.co.nz](http://www.flyhigher.co.nz) website for tertiary students, the launch of a very popular Student Affiliate programme to encourage students to engage with the Institute, scholarships, essay competitions, and attendance at accounting expos.

#### Membership growth

Overall membership numbers have increased by 4.1 percent in the past year. The largest increase was in the associate chartered accountants (ACA) college (30 percent) due, for the most part, to the ACA special entry provisions. This may also account for the 14 percent decrease in numbers for the accounting technicians (AT) college.

The chartered accountants (CA) college experienced an increase of 1.3 percent.

There are an increasing number of female members. Women presently comprise more than 39 percent of the membership, compared with just over 32 percent six years ago.

There was also an increase in the number of younger members. As at 30 June, there were 11.2 percent more members aged under 30 years, compared with 4.9 percent aged between 40 and 49 years, and 6.3 percent aged between 50 and 59 years. In contrast, there was a slight drop (0.8 percent) in the number of members aged between 30 and 39 years.

There were cultural changes to the membership, too. The most significant changes to membership proportions occurred among those of Asian (17 percent) and Indian (12 percent) cultural affiliation, compared to a 3 percent increase in New Zealand European members.

#### Attracting new members

New registrations	2007	2008	2009
Provisional membership	1,384	1,856	2,139
AT full membership	74	52	58
ACA full membership	202	497	623
CA full membership	687	743	698

For more membership information turn to page 49.

# SERVICE PERFORMANCE INDICATORS

## Strategic objective 3:

### CONTINUALLY REFRESH THE PROFESSION

*To enhance the profession by identifying initiatives to develop the attributes of members and broaden the reach of the profession.*

#### Fit for the Future

The key achievement towards the end of the financial year was the adoption of the Fit for the Future governance arrangements. These will ensure the Institute has a sound base on which to build future success.

#### Branch network

The Institute comprises four regions (Northern, Central, Southern and Overseas) and is represented by 20 branches and sub-branches, or service centres.

Branches offer a wide range of services to local members including professional development, special interest groups and networking opportunities.

#### Special interest groups (SIGs)

Because the Institute's members cover a diverse range of disciplines and interests, many members form SIGs to provide social networking and professional development opportunities with a specific focus.

The SIGs held a total of 305 events and webcasts this year.

Region	Number of SIG events held	Budgeted attendance	Actual attendance
Northern	169	9,657	10,502
Central	86	3,959	2,877
Southern	50	2,611	2,104
<b>Total</b>	<b>305</b>	<b>16,227</b>	<b>15,483</b>

#### National professional development programme and products

This year the National Professional Development business unit focused on:

- > increasing the availability of online learning options
- > providing greater choice around the length and complexity of courses offered
- > improving professional development promotions to members.

The business unit introduced and upgraded online tools that allow members to choose when and where they complete their professional development. These tools, such as webcasts and DVD products, exceeded expectations and were well received by members, particularly for their convenience.

Preferred supplier agreements were established and brought significant savings by the second half of the year. Presenters' fees and expenses continue to be a major cost because they cannot be captured in preferred supplier agreements.

Alongside these savings, attendance targets were set and resulted in some promising increases but were reversed in the final quarter as the economy tightened. Overall annual attendance increased marginally from 2007/08. (Sessions using NPD's online tools are excluded from attendance figures.)

#### Professional development measures

	2007	2008	2009
Actual vs budgeted attendance	94%	80%	90%
Met or exceeded members' expectations	92%	89%	93%

## Library & Information Services

Library & Information Services provide a library and research service to support the professional practice and development of Institute members. Members receive access to relevant and authoritative information, both print and online, and the skills of experienced information professionals.

In directly responding to members' needs:

- > about 3,800 enquiries were answered
- > 10 monthly *Informed Professional* bulletins were published and alert emails were sent to more than 1,600 subscribed members
- > four new Hot Topic resource guides were developed and published to the Library section of the website
- > regular submissions appeared in each issue of the *Journal*, and in selected issues of Auckland and Wellington's branch newsletters
- > branch training sessions were provided for members in Auckland, Wellington, and Christchurch.

Access to relevant and authoritative content was provided through:

- > the Business Source Corporate database, which was accessed 39,909 times and 73,298 articles were downloaded
- > an online library catalogue of books, articles, course papers, and multimedia resources in print and electronic formats
- > the Library's content management of the MINT career development tool.

## The Journal

The *Chartered Accountants Journal* publishes features that inform, challenge and entertain members and other readers.

During the year a number of *Journal* articles were picked up for teaching purposes at tertiary institutions, or requested as background for business seminars and training sessions.

Key articles have also been reprinted on the international online magazine GAA Accounting at [www.gaaaccounting.com](http://www.gaaaccounting.com).

A facelift for the *Journal* begun in 2009 is designed to make the publication more readable and attractive, while maintaining the focus on information relevant to Institute members.

# SERVICE PERFORMANCE INDICATORS

## Strategic objective 4:

### ENSURING THE COMPETENCE AND PROFESSIONALISM OF MEMBERS

*To investigate and adopt quality assurance mechanisms.*

#### Practice Review

The Institute works hard to maintain the standards in the profession by offering professional support, through regular practice reviews of members, and by setting ethical and professional standards for members.

This year, the target of 500 new reviews and 100 re-reviews was achieved by the Practice Review team.

Practice reviews	2007	2008	2009
Number undertaken	310	567	622
Average hours per review	18.5	13	15

There was a sharp rise in the number of complaints received by the Practice Review team. Of these, 20 complaints were forwarded on to the Professional Conduct Committee.

Complaints received	2007	2008	2009
Criminal conviction/charges	1	1	6
Bankruptcy	3	1	4
Operation of trust accounts/client monies	8	7	3
Fee matters/disputes	2	2	1
Integrity/objectivity/independence	7	17	20
Professional competence/due care/timeliness	13	20	22
Technical competence	26	7	25
Professional behaviour/conduct	23	7	53
Confidentiality	2	1	2
Operation of a CA practice	6	4	6
Withholding information and records	1	3	0
<b>Total</b>	<b>92</b>	<b>70</b>	<b>142</b>
Proportion resolved as at 30 June	58%	43%	29%
Of the above, proportion resolved within six months	93%	90%	73%

Disciplinary action	2007	2008	2009
Referrals to the Disciplinary Tribunal	12	12	13

# SERVICE PERFORMANCE INDICATORS

## Professional Support

Just over a thousand enquiries are received each year by the Institute's Professional Support team on a wide number of issues. The total number of enquiries was down slightly on the 2008 financial year, with the spread of issues broadly similar to those that have arisen over the past few years.

Category/nature of enquiry	2007	2008	2009
Accountant recommendation	30	35	29
Technical assistance	158	160	148
Audit	77	78	88
Insolvency	13	19	30
Fee disputes	107	137	111
Complaints	52	41	76
Ethics	118	183	140
Public practice rules	178	223	136
Client records and transfers	66	61	68
Continuing professional development and education	7	3	4
Practice administration and review	35	35	78
Client monies	14	13	27
Standard forms, disclaimers, engagement letters, wordings	34	30	46
Practice sale and purchase	9	22	11
Sundry	42	52	39
<b>Total</b>	<b>940</b>	<b>1,092</b>	<b>1,031</b>

Source of enquiry	2007	2008	2009
Members in public practice	538	685	602
Members in corporate/government/not for profit sectors	122	107	140
Non-members	280	300	289
<b>Total (members and non-members)</b>	<b>940</b>	<b>1,092</b>	<b>1,031</b>

## Strategic objective 5:

### PUBLIC INTEREST

*To advocate in the public interest.*

#### **Setting standards and advocating for accounting**

The Institute's Standards & Advocacy division works for both members' and the public's interest by advocating sound public policy in the financial, regulatory and tax areas.

A key move during the year has been closer integration of standards with Australia, which included the appointment of Joanna Perry, chair of the Financial Reporting Standards Board, to the Australian Accounting Standards Board.

The Institute hosted forums during the year on the future of standard setting in New Zealand and assisted the Ministry of Economic Development in the preparation of a draft consultation paper.

#### **Professional Standards**

The Professional Standards team completed a project on the International Standards on Auditing (ISAs) in New Zealand. It is the first jurisdiction in the world to adopt the full suite of ISAs.

As auditing came under scrutiny following the slip into global recession, Professional Standards offered advice on what extra consideration might be appropriate in the preparation of audits given the economic climate.

Work was undertaken on revising the international standard for engagements to review financial statements, and on developing an engagement standard for members providing financial advisory services in New Zealand.

#### **Tax**

The Tax team combined dual roles of representing the Institute to Government with supporting members in the adoption of new tax rules through roadshows and seminars. The Tax team is a significant player in the development of tax policy and was vocal during the development of policy such as the Taxation (International Tax, Life Insurance and Remedial Matters) Bill, on the discussion document on strengthening GST neutrality, and on issues relating to tax pooling rules.

#### **Government & International Relations**

Twelve submissions were put forward by the Government & International Relations Team. These promoted the public interest on topics ranging from the regulation of financial advisors to securities law.

## Strategic objective 6:

### PROFILE

*To raise the perception of the Institute and the profession.*

#### **Institute Centenary**

Branches celebrated the Institute's Centenary year at functions throughout the country. Each region held a special function to award Centennial pins to Fellows, and a highlight was the presentation of a certificate to the Institute's 30,000th member at Auckland's award ceremony.

The Centennial website was selected as a finalist in the New Zealand Plain English Awards.

#### **Annual Report Awards**

The Institute hosted the prestigious 2008 Annual Report Awards at Wellington's St James Theatre in July. Thirteen awards were presented with the Supreme Award going to the Wellington City Council.

The awards have been revamped for 2009 to streamline the award categories and encourage more understanding among business.

#### **Chartered Accountants of the Year Awards**

The Chartered Accountants of the Year Awards showcase achievements and excellence in the profession. In 2008, the Young Chartered Accountant of the Year was won by Peter Gulliver, the Associate Chartered Accountant of the Year by Kent Peters, and the Accounting Technician of the Year award by Judith Bruce.

Find out more about the winners on page 54.

For 2009, the Chartered Accountants of the Year Awards have been rebranded the Leadership Awards with the categories adjusted to promote recognition of the leadership role accountants play in society and in business.

#### **Media**

Institute spokespeople continued to be well represented in the media, particularly on issues relating to taxation.

There were an average of 12 media releases put out each quarter, with a 75 percent pick up rate.

#### **Vero award win**

The Institute won the not-for-profit category in the Vero Excellence in Business Support Awards in May. The awards honour organisations that provide quality products and services to business owners.

Prime Minister Hon John Key presented the award at a ceremony attended by over 600 of New Zealand's business leaders.

The award recognised the quality of business support and advice provided by Institute members, the Institute's advocacy role for small business-friendly legislation and the voluntary hours given to community and not-for-profit groups by members.

## Strategic objective 7:

### INTERNAL BUSINESS SYSTEMS

*To provide the necessary infrastructure for the effective and efficient operation of the Institute.*

#### **Budget and targets met**

The overall Institute budget was achieved this year. The completion of projects and performance measures in divisional business plans was 90 percent.

#### **Staff turnover**

Staff turnover for this year was 15 percent, an all time low.

#### **Staff vacancies**

Staff vacancies remain for the technical areas of the Institute necessitating more creative ways to recruit, especially in the Accounting and Professional Standards areas. The use of contractors and temporary employees remains at a similar level as last year, despite greater use of contractors for the move to the Tower Building.

This year, the Institute had 143 full-time equivalent employees. This compares with 133 in the year to 30 June 2008, and 130 in the year to 30 June 2007.

#### **International Innovation Network**

Membership of the International Innovation Network (IIN) gives the Institute access to key ideas about best management practice among similar organisations.

## COMMUNITY AND BUSINESS LEADERS

Institute membership is a pathway to success for many thousands of chartered accountants, associate chartered accountants and accounting technicians. Many of those people celebrate their success by giving something back to their communities.

In May 2009, the Institute of Chartered Accountants won the not-for-profit category in the Vero Excellence in Business Support Awards for the quality of business support and advice offered by members, and in recognition of thousands of voluntary hours given by dedicated Institute members.

