

Financial Statements

INCOME STATEMENTS

For the year ended 30 June 2008

in thousands of New Zealand dollars

	Note	Parent 2008	Parent 2007	Group 2008	Group 2007
Revenue	1	27,487	24,029	31,614	27,998
Expenses					
Employee benefits	2	9,190	8,201	9,938	8,887
Depreciation	10	530	456	530	456
Amortisation	11	188	184	246	239
Other expenses	3	15,752	14,908	18,946	17,620
Total expenses		25,660	23,749	29,660	27,202
Surplus before income tax		1,827	280	1,954	796
Income tax benefit	4	-	221	17	113
Surplus after income tax	17	1,827	501	1,971	909

STATEMENTS OF CHANGES IN MEMBERS' FUNDS

For the year ended 30 June 2008

in thousands of New Zealand dollars

	Note	Parent 2008	Parent 2007	Group 2008	Group 2007
Members' funds at the beginning of the year		3,795	3,294	5,276	4,367
Surplus/(deficit) for the year attributable to:					
Institute members		1,830	646	1,974	1,054
Special interest groups		(3)	(145)	(3)	(145)
Surplus for the year		1,827	501	1,971	909
Members' funds at the end of the year	17	5,622	3,795	7,247	5,276

The accompanying notes form part of these financial statements.

BALANCE SHEETS

As at 30 June 2008

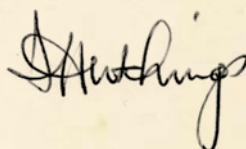
in thousands of New Zealand dollars

	Note	Parent 2008	Parent 2007	Group 2008	Group 2007
Assets					
Cash and cash equivalents	5	2,178	5,496	2,553	5,881
Investments	6	8,996	1,518	8,996	1,518
Trade and other receivables	7	1,453	1,600	1,705	1,605
Income tax receivable	8	294	180	386	390
Inventories	9	109	107	119	124
Total current assets		13,030	8,901	13,759	9,518
Property, plant and equipment	10	962	1,165	962	1,165
Intangible assets	11	238	248	316	424
Investment in subsidiary	12	250	250	-	-
Total non-current assets		1,450	1,663	1,278	1,589
Total assets		14,480	10,564	15,037	11,107
Liabilities					
Trade and other payables	13	2,527	2,422	2,709	2,665
Employee benefits	14	769	579	769	579
Income in advance		2,007	431	4,057	2,333
Funds held on deposit for subsidiary	21	3,300	3,100	-	-
Deferred tax liability	15	-	-	-	17
Total current liabilities		8,603	6,532	7,535	5,594
Employee benefits	14	14	15	14	15
Provisions	16	241	222	241	222
Total non-current liabilities		255	237	255	237
Total liabilities		8,858	6,769	7,790	5,831
Members' funds					
Institute members' funds		5,399	3,569	7,024	5,050
Special interest groups' funds		223	226	223	226
Total members' funds	17	5,622	3,795	7,247	5,276
Total member' funds and liabilities		14,480	10,564	15,037	11,107

For and on behalf of
the Executive Board



Graham Crombie – President
Date: 26 September 2008



Fred Hutchings – Chair of Audit, Finance and Risk Management Committee
Date: 26 September 2008

The accompanying notes form part of these financial statements.

STATEMENTS OF CASH FLOWS

For the year ended 30 June 2008

in thousands of New Zealand dollars

	Note	Parent 2008	Parent 2007	Group 2008	Group 2007
Cash flows from operating activities					
Cash receipts from subscriptions		19,199	14,890	19,199	14,890
Cash receipts from professional development		3,459	4,348	8,028	8,396
Cash receipts from other		4,819	3,825	4,819	3,845
Cash paid to suppliers		