### MEMBERS

- > Membership statistics
- > Fellowships, Life Members and Honours
- > Chartered Accountants of the Year Awards 2008
- > Four faces of 2008/09

## MEMBERSHIP STATISTICS

### A growing concern

Membership growth and a consequent lift in fee revenue was a contributor to the modest surplus this year.

Overall membership numbers increased by 4.1 percent, the largest increase being a 30 percent increase in the ACA college on the back of new special entry provisions.

The AT college experienced a decrease of 14 percent, while the CA college rose 1.3 percent.

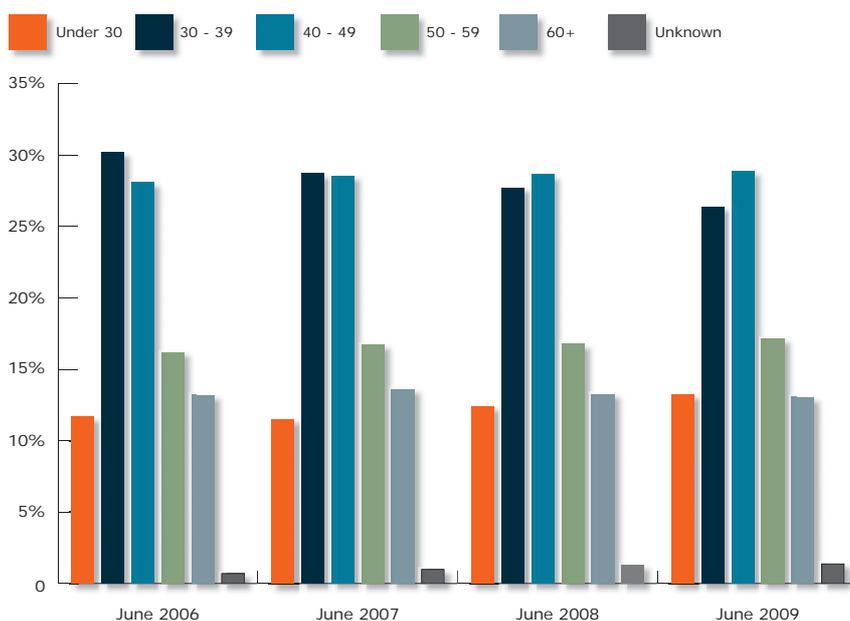
Year	Members	Resignations
2006	28,735	303
2007	29,433	298
2008	30,417	377
2009	31,674	489

### Youth are the future

The number of members under 30 years old surged 11.2 percent over the year.

There were smaller rises of 4.9 percent and 6.3 percent in the 40-49 years and 50-59 years age ranges respectively, while the 30-39 years group saw an 0.8 percent fall.

### AGE BY %

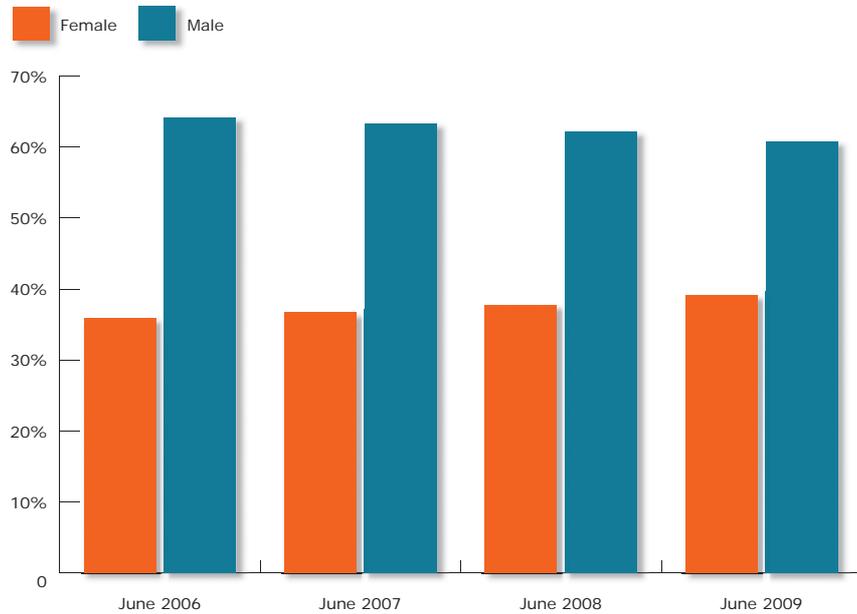


# MEMBERS

## Women on the rise

The perception of accountancy as a male profession is challenged by an ongoing rise in the number of female members. Women comprised 39 percent of the membership, up from 32 percent six years ago. Anecdotal evidence from universities suggests a trend of increasing female enrolments will continue to drive this shift.

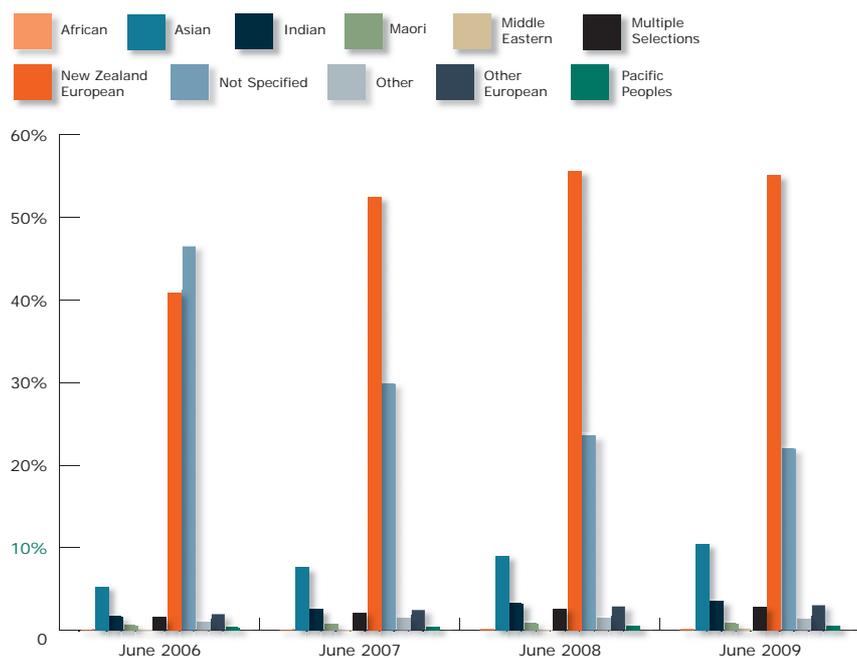
### GENDER BY %



## Increasing proportion of Asian and Indian members

Members identifying themselves as Asian are the fastest growing ethnic group among members, up 17 percent from last year. This is closely followed by those identifying themselves as Indian, up 12 percent. By contrast, the rise in the number of New Zealand European members was 3 percent.

### ETHNICITY BY %

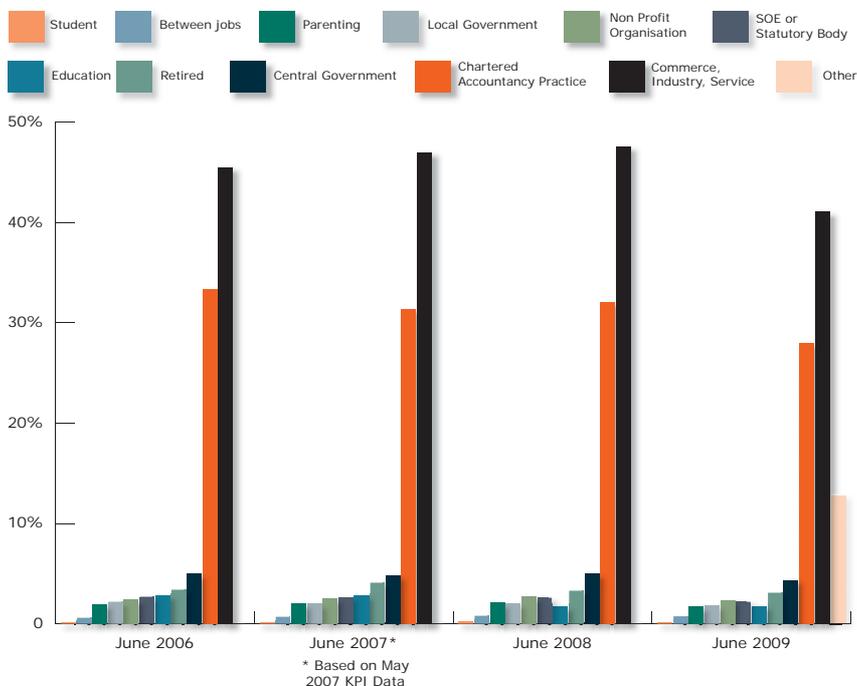


*Data was provided by members on an optional basis, and therefore may not represent the total membership. Data is based on people who identified with a particular ethnic group; people could identify with more than one ethnic group.*

### Little change to occupational groups

The Commerce, Industry and Service sector continues to employ the largest percentage of members. The second largest employment sector, Chartered Accountancy Practice, has also held its place. Both sectors experienced falls in the percentage of members employed compared with a year earlier.

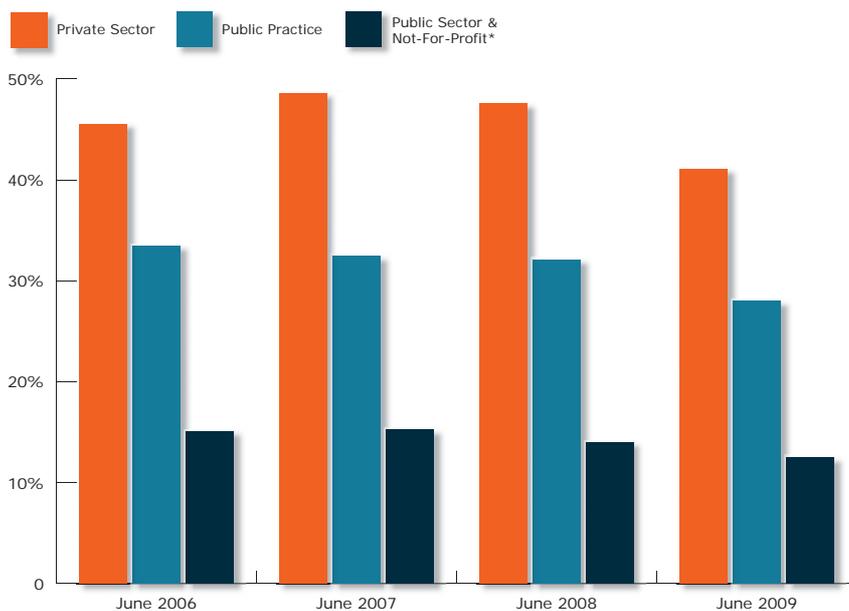
#### MEMBERSHIP BY OCCUPATIONAL GROUPING



Data was provided by members on an optional basis, and therefore may not represent the total membership. Respondents could select more than one occupational group. The Other category included this year was not represented in previous years.

The Private Sector continues to be the largest employer block, followed by Public Practice. The Public Sector and Not-For-Profit sectors combined are the third-largest employer block.

#### MEMBERSHIP BY BUSINESS SECTOR



\* Public Sector & Not-For-Profit Includes Central Government, Education, SOE or Statutory Body, Non Profit Organisation and Local Government

Data was provided by members on an optional basis, and therefore may not represent the total membership. Respondents could select more than one business sector.

# MEMBERS

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## FELLOWSHIPS

The Institute presents fellowships for outstanding contributions to the accountancy profession and/or community service. This year, 16 members were honoured at the Institute's AGM held in October 2008.

- Denise Hodgkins FCA**, Auckland Branch
- Jan Dawson FCA**, Auckland Branch
- Michael Muir FCA**, Gisborne Branch
- Daryl Keast FCA**, Gisborne Branch
- Laurence Jordan FCA**, Taranaki Branch
- Linda Gray FCA**, Manawatu Branch
- Nives Botica-Redmayne FCA**, Manawatu Branch
- Don Gilling FCA**, Wellington Branch
- Brian McCulloch FCA**, Wellington Branch
- Syd Morgan FCA**, Wellington Branch
- Jane Needham FCA**, Wellington Branch
- Stuart McLauchlan FCA**, Otago Branch
- John Patrick FCA**, Otago Branch
- John Ward FCA**, Southland Branch
- William Wavish FCA**, Sydney Branch
- Jan Stokes FCA**, Sydney Branch

## LIFE MEMBERS

The Institute presents life membership in recognition of professional achievements and contributions to the accounting profession.

Ten people hold life memberships.

- Jim Valentine FCA** (Hon Retired), Otago Branch, was awarded life membership in 1980.
- Athol Mann FCA** (Hon Retired), Wellington Branch, was awarded life membership in 1991.
- Malcolm McCaw FCA** (Hon Retired), Wellington Branch, was awarded life membership in 1991.
- Frank Devonport FCA** (Hon Retired), Canterbury Branch, was awarded life membership in 1995.
- Peter Hays FCA**, Auckland Branch, was awarded life membership in 1999.
- Tony Frankham FCA**, Auckland Branch, was awarded life membership in 2002.
- Michael Fenton FCA**, Southland Branch, was awarded life membership in 2002.
- Don Trow FCA**, Wellington Branch, was awarded life membership in 2003.
- David Emanuel FCA**, Auckland Branch, was awarded life membership in 2004.
- John Hagen FCA**, Auckland Branch, was awarded life membership in 2005.

## HONOURS

Twelve members were honoured in the New Year's and Queen's Birthday Honours this year.

### **Distinguished Companions of the Order of Merit**

**Murray Wells CA**, Auckland Branch

### **Officers of the Order of Merit**

**Rick Wells CA**, Wellington Branch

**John Gilks FCA**, Otago Branch

### **Members of the Order of Merit**

**John Cronin CA**, Coastal Bay of Plenty Branch

**Mahe Drysdale Prov CA**, Coastal Bay of Plenty Branch

### **Queen's Service Medal**

**Donald Brash CA (Hon Retired)**, Taranaki Branch

**Judith Bruce AT**, Canterbury Branch

**Wayne Buckingham CA**, Wellington Branch

**Karl Gill CA**, Manawatu Branch

**Gerald Wong CA**, Manawatu Branch

**Reverend Canon Donald Rangi AT**, Wellington Branch

**Ian Lex Forrest CA (Hon Retired)**, Auckland Branch

## CHARTERED ACCOUNTANTS OF THE YEAR AWARDS 2008

The Institute's Chartered Accountants of the Year Awards were presented at a gala dinner at the Dunedin Town Hall on 30 October. These prestigious awards recognise members who have made a significant contribution to their organisations, clients, or the accounting profession.



**PETER GULLIVER**  
Young Chartered Accountant  
of the Year 2008

### YOUNG CHARTERED ACCOUNTANT OF THE YEAR 2008

#### **Peter Gulliver**

Winning the 2008 Young Chartered Accountant of the Year Award has been a great experience.

As in many such processes, the person who steps up to collect the award itself is usually very well supported by a great team of people. This is certainly true in my case. I was encouraged to enter by my colleagues at Deloitte in Dunedin, who thought I could win. Without the support and opportunities created by my fellow partners and the team at Deloitte, and also the experience gained from working with an outstanding group of clients, then I would not have been in a position to even enter, let alone win. Accordingly, I see this award as testament to the efforts of a large number of people who have had a significant influence and impact on my career and the opportunities of which I have been able to take advantage.

The awards have proved to be a useful chance to reflect on my career to date and to benchmark achievements against others at a similar stage to myself in terms of professional experience. Apart from the excellent group of new people I have met, the most useful part of the process has been sitting down to set fresh goals and plan the next stage of my career.

I encourage those contemplating entering to do so, because the awards provide an opportunity to look back on past achievements, but also to look forward and plan for future success.

I firmly believe that a career as a chartered accountant is an outstanding option for young people. The diversity of the work we do, the ability to work internationally (with relative ease) and the professional framework provided by the Institute all make this the career of choice from my perspective.

I think many students are unaware of the opportunities that are available in our profession and this is a message that I'll be strong on delivering when speaking as a member of the Institute.

Finally, I'd like to thank the Institute and all those involved in running the awards, and particularly the sponsors and my fellow contestants. Some impressive people entered and it's a testament to their quality that I was so unprepared when my name was read out on the night!



### **KENT PETERS**

Associate Chartered Accountant  
of the Year 2008

## **ASSOCIATE CHARTERED ACCOUNTANT OF THE YEAR 2008**

### **Kent Peters**

For me, winning the Associate Chartered Accountant of the Year Award has been a very humbling experience.

It is a tremendous honour to have been recognised in such a way by my peers. It is recognition of the unique set of skills that I have been able to acquire in my career to date but equally, it is a testament to people believing in me and giving me opportunities to stretch my horizons.

It has been especially significant in that this is the first year that the award has been made and I have had the privilege of being very involved in the process of having the ACA College reopened. To cap it off, it is also the Institute's centenary year.

Living overseas has made me appreciate even more the strength that there is available to me as a member of the Institute. Although Perth is now home, I am still very much an active member of the Institute and remain proud of my membership.

Winning this award has given me added encouragement to keep reaching for my goals and in 2009, I embark on further post-graduate studies in the educational management sector.

It has been refreshing to reflect on my achievements to date, but equally important has been the motivation not to rest where I am but to continue to strive to fulfil the dreams that I have for the future.

Associate chartered accountants have a unique role to play in the business community and can perform at the highest levels, with the additional advantage of being members of this Institute.

I would encourage my fellow ACAs to put their hand up for this award. It will be a defining moment in their professional career, a unique opportunity to celebrate their achievements to date and to challenge themselves to take the next step. The benefits are much greater than the prizes you can win. The intrinsic rewards will be reaped for many years.

Don't think you haven't done enough to enter, just get out of your comfort zone and do it! You will never regret it.



**JUDITH BRUCE**  
Accounting Technician  
of the Year 2008

### ACCOUNTING TECHNICIAN OF THE YEAR 2008

#### Judith Bruce

The lead up to my nomination for this award began when I was admitted to the AT College in 1997.

For me, this legitimised the work that I had undertaken under the guidance and mentorship of my husband, Brent. The confidence I gained from this privilege enabled me to undertake accounting work in my own right. My career has primarily taken me down the charitable/community path where I have gained competencies in many areas of the accounting profession.

It was an honour in itself when my branch approached me to seek nomination for the Accounting Technician of the Year Award. I was reluctant but decided to put my name forward, and was both surprised and humbled to be chosen as a finalist.

The presentation and interview before a panel of judges was rather daunting but on the day I was greeted warmly and made to feel at ease. The media training the Institute provided was fun and very welcome especially in light of what was to come – the honour of winning the award at a prestigious award dinner in the Dunedin Town Hall, where we heard of the amazing work being done by young (and some not so young!) accountants all around New Zealand and overseas. It was absolutely inspiring and I am envious of the broad and exciting scope of work now available to members of the Institute.

The consequences of my win have already been interesting. Amongst other things, I have been asked for advice on the financial strategies being implemented at a rest home and whether I would undertake more work in that area of service. I plan to use my travel prize to go to Australia to research the funding, planning and auditing processes for rest homes and villages there.

So if you are an accounting technician, do put your name forward for the awards. You have nothing to lose, there is much to be gained, and it is a most gratifying, humbling and exciting experience.

Finally, I thank my referees, my family and the Canterbury/Westland Branch for their support and messages of delight and congratulation. I'd also like to thank the sponsors and the Institute for the excellent organisation of the awards.

## FOUR FACES OF 2008/09



MELANIE BOND

## MELANIE BOND ACA

**Senior Accountant, Al Naboodah Construction Group, United Arab Emirates**

A year ago, Melanie Bond was at a crossroads. She wanted a change, to live somewhere different and to travel. Accountancy made it happen.

She qualified as an ACA, joined the Institute, jumped on a plane heading for the Middle East and landed a job a week later with a multi-million dollar company with more than 30,000 employees.

In her first few months on the job, she worked as a project accountant, managed a team responsible for the month end accounts, implemented a computer system for 25,000 people and managed internal reviews of staff leave and gratuities. The variety and scope of work, compared to that typically available in New Zealand, has been a highlight.

"I love the ability to improve things and make a difference, and I'm getting exposure to things I would not have encountered at home."

Her Institute membership has been essential. She found that a professional qualification opened doors, and since then, it's been a huge learning curve.

She's learned the value of getting basic processes right and having good controls in place, has experienced different attitudes towards work, theft and corruption, and the frustrations of language and cultural differences. She's making the most of every opportunity and learned more about herself: how adaptable she can be, how she handles stress, her ability to deal with people from all walks of life, cultures and nationalities.

"I've learnt what I am capable of since I took this role. I've been moved from pillar to post, put into all kinds of situations, and under a lot of stress, and I think I've coped well."

Summer, spent chasing the city's best air-conditioning systems to avoid the stifling heat, has just passed and Melanie is now looking forward to spending the winter months outdoors – at the beach, desert camping, walking, boating and diving. She expects to be in the Middle East for another couple of years to gain some more project experience, and it's the perfect base for more travel, adventure and to accumulate amazing stories to tell family and friends back home.



**PANSY WONG**

### **PANSY WONG FACA**

#### **Member of Parliament**

Pansy Wong has achieved several significant milestones this financial year. She won the seat of Botany in the general election with a margin of more than 10,000 votes to become the first Asian-New Zealander to win an electorate seat. She then followed it up to become the country's first Cabinet Minister of Asian descent.

"It took a lot of hard work and discipline to win the Botany seat. I and my team knocked on 10,000 doors in the electorate, talking with constituents and listening to their concerns. I have a pair of worn out shoes to show for it."

Pansy is well known as an enthusiastic and hard-working politician, but fewer know that her career is based in accountancy. She is a former Chair of the Canterbury Branch and was made an Institute Fellow in 1996.

Job security was one of the reasons Pansy opted to study accountancy. Regardless of the economic landscape, there's always a need for accountants. She also got on well with her volunteer university tutor, Sammy Wong. In fact, he was later to become Pansy's husband. There was one other factor that influenced Pansy's study choice. "I wanted to live up to the image that Asians are good with numbers!"

It was a smart study choice. Pansy acknowledges that her financial knowledge has been useful at every stage of her career.

"I still find that people are generally apprehensive about finances and therefore have a natural respect for people with accounting skills."

Her first job was as an auditor, where she developed her people skills alongside her financial skills. "I had to interact with clients and gain their confidence and respect."

Now a Member of Parliament, her accounting skills and connections continue to be called on. She has previously arranged for the Institute to hold financial tutorials for Members of Parliament to help them read and interpret public accounts. And in the present economic environment, her ability to identify areas where savings can be made is a handy skill.

Pansy says it is a particularly rewarding time to be in government, and she has a firm view of her future priorities and challenges. Through her roles as the Minister of Women's Affairs and Ethnic Affairs, she wants to increase the number of women serving on boards and at senior management level; reduce, and eventually eliminate, domestic violence; and help New Zealand to realise the potential contributions of women and ethnic communities.

Her working week consists of gruelling hours, but Pansy wouldn't have it any other way.

"My work is my hobby. I love what I do. Against a very difficult economic environment, it almost sounds embarrassing that I wake up every morning happy, because every day is a privilege to be a Cabinet Minister and to have an opportunity to make a difference."

Because work is presently her prime focus, there is little time for her favourite hobbies of sake appreciation and karaoke, but Pansy is also known for having a very positive outlook.

"I do still manage to combine my love of walking with door knocking in my electorate."



OWEN GIBSON

## OWEN GIBSON CA

### Partner, Private Client Services, PricewaterhouseCoopers

It has been a year of new challenges, experiences and professional growth for Owen Gibson. He has more than 17 years' experience in private practice, 10 as a partner, but the last few years have presented him with many new opportunities and experiences following his move to PricewaterhouseCoopers (PwC) as a Partner in 2005.

His professional life is full of diversity and the opportunity to work with specialists in areas such as tax, mergers and acquisitions, corporate finance and assurance, while continuing his core work with private businesses and high net worth individuals. He's been able to get involved in more advisory and charitable work and participate in diverse and collaborative assignments. He's also contributed to PwC's Emerging Business strategy, which includes driving its relationship with the hi-tech community in Wellington, working with Angel Investors and groups and assisting businesses to grow and succeed. He sees people development as vital and holds human capital responsibility for his part of the Wellington practice.

"At this stage of my career, this diversity and challenge is stimulating and energising.

"The most valuable insights for me this year continue to be the power of collaboration and benefit of effective coaching in developing individuals."

Alongside this diversity, he has gained great satisfaction from contributing to the professional growth and development of his staff and colleagues in the accounting profession. This has led to him becoming the Chair of the Institute's Practical Experience Committee and a member of the Admissions' Board.

"It has been a real sense of achievement to contribute to the policies and issues around admission to membership."

Charitable involvement has been another highlight. Having been involved with the activities of the PwC Foundation, which has included a street collection and shaving his hair on two occasions to raise money for Oxfam, he praises the firm's focus on supporting a community service ethos amongst its employees – a key part of the 'PwC Experience' for staff and partners.

The year ahead is set to be another busy year for Owen. He plans to work hard to further develop the Wellington Private Client practice and build on the business advisory skills gained over the past several years, as well as attend a few Hurricanes and All Blacks matches, seek out new opportunities, challenges and good bottles of chardonnay, and look forward, with his wife Mary and son Conor, to the birth of his second child in October.



**MAHE DRYSDALE**

### **MAHE DRYSDALE PROV CA**

#### **Athlete/Insolvency Administrator**

It's been a pinnacle year in Mahe Drysdale's career.

The Provisional CA has an established career in accountancy but the last nine years have been dominated with success in top level rowing. He's worked for KordaMentha since his university days and although he's been a full-time athlete for six years, Mahe has appreciated the firm's continued support and sponsorship.

Mahe has had quite a year. He attended the Beijing Olympics, carried the flag at the opening ceremony as Captain of the New Zealand team, and was awarded a New Zealand Order of Merit for services to rowing. Although he wasn't able to achieve all the goals he hoped, he has dedicated the next four years to the London Olympics, and as the year closed, he was based overseas in an intensive programme to build up for the World Championships in Poland in late August.

Although Mahe is presently a full-time rower, the skills he learned in accounting have been useful in other areas.

"Accounting has given me a great grounding and taught me to be methodical, thorough, logical, hard working and disciplined. It has set me up brilliantly to apply that to different activities, especially rowing, which has been very successful, particularly when I face a problem or something unexpected happens."

Rowing has provided Mahe with unbelievable opportunities and experiences. He's committed the next four years to rowing and has set a goal to win a gold medal at the London Olympics in 2012. Beyond that, his career path is yet to fully unfold.

His interest in numbers and business means he's likely to return to accounting. His past work has focused on insolvencies, however he is keen to become more involved in business restructuring. "I'm interested in being able to take something and turn it into something better."



**KELVIN WONG**  
Chief Financial Officer

## FINANCIAL STATEMENTS

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- > Financial Statements

## CHIEF FINANCIAL OFFICER'S REPORT

### A difficult year but a modest surplus

2009 has been a tough year for many of our members and their organisations. While the Institute has not been immune to the effects of the economic situation, we are fortunate to be somewhat sheltered from the full force of the downturn. Our revenue levels have held up well and despite increasing costs we have managed to achieve a modest surplus.

We were very happy to be able to hold the 2008 membership fees at the 2007 levels as part of our centenary year, and despite this we still experienced a 3.5 percent growth in membership income. The driver for this, as the Service Performance Indicators show, was the increase in member numbers. The interest from potential chartered accountants remains stronger than ever as evidenced by the continuing growth in enrolments in the both PCE1 and PAS/PCE2 and this has been a major factor in achieving the current year's surplus.

It has also been encouraging that we have experienced little or no decline in many of our other revenue streams notably advertising revenue from the *Journal* and other publications, professional development, business partnerships, and publications sales. Our staff, in these and our other business units, have worked hard to ensure our underlying business propositions remain strong and have good commercial appeal and this is reflected in the positive results.

In general we have maintained a strong focus on cost control. Many cost lines have been held at prior year levels or lower. However some increases were unavoidable and these are evident where the prior year costs were artificially low or where increased costs drove increased revenues. Some costs have also been absorbed in the current year relating to asset write-offs and rental provisioning arising from the relocation of the national office in Wellington.

Our balance sheet remains straightforward and clean and in most respects is very similar to the prior year's position. The major change has been the increased value in property, plant and equipment which reflects the commencement of the fitout of our new national office premises which became necessary due to the expiry of the previous lease. The Council, Executive Board and Institute management were cognisant of the magnitude of this investment but were keen to ensure that as the Institute enters its second century it has the appropriate building blocks in place to deliver enhanced services to members.

In closing, I would like to acknowledge the many parties who have assisted the Institute in achieving the year's successful financial outcome and in preparing the 2009 financial statements. In particular I would like to thank the staff and officers of the Institute Group for their efforts during the year; our tax advisors and auditors, and the Audit, Finance and Risk Management Committee for their invaluable financial governance during the year.

Kelvin Wong, Chief Financial Officer

# FINANCIAL STATEMENTS

## INCOME STATEMENTS

For the year ended 30 June 2009

in thousands of New Zealand dollars

	Note	Parent 2009	Parent 2008	Group 2009	Group 2008
Revenue	1	28,692	27,487	33,770	31,614
Expenses					
Employee benefits	2	10,651	9,190	11,365	9,938
Depreciation	10	452	530	452	530
Amortisation	11	204	188	244	246
Other expenses	3	17,570	15,752	21,264	18,946
Total expenses		28,877	25,660	33,325	29,660
(Deficit)/surplus before income tax		(185)	1,827	445	1,954
Income tax benefit/(expense)	4	225	-	(2)	17
<b>Surplus after income tax</b>		<b>40</b>	<b>1,827</b>	<b>443</b>	<b>1,971</b>

## STATEMENTS OF CHANGES IN MEMBERS' FUNDS

For the year ended 30 June 2009

in thousands of New Zealand dollars

	Note	Parent 2009	Parent 2008	Group 2009	Group 2008
Members' funds at the beginning of the year		5,622	3,795	7,247	5,276
Cash flow hedge reserve		(23)	-	(23)	-
Surplus/(deficit) for the year attributable to:					
Institute members		73	1,830	476	1,974
Special interest groups		(33)	(3)	(33)	(3)
Surplus for the year		40	1,827	443	1,971
<b>Members' funds at the end of the year</b>	17	<b>5,639</b>	<b>5,622</b>	<b>7,667</b>	<b>7,247</b>

The accompanying notes form part of, and are to be read in conjunction with, these financial statements.

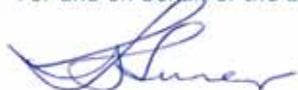
## BALANCE SHEETS

As at 30 June 2009

in thousands of New Zealand dollars

	Note	Parent 2009	Parent 2008	Group 2009	Group 2008
<b>Assets</b>					
Cash and cash equivalents	5	4,299	2,178	4,909	2,553
Investments	6	6,045	8,996	6,045	8,996
Trade and other receivables	7	1,810	1,453	1,859	1,705
Income tax receivable	8	297	294	332	386
Inventories	9	57	109	75	119
<b>Total current assets</b>		<b>12,508</b>	<b>13,030</b>	<b>13,220</b>	<b>13,759</b>
Property, plant and equipment	10	3,244	962	3,244	962
Intangible assets	11	241	238	298	316
Investment in subsidiary	12	250	250	-	-
<b>Total non-current assets</b>		<b>3,735</b>	<b>1,450</b>	<b>3,542</b>	<b>1,278</b>
<b>Total assets</b>		<b>16,243</b>	<b>14,480</b>	<b>16,762</b>	<b>15,037</b>
<b>Liabilities</b>					
Trade and other payables	13	2,440	2,527	2,912	2,709
Employee benefits	14	878	769	878	769
Income in advance		2,507	2,007	4,826	4,057
Funds held on deposit for subsidiary	21	4,300	3,300	-	-
Provisions	16	456	-	456	-
<b>Total current liabilities</b>		<b>10,581</b>	<b>8,603</b>	<b>9,072</b>	<b>7,535</b>
Employee benefits	14	23	14	23	14
Provisions	16	-	241	-	241
<b>Total non-current liabilities</b>		<b>23</b>	<b>255</b>	<b>23</b>	<b>255</b>
<b>Total liabilities</b>		<b>10,604</b>	<b>8,858</b>	<b>9,095</b>	<b>7,790</b>
<b>Members' funds</b>					
Cash flow hedge reserve		(23)	-	(23)	-
Institute members' funds		5,472	5,399	7,500	7,024
Special interest groups' funds		190	223	190	223
<b>Total members' funds</b>	17	<b>5,639</b>	<b>5,622</b>	<b>7,667</b>	<b>7,247</b>
<b>Total members' funds and liabilities</b>		<b>16,243</b>	<b>14,480</b>	<b>16,762</b>	<b>15,037</b>

For and on behalf of the Board of Directors



**Linda Turner** - President  
Date: 30 September 2009



**Hugh Rennie** - Chair of Audit, Finance and Risk Management Committee  
Date: 30 September 2009

The accompanying notes form part of, and are to be read in conjunction with, these financial statements.

## STATEMENTS OF CASH FLOWS

For the year ended 30 June 2009

in thousands of New Zealand dollars

	Note	Parent 2009	Parent 2008	Group 2009	Group 2008
<b>Cash flows from operating activities</b>					
Cash receipts from subscriptions		18,738	19,199	18,738	19,199
Cash receipts from professional development		3,891	3,459	9,224	8,028
Cash receipts from other		5,257	4,819	5,257	4,819
Cash paid to suppliers		(18,381)	(16,270)	(21,815)	(19,774)
Cash paid to employees		(9,818)	(8,253)	(10,532)	(9,000)
Interest received		901	842	1,122	1,121
Income tax received		-	-	58	117
Payment for losses from subsidiary		225	-	-	-
Net goods and services tax (paid)/refunded		(113)	154	(98)	130
<b>Net cash flows from operating activities</b>	18	<b>700</b>	<b>3,950</b>	<b>1,954</b>	<b>4,640</b>
<b>Cash flows from investing activities</b>					
Proceeds from maturity of investments		19,999	19,500	19,999	19,500
Deposits received from subsidiary		2,000	2,500	-	-
Acquisition of property, plant and equipment		(2,300)	(333)	(2,300)	(333)
Acquisition of intangible assets		(207)	(157)	(226)	(157)
Acquisition of investments		(17,048)	(26,978)	(17,048)	(26,978)
Dividend received		-	500	-	-
Return of investment funds to subsidiary		(1,000)	(2,300)	-	-
<b>Net cash flows from/(used in) investing activities</b>		<b>1,444</b>	<b>(7,268)</b>	<b>425</b>	<b>(7,968)</b>
Net increase/(decrease) in cash and cash equivalents		2,144	(3,318)	2,379	(3,328)
Net foreign exchange differences		(23)	-	(23)	-
Cash and cash equivalents at beginning of year		2,178	5,496	2,553	5,881
<b>Cash and cash equivalents at end of year</b>	5	<b>4,299</b>	<b>2,178</b>	<b>4,909</b>	<b>2,553</b>

The accompanying notes form part of, and are to be read in conjunction with, these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

## Significant accounting policies

### (a) Reporting entity

The Institute of Chartered Accountants of New Zealand (the Institute) is a statutory entity constituted under the Institute of Chartered Accountants of New Zealand Act 1996. The Institute is domiciled in New Zealand and its principal place of business is its national office at 40 Mercer Street, Wellington (50 Customhouse Quay, Wellington from 31 August 2009). As a professional body, it promotes quality, expertise and integrity in the accounting profession. The New Zealand Institute of Chartered Accountants is the operating name for the Institute of Chartered Accountants of New Zealand. It represents the interests of members of the accounting profession working in New Zealand and around the world. Its aim is to uphold the highest level of responsibility and trust that are vested in the profession, by providing appropriate standards, policies and services to support members in their work.

Financial statements are presented for the Parent and Group. The financial statements of the Parent comprise the Institute's national office and all branches. The Group financial statements comprise the Parent entity, and its subsidiary, Advanced Business Education Limited (ABEL).

The Institute is a public benefit entity, as defined under NZ IAS 1.

The financial statements were authorised for issue by the Board on 30 September 2009.

### (b) Statement of compliance

The financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP). They comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), and other applicable Financial Reporting Standards, as appropriate for public benefit entities.

### (c) Basis of preparation

The financial statements are presented in New Zealand dollars (NZD), which is the functional and presentation currency of the Institute, rounded to the nearest thousand. The financial statements are prepared on the historical cost basis.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

The preparation of financial statements in conformity with NZ IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of NZ IFRS that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 26.

### (d) Basis for consolidation

#### SUBSIDIARY

A subsidiary is an entity controlled by the Institute. Control exists when the Institute has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

In assessing control, potential voting rights that presently are exercisable or convertible are taken into account.

The financial statements of the subsidiary are included in the consolidated financial statements from the date that control starts until the date that control ends.

The financial statements of ABEL, the wholly-owned subsidiary, are included in the Group financial statements.

All accounting policies are applied consistently across the Group. Corresponding assets, liabilities, revenues and expenses are added together on a line by line basis. All significant inter-entity transactions are eliminated upon consolidation. In the Parent financial statements the investment in ABEL is stated at cost. Both entities share a 30 June balance date.

### (e) Foreign currency

#### FOREIGN CURRENCY TRANSACTIONS

Transactions in foreign currencies are translated at the foreign exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at balance date are translated to NZD at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the Income Statements unless the relevant instrument is designated as a hedge (refer (t) below).

## NOTES TO THE FINANCIAL STATEMENTS

### Significant accounting policies

#### (f) Property, plant and equipment

##### CLASSES OF PROPERTY, PLANT AND EQUIPMENT

The major classes of property, plant and equipment are as follows:

- Computer equipment
- Equipment general
- Furniture and fittings
- Leasehold alterations
- Library

##### OWNED ASSETS

All items of property, plant and equipment are stated at cost, less accumulated depreciation and impairment losses.

##### DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT

Where an item of property, plant and equipment is disposed of, the gain or loss recognised in the Income Statements is calculated as the difference between the net sales price and the carrying amount of the asset.

##### SUBSEQUENT COSTS

Subsequent costs are added to the carrying amount of an item of property, plant and equipment when that cost is incurred if it is probable that the service potential or future economic benefits embodied within the new item will flow to the Group. All other costs are recognised in the Income Statements.

##### DEPRECIATION

Depreciation is charged to the Income Statements using the straight-line method. Depreciation is set at rates that will write-off the cost or fair value of the assets, less their estimated residual values, over their useful lives (or for leasehold alteration assets, the shorter of useful lives and the term of the lease). The estimated useful lives of major classes of assets are as follows:

<u>Class of asset</u>	<u>Estimated life</u>
• Computer equipment	3 to 5 years
• Equipment general	3 to 5 years
• Furniture and fittings	10 years
• Leasehold alterations	5 to 13 years
• Library	6 to 7 years

Depreciation methods, useful lives and residual value of assets are reassessed at balance date. Depreciation of assets which are constructed or developed over a period of time does not commence until the asset is available for use.

#### (g) Intangible assets

##### SOFTWARE

Software applications that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses. Depreciation of assets which are constructed or developed over a period of time does not commence until the asset is available for use.

##### RESEARCH AND DEVELOPMENT

###### *Research costs*

Research costs are recognised as an expense in the Income Statements when incurred.

###### *Development costs*

ABEL incurs development costs as part of ongoing improvement to the assessment of professional competency for intending members of the Institute. Development expenditure in relation to new or improved services and products is recognised as an asset. This is stated at cost and amortised over the period of expected benefits in a manner consistent with the consumption of benefits, not exceeding five years. All other development expenditure is recognised as an expense in the Income Statements as incurred.

##### SUBSEQUENT EXPENDITURE

Subsequent expenditure on intangible assets is capitalised only when it increases the service potential or future economic benefits embodied in the related specific asset. All other expenditure is expensed as incurred.

## NOTES TO THE FINANCIAL STATEMENTS

### Significant accounting policies

#### AMORTISATION

Amortisation is charged to the Income Statements on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

<u>Type of asset</u>	<u>Estimated life</u>
• Software	3 to 5 years
• Development costs	5 years

#### (h) Trade and other receivables

Trade and other receivables are initially recognised at fair value and subsequently stated at amortised cost using the effective interest rate method less impairment losses. Impairment of receivables past due is established on individual assessment of receivables. The likelihood of recoverability is based on correspondence, existence of payment plans and historical loss experience. Bad debts are written off during the period in which they are identified. We consider trade and other receivables to be impaired when they exceed 90 days and debts considered to be uncollectable are written off.

#### (i) Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Cost is based on a first in first out basis.

#### (j) Cash and cash equivalents

Cash and cash equivalents comprises cash balances, call deposits and deposits with a maturity of no more than three months from the date of inception.

#### (k) Investments

Investments comprise fixed term deposits with registered banks. All investments have a maturity date of greater than three months at inception and are initially measured at fair value and subsequently measured at amortised cost using the effective interest rate method.

#### (l) Impairment

The carrying amounts of the Group's assets are reviewed at each balance date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated. If the estimated recoverable amount of an asset is less than its carrying amount, the asset is written down to its estimated recoverable amount and an impairment loss is recognised in the Income Statements.

#### CALCULATION OF RECOVERABLE AMOUNT

The estimated recoverable amount of receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at their original effective interest rate. Receivables with a short duration are not discounted.

The estimated recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. Value in use is calculated differently depending on whether an asset generates cash or not. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

For non-cash-generating assets that are not part of a cash-generating unit, value in use is based on depreciated replacement cost. For cash-generating assets, value in use is determined by estimating future cash flows from the use and ultimate disposal of the asset and discounting these to their present value using a pre-tax discount rate that reflects current market rates and the risks specific to the asset.

#### REVERSALS OF IMPAIRMENT

Impairment losses are reversed when there is a change in the estimates used to determine the recoverable amount. All impairment losses are reversed through the Income Statements. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

## NOTES TO THE FINANCIAL STATEMENTS

### Significant accounting policies

#### (m) Employee benefits

##### ANNUAL LEAVE

Annual leave liabilities are short-term obligations and are calculated on an accrual basis at the amount the Group expects to pay. The Group accrues the obligation for paid absences both when the obligation relates to employees' past services and when it accumulates.

##### LONG SERVICE LEAVE

The Group's net obligation for long service leave is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using the projected unit credit method and is discounted to its present value. The discount rate is the market yield on relevant New Zealand government bonds at balance date.

#### (n) Provisions

A provision is recognised when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market rates and, where appropriate, the risks specific to the liability.

#### (o) Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost, using the effective interest rate method.

#### (p) Income tax

Income tax in the Income Statements for the year comprises current and deferred tax. Income tax is recognised in the Income Statements except to the extent that it relates to items recognised directly in members' funds, in which case it is recognised in members' funds.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at balance date, and any adjustment to tax payable for previous years.

The Group is only liable for income tax relating to members' activities where a clear service or good has been provided. However, subscription income is not liable for income tax. Also, income tax is payable on any services or goods provided to non-members and interest revenue earned on investments. Income tax expense is recognised on the operating surplus derived from these activities, before taxation, adjusted for permanent differences between assessable and accounting income.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences relating to the investment in the subsidiary have not been provided for to the extent that they will probably not reverse in the foreseeable future.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at balance date. A deferred tax asset is recognised only to the extent that it is probable that future taxable surpluses will be available against which the asset can be used. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

#### (q) Goods and services tax

The Income Statements and Statements of Cash Flows have been prepared on a Goods and Services Tax (GST) exclusive basis. All items in the Balance Sheets are stated net of GST with the exception of accounts receivable and payable, which include GST invoiced. Where GST is irrecoverable as an input tax, it is recognised as part of the related asset or expense.

#### (r) Revenue recognition

##### SUBSCRIPTIONS

The Group's membership subscription year is 1 July to 30 June. Subscriptions are receivable in advance but only those subscription receipts which are attributable to the current financial year are recognised as revenue.

## NOTES TO THE FINANCIAL STATEMENTS

### Significant accounting policies

#### PROFESSIONAL COMPETENCY COURSE FEES

ABEL provides competency course programmes for intending members of the Institute. Course fees are receivable in advance and income is recognised proportionally as the course programme is delivered.

#### PROFESSIONAL DEVELOPMENT

The Institute provides professional development courses for members and non-members. Course fees are receivable in advance and income is recognised upon delivery of the course.

#### PRACTICE REVIEW FEES

The Institute is responsible for reviewing each member practitioner to ensure that the quality of the practice's work meets legislative, financial reporting and professional standards requirements. Income from these reviews is recognised incrementally as the review progresses.

#### JOURNAL REVENUE

The Institute produces the *Chartered Accountants' Journal* and receives income from advertising and non-member subscriptions. Advertising revenue is recognised as each edition is published. Non-member subscriptions are receivable in advance and income is recognised proportionally over the subscription period.

#### CATALYST PARTNERS PROGRAMME AND SPONSORSHIP

The Catalyst Partners Programme allows for businesses, in exchange for sponsorship funding, to align themselves with the Institute to provide benefits to the Group and members. All revenue from the Catalyst Partners Programme is used by the Group according to the contractual arrangements of the individual partners. This funding is recognised as revenue over the period of the programme as specified in the individual contracts.

#### OTHER REVENUE-GENERATING ACTIVITIES

Other revenue-generating activities include hiring out conference centre facilities, sale of publications and entrance fees. Revenue from such services rendered is recognised in the Income Statements in proportion to the stage of completion of the transaction at balance date.

Interest income is recognised using the effective interest rate method.

#### OTHER FUNDING

The Group received funding for specific activities from the following sources:

- The Winton Bear deposit
- Accounting Standards Review Board

The Winton Bear deposit was a donation from the late Mr Winton Bear. The interest earned on the deposit must be used to promote taxation education, including updating taxation material contained in the Institute's library.

The Accounting Standards Review Board provides funding to assist in the development of New Zealand accounting standards by the Financial Reporting Standards Board. This funding is recognised by the Group as services are delivered as specified in the service agreement.

#### DONATED SERVICES RECOGNITION

The work of the Institute is dependent on the voluntary services of many members. Due to the difficulty in determining their value with sufficient reliability, donated services are not recognised in these financial statements.

### (s) Expense recognition

#### OPERATING LEASE PAYMENTS

Payments made under operating leases are recognised in the Income Statements on a straight-line basis over the term of the lease. Lease incentives received are recognised in the Income Statements over the lease term as an integral part of the total lease expense.

### (t) Cash flow hedges

The Institute may from time-to-time elect to hedge highly probable foreign currency denominated expenses which are payable in future accounting periods. The financial instruments used for hedging consist of foreign currency bank balances and are initially valued at fair value and subsequently revalued at the market rates prevailing at balance date and the resulting gain or loss is reflected in the cash flow hedge reserve within members' funds, to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in the Income Statements.

## NOTES TO THE FINANCIAL STATEMENTS

### Significant accounting policies

If a hedging instrument no longer meets the criteria for hedge accounting, expires or is otherwise terminated then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in equity remains there until the forecast transaction occurs.

At 30 June 2009 the Institute has hedged its highly probable foreign currency denominated expenses, which fall due in the 2009/10 financial year, by purchasing the equivalent value of foreign currency funds. These expenses are subscriptions of international accounting bodies and overseas branch operating expenses.

#### (u) Capital management

The Institute's capital is its members' funds, which comprise accumulated surpluses. The Institute manages its revenues, expenses, assets, liabilities, investments, and general financial dealings prudently and in a manner that promotes the current and future interests of our members. Members' funds are largely managed as a by-product of managing revenues, expenses, assets, liabilities, investments, and general financial dealings. The Institute has no externally imposed capital management requirements.

#### (v) Adoption status of relevant new NZ IFRS and Interpretations

The Group has elected not to early adopt the following standards which have been issued but are not yet effective:

##### NZ IAS 1 PRESENTATION OF FINANCIAL STATEMENTS

Revision approved in November 2007 and effective for annual reporting periods beginning on or after 1 January 2009. This standard will be adopted by the Institute in the year ending 30 June 2010. As the impact of this standard is disclosure and presentation only, the adoption of this standard is not expected to have a material impact on the Group's financial statements.

##### NZ IFRS 7 FINANCIAL INSTRUMENTS: DISCLOSURES

The amended NZ IFRS 7 requires fair value measurements to be disclosed by the source of inputs, using the following three-level hierarchy:

- Quoted prices in active markets for identical assets or liabilities (Level 1)
- Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2) and
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

As the impact of this standard is disclosure and presentation only, the adoption of this standard is not expected to have a material impact on the Group's financial statements.

Other than those mentioned above there are no other new standards or interpretations that are expected to have a significant impact on the Institute's financial statements.

#### (w) Financial instruments

Investments and financial assets in the scope of NZ IAS 39 Financial Instruments: Recognition and Measurement are categorised as either financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments, or available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Designation is re-evaluated at each financial year end, but there are restrictions on reclassifying to other categories.

When financial assets are initially recognised, they are measured at fair value.

##### RECOGNITION AND DERECOGNITION

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Institute commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the market place. Financial assets are derecognised when the right to receive cash flows from the financial assets have expired or been transferred.

##### LOANS AND RECEIVABLES – note 7

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in surplus or deficit when the loans and receivables are derecognised or impaired. These are included in current assets, except for those with maturities greater than 12 months after balance date, which are classified as non-current.

## NOTES TO THE FINANCIAL STATEMENTS

*in thousands of New Zealand dollars*

<b>1 Revenue</b>	<b>Parent 2009</b>	<b>Parent 2008</b>	<b>Group 2009</b>	<b>Group 2008</b>
Subscriptions	18,205	17,583	18,203	17,583
Professional competency course fees	-	-	4,962	4,246
Professional development	3,799	3,594	3,799	3,594
Practice review fees	1,734	1,308	1,734	1,308
<i>Journal</i> revenue	810	807	810	807
Catalyst Partners Programme and sponsorship	662	616	662	616
Publications	563	566	563	566
Interest income	904	955	1,125	1,234
Dividend received	200	500	-	-
Other	1,815	1,558	1,912	1,660
	<b>28,692</b>	<b>27,487</b>	<b>33,770</b>	<b>31,614</b>

<b>2 Employee benefits</b>	<b>Parent 2009</b>	<b>Parent 2008</b>	<b>Group 2009</b>	<b>Group 2008</b>
Salaries	10,621	9,159	11,335	9,907
Increase in employee benefit provisions	30	31	30	31
	<b>10,651</b>	<b>9,190</b>	<b>11,365</b>	<b>9,938</b>

## NOTES TO THE FINANCIAL STATEMENTS

*in thousands of New Zealand dollars*

3 Other expenses	Note	Parent	Parent	Group	Group
		2009	2008	2009	2008
Travel costs		2,175	1,924	2,265	2,013
Printing, copying, mail preparation and postage		2,072	2,188	2,383	2,458
Catering, venue and equipment hire		1,908	1,793	2,558	2,314
Professional services and legal fees		1,816	1,367	1,840	1,393
Presenters and facilitators fees		1,291	1,227	2,210	2,057
Practice Reviewers fees (excluding expenses)		1,278	875	1,278	875
Operating lease expenses	19	938	913	1,055	1,001
Information technology costs		761	682	772	686
Marketing costs		659	755	659	755
External contractors		646	786	646	786
Recruitment and training		510	438	512	447
Subscriptions - memberships		361	298	365	301
Merchant and bank fees		321	310	322	312
Increase in provisions	16	215	19	215	19
Premises costs		369	402	474	417
Office bearers' honoraria		192	184	192	184
Impairment of trade receivables (bad and doubtful debts)	7	192	35	192	35
Fees paid to auditor for other services (professional development course presentation and other)		122	109	122	109
Audit fees (for the audit of the financial statements)		81	72	96	86
Net foreign exchange loss/(gain) on overseas translations		(73)	(19)	(73)	(19)
Donations		5	5	5	5
Special Projects		-	-	252	92
Directors fees and expenses		-	-	18	18
Impairment loss on intangible assets	11	-	-	-	40
Loss on disposal of property, plant and equipment		-	4	-	4
Other		1,731	1,385	2,906	2,558
		17,570	15,752	21,264	18,946

## NOTES TO THE FINANCIAL STATEMENTS

*in thousands of New Zealand dollars*

4 Income tax expense	Parent 2009	Parent 2008	Group 2009	Group 2008
<b>Current tax</b>				
Current year expense	-	-	-	-
Total current tax benefit	-	-	-	-
<b>Deferred tax</b>				
Movements in temporary differences	2	-	2	(17)
Adjustments for prior years	(227)	-	-	-
Total deferred tax (benefit)/expense	(225)	-	2	(17)
<b>Total income tax (benefit)/expense</b>	<b>(225)</b>	<b>-</b>	<b>2</b>	<b>(17)</b>
<b>Reconciliation of effective tax rate</b>				
(Deficit)/surplus before income tax	(185)	1,827	445	1,954
Prima facie income tax using the Institute's domestic tax rate of 30% (2008: 33%)	(56)	603	133	645
Tax effects of adjustments:				
Non-deductible expenses	30	5	30	5
Non-assessable income	(60)	(165)	-	-
Non-taxable transactions with members	(910)	(951)	(910)	(951)
Effect of tax rate change	-	58	-	58
Payment for losses from subsidiary	(225)	-	-	-
Losses to be utilised by subsidiary	300	227	-	-
Deferred tax assets not recognised	698	165	748	165
Under/(over) provided in prior periods	(2)	58	1	61
<b>Total income tax (benefit)/expense</b>	<b>(225)</b>	<b>-</b>	<b>2</b>	<b>(17)</b>

5 Cash and cash equivalents	Parent 2009	Parent 2008	Group 2009	Group 2008
Bank balances	288	817	392	870
Call deposits	2,002	344	2,508	666
Short-term deposits	2,009	1,017	2,009	1,017
	<b>4,299</b>	<b>2,178</b>	<b>4,909</b>	<b>2,553</b>

The carrying value of cash and cash equivalents approximates its fair value.

Refer to note 6 for details of restricted funds included within cash and cash equivalents.

## NOTES TO THE FINANCIAL STATEMENTS

*in thousands of New Zealand dollars*

<b>6 Cash and cash equivalents and investments</b>	<b>Parent 2009</b>	<b>Parent 2008</b>	<b>Group 2009</b>	<b>Group 2008</b>
Cash and cash equivalents	4,299	2,178	4,909	2,553
Investments	6,045	8,996	6,045	8,996
	<b>10,344</b>	<b>11,174</b>	<b>10,954</b>	<b>11,549</b>

The carrying value of investments approximates its fair value.

\$4,300,000 (2008: \$3,300,000) of cash and cash equivalents and investments are restricted funds held on trust for ABEL.

Income derived from the Winton Bear deposit is used to provide tax education, including tax material contained in the Institute's library. However, distribution of the capital of \$11,000 (2008: \$11,000) is restricted.

<b>7 Trade and other receivables</b>	<b>Parent 2009</b>	<b>Parent 2008</b>	<b>Group 2009</b>	<b>Group 2008</b>
Trade receivables from non-related parties	986	775	1,026	776
Receivable from subsidiary and related parties	54	41	4	-
Prepayments	435	462	604	683
Goods and services tax	66	-	156	71
Other receivables	316	276	316	276
Dividend receivable	200	-	-	-
Less: provision for impairment	(247)	(101)	(247)	(101)
	<b>1,810</b>	<b>1,453</b>	<b>1,859</b>	<b>1,705</b>

The carrying value of trade and other receivables approximates its fair value. The calculation of the provision has been based on analysis of the Institute's losses in previous periods and review of specific trade and other receivables.

The carrying amount of receivables that would otherwise be past due or impaired, whose terms have been renegotiated, is \$129,000 (2008: \$138,000) for the Parent and Group.

The movement in the provision for impairment of receivables is as follows:

	<b>Parent 2009</b>	<b>Parent 2008</b>	<b>Group 2009</b>	<b>Group 2008</b>
Balance at 1 July	(101)	(163)	(101)	(163)
Additional provisions made during the year	(192)	(35)	(192)	(35)
Receivables written-off during the year	46	97	46	97
<b>Balance at 30 June</b>	<b>(247)</b>	<b>(101)</b>	<b>(247)</b>	<b>(101)</b>

## NOTES TO THE FINANCIAL STATEMENTS

*in thousands of New Zealand dollars*

<b>8 Income tax receivable</b>	<b>Parent 2009</b>	<b>Parent 2008</b>	<b>Group 2009</b>	<b>Group 2008</b>
Prior year income tax receivable brought forward	294	180	386	390
Resident withholding tax paid	3	294	38	386
Provisional tax paid	-	-	-	-
Refunds received	-	(180)	(92)	(390)
	<b>297</b>	<b>294</b>	<b>332</b>	<b>386</b>

<b>9 Inventories</b>	<b>Parent 2009</b>	<b>Parent 2008</b>	<b>Group 2009</b>	<b>Group 2008</b>
Books and periodicals	54	75	54	75
Training material	-	28	18	38
Institute branded merchandise	3	6	3	6
	<b>57</b>	<b>109</b>	<b>75</b>	<b>119</b>

In 2009, the cost of inventories sold recognised in operating expenses for the Parent and Group amounted to \$241,000 (2008: \$241,000) and the write-down of inventories to net realisable value amounted to \$53,000 (2008: \$62,000).

## NOTES TO THE FINANCIAL STATEMENTS

in thousands of New Zealand dollars

### 10 Property, plant and equipment

Parent and Group	Library	Computer equipment	Equipment general	Furniture & fittings	Leasehold alterations	Total
<b>Cost</b>						
Balance at 1 July 2007	49	2,514	943	640	1,001	5,147
Additions	17	237	21	45	11	331
Disposals	-	(98)	(61)	(24)	(4)	(187)
Balance at 30 June 2008	66	2,653	903	661	1,008	5,291
Balance at 1 July 2008	66	2,653	903	661	1,008	5,291
Additions	15	159	102	372	2,325	2,973
Disposals	-	(649)	(93)	(15)	-	(757)
Written off	-	-	(8)	(124)	(796)	(928)
Balance at 30 June 2009	81	2,163	904	894	2,537	6,579
<b>Depreciation and impairment losses</b>						
Balance at 1 July 2007	(2)	(2,140)	(766)	(527)	(547)	(3,982)
Depreciation charge for the year	(9)	(318)	(89)	(29)	(85)	(530)
Disposals	-	98	59	24	2	183
Balance at 30 June 2008	(11)	(2,360)	(796)	(532)	(630)	(4,329)
Balance at 1 July 2008	(11)	(2,360)	(796)	(532)	(630)	(4,329)
Depreciation charge for the year	(11)	(236)	(88)	(31)	(86)	(452)
Disposals	-	651	94	14	-	759
Written off	-	-	6	70	611	687
Balance at 30 June 2009	(22)	(1,945)	(784)	(479)	(105)	(3,335)
<b>Carrying amounts</b>						
At 1 July 2007	47	374	177	113	454	1,165
At 30 June 2008	55	293	107	129	378	962
At 1 July 2008	55	293	107	129	378	962
At 30 June 2009	59	218	120	415	2,432	3,244

The Institute relocated its national office premises in August 2009. Prior to 30 June 2009 the Institute had incurred fit out costs for leasehold alterations to the new premises of \$2,323,000, computer equipment of \$19,000 and furniture & fittings of \$317,000, which are included in the table above.

Plant, property and equipment installed at the current premises with a net book value of \$241,000 with no recoverable value on relocation have been written off during the year (2008: nil).

ABEL have the use of certain assets owned by the Parent and are charged a management fee for their use.

The depreciation charges above include amounts charged to the subsidiary for assets owned by the Institute.

## NOTES TO THE FINANCIAL STATEMENTS

*in thousands of New Zealand dollars*

11 Intangible assets	Parent			Group		
	Software	Development costs	Total	Software	Development costs	Total
<b>Cost</b>						
Balance at 1 July 2007	1,430	-	1,430	1,539	178	1,717
Additions	178	-	178	178	-	178
Disposals	(75)	-	(75)	(75)	-	(75)
Balance at 30 June 2008	1,533	-	1,533	1,642	178	1,820
<b>Amortisation and impairment losses</b>						
Balance at 1 July 2007	(1,182)	-	(1,182)	(1,235)	(58)	(1,293)
Amortisation charge for the year	(188)	-	(188)	(210)	(36)	(246)
Impairment losses	-	-	-	(34)	(6)	(40)
Disposals	75	-	75	75	-	75
Balance at 30 June 2008	(1,295)	-	(1,295)	(1,404)	(100)	(1,504)
Balance at 1 July 2008	(1,295)	-	(1,295)	(1,404)	(100)	(1,504)
Amortisation charge for the year	(204)	-	(204)	(204)	(40)	(244)
Impairment losses	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Balance at 30 June 2009	(1,499)	-	(1,499)	(1,608)	(140)	(1,748)
<b>Carrying amounts</b>						
At 1 July 2007	248	-	248	304	120	424
At 30 June 2008	238	-	238	238	78	316
At 1 July 2008	238	-	238	238	78	316
At 30 June 2009	241	-	241	241	57	298

## NOTES TO THE FINANCIAL STATEMENTS

*in thousands of New Zealand dollars*

### 12 Investment in subsidiary

The Institute has the following investment in its subsidiary:

	Parent 2009	Parent 2008
Advanced Business Education Limited (ABEL)	250	250
	<b>250</b>	<b>250</b>

The Institute holds a 100% shareholding in its subsidiary which is domiciled in New Zealand. The principal activity of ABEL is to provide the Institute's requirements for the development and assessment of professional competence for those seeking membership of the Institute's colleges.

### 13 Trade and other payables

	Parent 2009	Parent 2008	Group 2009	Group 2008
Trade payables to non-related parties	313	644	785	784
Payable to related parties	48	63	48	63
Goods and services tax	-	10	-	-
Accrued expenses	2,079	1,810	2,079	1,862
	<b>2,440</b>	<b>2,527</b>	<b>2,912</b>	<b>2,709</b>

Trade and other payables are non-interest bearing and are short term. The carrying value of trade and other payables approximates their fair value.

### 14 Employee benefits

	Parent 2009	Parent 2008	Group 2009	Group 2008
<b>Current liabilities</b>				
Liability for long service leave	22	30	22	30
Liability for annual leave	516	478	516	478
Payroll accrual	340	261	340	261
	<b>878</b>	<b>769</b>	<b>878</b>	<b>769</b>
<b>Non-current liabilities</b>				
Liability for long service leave	23	14	23	14
	<b>23</b>	<b>14</b>	<b>23</b>	<b>14</b>

The non-current portion of the long service leave liability is calculated based on the Institute's estimate of the value of the unvested liability at the end of the vesting period discounted by an appropriate discount rate. The current portion of the long service leave liability represents the actual value of the liability that has been already vested valued at current pay rates.

## NOTES TO THE FINANCIAL STATEMENTS

*in thousands of New Zealand dollars*

### 15 Deferred tax assets and liabilities

#### a) Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Parent and Group	Assets		Liabilities		Net	
	2009	2008	2009	2008	2009	2008
<b>Net tax asset/(liability)</b>	-	-	-	-	-	-

Movements in temporary differences during the year were:

Parent and Group	Balance 1 July 2007	Recognised in surplus or deficit	Balance 30 June 2008	Recognised in surplus or deficit	Balance 30 June 2009
	-	-	-	-	-

#### b) Unrecognised deferred tax assets

Movements in unrecognised deferred tax assets during the year were:

Parent	Balance 1 July 07	Movements in surplus or deficit	Balance 30 June 08	Movements in surplus or deficit	Movements in equity	Balance 30 June 09
Deductible temporary differences	88	(11)	77	77	2	156
Tax losses	329	175	504	621	-	1,125
	<b>417</b>	<b>164</b>	<b>581</b>	<b>698</b>	<b>2</b>	<b>1,281</b>

Group	Balance 1 July 07	Movements in surplus or deficit	Balance 30 June 08	Movements in surplus or deficit	Movements in equity	Balance 30 June 09
Deductible temporary differences	88	(11)	77	127	2	206
Tax losses	329	175	504	621	-	1,125
	<b>417</b>	<b>164</b>	<b>581</b>	<b>748</b>	<b>2</b>	<b>1,331</b>

Deferred tax assets arising from timing differences of \$687,000 (2008: \$257,000) and unutilised losses of \$3,750,000 (2008: \$1,684,000) for the Parent and the Group have not been recognised due to the uncertainty of recoverability.

## NOTES TO THE FINANCIAL STATEMENTS

*in thousands of New Zealand dollars*

### 16 Provisions

	Parent and Group		Total provisions
	Refurbishment provision	Premises provision	
Balance at 1 July 2007	222	-	222
Provisions made during the year	19	-	19
Balance at 30 June 2008	241	-	241
<b>Current</b>	-	-	-
<b>Non-current</b>	<b>241</b>	-	<b>241</b>
Balance at 1 July 2008	241	-	241
Provisions made during the year	39	176	215
Balance at 30 June 2009	280	176	456
<b>Current</b>	<b>280</b>	<b>176</b>	<b>456</b>
<b>Non-current</b>	-	-	-

#### Refurbishment provision

The Institute is liable for refurbishment costs under the terms of its premises leases and provision has been made for this future liability. The provision is calculated based on the Institute's estimate of likely cash outflows at the termination of the leases discounted by an appropriate discount rate. The outflows associated with the provision are expected to flow at the termination of the associated leases.

#### Premises provision

The Institute relocated its national office premises in August 2009 but is liable for rent on its current premises until December 2009. Provision has been made for the rent expense from departure until the lease termination date.

## NOTES TO THE FINANCIAL STATEMENTS

*in thousands of New Zealand dollars*

### 17 Members' funds

#### Reconciliation of movements in members' funds

Parent	Cash flow hedge reserve	Institute members' funds	Special interest groups' funds	Total members' funds
Balance at 1 July 2007	-	3,569	226	3,795
Surplus/(deficit) for the year	-	1,830	(3)	1,827
Balance at 30 June 2008	-	5,399	223	5,622
Balance at 1 July 2008	-	5,399	223	5,622
Cash flow hedge reserve	(23)	-	-	(23)
Surplus/(deficit) for the year	-	73	(33)	40
Balance at 30 June 2009	(23)	5,472	190	5,639

Group	Cash flow hedge reserve	Institute members' funds	Special interest groups' funds	Total members' funds
Balance at 1 July 2007	-	5,050	226	5,276
Surplus/(deficit) for the year	-	1,974	(3)	1,971
Balance at 30 June 2008	-	7,024	223	7,247
Balance at 1 July 2008	-	7,024	223	7,247
Cash flow hedge reserve	(23)	-	-	(23)
Surplus/(deficit) for the year	-	476	(33)	443
Balance at 30 June 2009	(23)	7,500	190	7,667

#### Institute members' funds

Institute members' funds represents accumulated surpluses retained by the Institute.

#### Special interest groups' funds

Special interest group (SIG) activities and related revenue and expenditure are recorded in the Income Statements. Qualifying surpluses or deficits are transferred to SIG funds in the Balance Sheets. These SIG funds represent unspent funds contributed by members of these groups, and are to be specifically used for SIG activities.

#### Cash flow hedge reserve

The Institute has hedged its highly probable foreign currency denominated expenses, which fall due in the 2009/10 financial year, by purchasing the equivalent value of foreign currency funds. These expenses are subscriptions of international accounting bodies and overseas branch operating expenses. The outcome of the cash flow hedging at year end is that a loss of \$23,000 (2008: nil) for the Parent and Group has been transferred from the Income Statements to the cash flow hedge reserve. Only the effective portion of a cash flow hedge is transferred to the cash flow hedge reserve.

## NOTES TO THE FINANCIAL STATEMENTS

*in thousands of New Zealand dollars*

### 18 Reconciliation of the surplus for the period with net cash flows from operating activities

	Parent 2009	Parent 2008	Group 2009	Group 2008
Surplus after income tax	40	1,827	443	1,971
Adjusted for:				
Dividend income classified as investing activities	(200)	(500)	-	-
<b>Add back non-cash items:</b>				
Depreciation and amortisation	656	718	696	776
Bad debts	46	97	46	97
Change in doubtful debts	146	(62)	146	(62)
Assets written down	-	-	-	40
Assets written off	241	-	241	-
Inventories written down	53	62	53	62
Loss on sale of property, plant and equipment	-	4	-	4
Non-cash dividend	200	-	-	-
<b>Movements in working capital:</b>				
(Increase)/decrease in trade and other receivables	(548)	112	(340)	(135)
Increase in inventories	(1)	(64)	(9)	(57)
(Decrease)/increase in trade and other payables	(763)	86	(474)	25
Increase in employee benefits	118	189	118	189
Increase in income in advance	500	1,576	762	1,724
(Increase)/decrease in income tax	(3)	(114)	57	4
Increase in provisions	215	19	215	19
(Decrease)/increase in deferred tax	-	-	-	(17)
Net movement in working capital	(482)	1,804	329	1,752
<b>Net cash inflow from operating activities</b>	<b>700</b>	<b>3,950</b>	<b>1,954</b>	<b>4,640</b>

## NOTES TO THE FINANCIAL STATEMENTS

*in thousands of New Zealand dollars*

### 19 Operating leases

#### Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	Parent 2009	Parent 2008	Group 2009	Group 2008
Less than one year	1,059	939	1,077	939
Between one and five years	5,283	555	5,309	555
More than five years	5,312	-	5,312	-
	<b>11,654</b>	<b>1,494</b>	<b>11,698</b>	<b>1,494</b>

The Institute leases premises and a franking machine under operating leases. The premises leases typically run for a period of 10 years and the franking machine lease runs for a period of 4 years, with options to renew. In the case of leased premises, lease payments are increased periodically to reflect market rentals. No leases include contingent rentals.

During the year ended 30 June 2009, \$938,000 (Parent) and \$1,055,000 (Group) was recognised as an expense in the Income Statements in respect of operating leases (2008: \$913,000 (Parent) and \$1,001,000 (Group)).

The Institute relocated its national office premises in August 2009 but is liable for rent on its current premises until December 2009. The Institute has provided for the rental expense subsequent to the office relocation. Accordingly, only the Institute's rent commitment up until August 2009 for its old premises plus the full lease commitment for its new premises is included above.

## NOTES TO THE FINANCIAL STATEMENTS

*in thousands of New Zealand dollars*

### 20 Financial instruments

	Parent 2009	Parent 2008	Group 2009	Group 2008
<b>Loans and receivables</b>				
Cash and cash equivalents	4,299	2,178	4,909	2,553
Trade receivables from non-related parties	986	775	1,026	776
Receivable from subsidiary and related parties	54	41	4	-
Other receivables	316	276	316	276
Dividend receivable	200	-	-	-
Investments	6,045	8,996	6,045	8,996
<b>Total loans and receivables</b>	<b>11,900</b>	<b>12,266</b>	<b>12,300</b>	<b>12,601</b>
<b>Financial liabilities measured at amortised cost</b>				
Trade and related party payables	361	707	833	847
Funds held on deposit for subsidiary	4,300	3,300	-	-
<b>Total financial liabilities measured at amortised cost</b>	<b>4,661</b>	<b>4,007</b>	<b>833</b>	<b>847</b>

The carrying value of investments approximates their fair value.

Exposure to credit, liquidity, interest rate and foreign exchange risks arise in the normal course of the Institute's operations. Management carefully manages such risks in order to minimise any losses that could adversely impact on the Group financial results, as detailed below.

#### Credit risk

Credit risk is the risk that a third party will default on its obligations to the Institute, causing the Institute to incur a loss. The financial instruments, which potentially subject the Institute to credit risk, consist principally of cash and cash equivalents, investments and trade and other receivables.

In the normal course of business, the Institute incurs credit risk from trade and other receivables and transactions with banking institutions. The Institute manages its exposure to credit risk by:

- Only holding bank balances and short-term deposits with New Zealand registered banking institutions and
- Maintaining credit control procedures over trade and other receivables.

The maximum exposure at balance date is equal to the total amount of cash and cash equivalents, investments and trade and other receivables disclosed in the Balance Sheets. Trade and other receivables considered uncollectible have been written off and doubtful debts have been adequately provided for. The Institute has no significant concentrations of credit risk. The Institute does not require any collateral or security to support financial instruments and other debts it holds, due to the low risk associated with the realisation of these instruments.

#### Liquidity risk

Liquidity risk is the risk that the Institute will not have sufficient liquid funds to meet its commitments as they fall due. Liquidity risk management is achieved by forecasting and monitoring cash flows on a daily basis. The tenure of investments is managed to ensure that funds mature in appropriate timeframes to maintain operational liquidity. All liabilities are contractually repayable within 30 days.

#### Interest rate risk

Interest rate risk is the risk that the value of the Institute's investments will fluctuate due to changes in interest rates. Interest rate risk is managed by limiting investments to short-term deposits held until maturity. The interest rate risk associated with such deposits is considered minimal. The Institute has no borrowings and accordingly no interest rate risk on liabilities.

## NOTES TO THE FINANCIAL STATEMENTS

*in thousands of New Zealand dollars*

### 20 Financial instruments (continued)

#### Foreign exchange risk

Foreign exchange risk is the risk that the value of assets and liabilities denominated in foreign currencies will fluctuate because of changes in foreign exchange rates. The Institute's branches in the United Kingdom and Australia operate separate bank accounts in local currency. The Institute incurs foreign exchange risk as a result of the conversion of foreign currency balances held in these bank accounts to New Zealand dollars at balance date. The foreign exchange risk associated with these balances is considered minimal and therefore the Institute does not hedge this foreign currency exposure.

#### Cash flow hedges

Cash flows from the cash flow hedges are expected to occur and affect the surplus or deficit during the 2009/10 financial year. Hedge accounting has not been used in previous financial years. In the current financial year no amounts have been recognised in the Income Statements in respect of the cash flow hedges.

#### Sensitivity analysis

In managing interest rate risk the Group aims to reduce the impact of short-term fluctuations on the Group's earnings by entering into fixed interest rate deposits. The Group also maintains call accounts with variable interest rates. At year end, a movement of one percentage point in interest rates would affect the Group's surplus and members' funds by \$109,000 (2008: \$115,000) (Parent: \$103,000; 2008: \$112,000).

The Institute operates branches in the United Kingdom and Australia and a movement of one percentage point in the value of the New Zealand dollar against the respective foreign currencies would have minimal impact on the Group's surplus and members' funds for the 2008 and 2009 financial years.

#### Quantitative disclosures

As at 30 June 2009 and 30 June 2008, all overdue receivables have been assessed for impairment and appropriate provisions applied. The carrying amount of financial assets represents the maximum credit exposure. The status of receivables at the reporting date is as follows:

Parent	2009			2008		
	Gross	Impairment	Net	Gross	Impairment	Net
Not past due	377	-	377	352	-	352
Past due 1-30 days	80	-	80	96	-	96
Past due 31-60 days	87	-	87	44	-	44
Past due 61-180 days	122	(41)	81	109	(31)	78
Past due 181-365 days	136	(68)	68	148	(56)	92
Past due more than 1 year	184	(138)	46	26	(14)	12
	<b>986</b>	<b>(247)</b>	<b>739</b>	<b>775</b>	<b>(101)</b>	<b>674</b>

Group	2009			2008		
	Gross	Impairment	Net	Gross	Impairment	Net
Not past due	397	-	397	353	-	353
Past due 1-30 days	100	-	100	96	-	96
Past due 31-60 days	87	-	87	44	-	44
Past due 61-180 days	122	(41)	81	109	(31)	78
Past due 181-365 days	136	(68)	68	148	(56)	92
Past due more than 1 year	184	(138)	46	26	(14)	12
	<b>1,026</b>	<b>(247)</b>	<b>779</b>	<b>776</b>	<b>(101)</b>	<b>675</b>

## NOTES TO THE FINANCIAL STATEMENTS

*in thousands of New Zealand dollars*

### 21 Related parties

#### a) Identity of related parties

The Institute has a related party relationship with its Executive Board members; its subsidiary ABEL; the V E A Halligan Memorial Trust and its Executive Management.

#### b) Related party transactions

##### **Executive Board**

The following were members of the Executive Board during the year:

Linda Turner (President)	Mike Hanaray	Paul Pedofski
Dinu Harry (1st Vice President)	Laurie Jordan	Gary Swift **
Ross Jackson (2nd Vice President)	Terry McLaughlin	Sarah Taylor *
Rosemary Chung **	David Osborne	Fred Hutchings (co-opted)
Graham Crombie *		

\* Term completed in December 2008

\*\* Term commenced in January 2009

Transactions between the Institute and members of the Executive Board consist of:

	Parent 2009	Parent 2008	Group 2009	Group 2008
Linda Turner (Head of School, Business, Eastern Institute of Technology; formerly Dean of Manukau Business School, Manukau Institute of Technology)				
Paid to Linda Turner:				
Honorarium as Office Bearer	78	22	78	22
Paid to Eastern Institute of Technology:				
Honorarium as Office Bearer	10	-	10	-
Received from Manukau Institute of Technology:				
Advertising in the <i>Chartered Accountants' Journal</i>	-	1	-	1
Dinu Harry (Director of Bertelsen Harry Waters Limited)				
Paid to Bertelsen Harry Waters Limited:				
Honorarium as Office Bearer	23	8	23	8
Received from Bertelsen Harry Waters Limited:				
Practice review fees	5	-	5	-
Ross Jackson (Partner in McCulloch and Partners)				
Paid to McCulloch and Partners:				
Honorarium as Office Bearer	8	-	8	-
Received from McCulloch and Partners:				
Practice review fees	-	8	-	8
Denise Bovaird (Bovaird Partners Limited)				
Paid to Bovaird Partners Limited:				
Honorarium as Office Bearer	-	70	-	70

## NOTES TO THE FINANCIAL STATEMENTS

*in thousands of New Zealand dollars*

### 21 Related parties (continued)

Graham Crombie (Partner in Polson Higgs)				
Paid to Polson Higgs:				
Professional development fees	393	376	393	376
Honorarium as Office Bearer	72	87	72	87
Amount owing at year end	44	47	44	47
Received from Polson Higgs:				
Practice review fees	-	16	-	16
Mike Hanaray (Director of Accountants on London Limited)				
Paid to Accountants on London Limited:				
Workshop facilitator fees	-	-	12	14
Received from Accountants on London Limited:				
Practice review fees	-	4	-	4
Laurie Jordan (Director Jordan Horton & Co. Limited)				
Received from Jordan Horton & Co. Limited:				
Practice review fees receivable at year end	4	-	4	-
Terry McLaughlin (Executive Director of Audit New Zealand until 29 June 2008)				
Received from Audit New Zealand:				
Practice review fees	-	9	-	9
Keith Wedlock (Partner in Glendinning & Glendinning)				
Paid to Glendinning & Glendinning:				
Interim Chief Executive fees	-	146	-	146
Fred Hutchings (Partner in PricewaterhouseCoopers)				
Paid to PricewaterhouseCoopers:				
Professional development fees	37	138	37	138
Room hire/catering/advertising	19	9	19	9
Professional conduct investigating fees	-	24	-	24
Technical reviewer fees	13	3	13	3
Amount owing at year end	4	16	4	16

All transactions were conducted on an arm's length basis. Outstanding balances at year end are unsecured, interest free and settlement occurs in cash.

## NOTES TO THE FINANCIAL STATEMENTS

*in thousands of New Zealand dollars*

### 21 Related parties (continued)

#### **ABEL**

During the year the Institute paid certain expenses on behalf of ABEL, which were subsequently reimbursed. The total amount of the transactions for the year ended 30 June 2009 with the subsidiary was \$695,000 (2008: \$506,000).

The amount remaining to be reimbursed at 30 June 2009 was \$50,000 (2008: \$41,000) which has been included in trade and other receivables. The subsidiary also declared a dividend of \$200,000 to the Parent during the year (2008: \$500,000).

The Institute held funds on deposit for ABEL as at 30 June 2009, totalling \$4,300,000 (2008: \$3,300,000).

#### **V E A Halligan Memorial Trust**

The Group acts as the trustee of the V E A Halligan Memorial Trust (the Trust). The primary purpose of the Trust is to provide an annual grant to promote the quality, expertise and education of accountants ordinarily resident in Canterbury other than for the purpose of studying.

The Group has not entered into any transactions with the Trust.

#### **Executive Management**

Key management compensations were as follows:

	Parent 2009	Parent 2008	Group 2009	Group 2008
Short-term employee benefits	1,309	1,168	1,582	1,432

### 22 Contingent liabilities

There are no contingent liabilities for the Parent or Group at 30 June 2009 (2008: nil).

### 23 Contingent assets

There are no contingent assets for the Parent or Group at 30 June 2009 (2008: nil).

### 24 Capital commitments

The Parent and Group had capital commitments, related to the fit out of its new premises, of \$432,000 at 30 June 2009 (2008: nil).

### 25 Subsequent events

There are no significant events subsequent to balance date.

### 26 Accounting estimates and judgements

Information on significant areas of estimation, uncertainty and critical judgements in applying accounting policies which have the most significant effect in the preparation of these financial statements are included in the following notes:

- Note 7 – trade and other receivables  
Management apply judgement in assessing the carrying value of trade and other receivables. Receivables are considered impaired when they exceed 90 days unless extended payment terms have been agreed. The calculation of the provision has been based on a review of specific trade and other receivables.
- Note 14 – employee benefits  
The value of employee benefits involves judgement in assessing the non-current portion of the long service leave liability. Estimates used in calculating this liability are: the estimated increase in annual salaries; probability of employees reaching the vesting period; and the appropriate discount factor to apply in determining the present value of the liability. These estimates have been based on historical human resource information for the Institute and current economic data.
- Note 16 – provisions  
Estimates and judgements have been used in assessing the value of the provisions for refurbishment and premises rent obligations. These estimates have been based on management's analysis of their remaining lease obligations and the valuation of meeting these obligations.

Management have discussed the development, selection, application and disclosure of the Institute's critical accounting policies and estimates with the Audit, Finance and Risk Management Committee.

## Auditor's Report

To the Members of the Institute of Chartered Accountants of New Zealand (trading as New Zealand Institute of Chartered Accountants) ("the Institute")

We have audited the financial statements on pages 62 to 88. The financial statements provide information about the past financial performance of the Institute and Group and their financial position as at 30 June 2009. This information is stated in accordance with the accounting policies set out on pages 65 to 70.

This report is made solely to the Members of the Institute, as a body, in accordance with the Rules of the Institute of Chartered Accountants of New Zealand. Our audit has been undertaken so that we might state to the Members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Institute and Group and the Members as a body, for our audit work, for this report, or for the opinions we have formed.

## Executive Boards' Responsibilities

The Executive Board is responsible for the preparation of financial statements which comply with generally accepted accounting practice in New Zealand and fairly present the financial position of the Institute and Group as at 30 June 2009 and their financial performance and cash flows for the year ended on that date.

## Auditor's Responsibilities

It is our responsibility to express an independent opinion on the financial statements presented by the Executive Board and report our opinion to you.

## Basis of Opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- ▶ the significant estimates and judgements made by the Executive Board in the preparation of the financial statements; and
- ▶ whether the accounting policies are appropriate to the Institute's and Group's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with generally accepted auditing standards in New Zealand. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Certain partners of Ernst & Young have presented for the Institute during the year and preside on various boards and committees of the Institute. In addition to this, Ernst & Young partners and employees may deal with the Institute and Group on normal terms within the normal course of membership and trading activities.

Except as stated above and other than in our capacity as auditor we have no relationships with, or interests in, the Institute or Group.



### Unqualified Opinion

We have obtained all the information and explanations we have required.

In our opinion

- ▶ the financial statements on pages 62 to 88:
  - ▶ comply with generally accepted accounting practice in New Zealand; and
  - ▶ fairly present the financial position of the Institute and Group as at 30 June 2009 and their financial performance and cash flows for the year ended on that date.

Our audit was completed on 30 September 2009 and our unqualified opinion is expressed as at that date.

A handwritten signature in black ink that reads 'Ernst &amp; Young'.

Wellington

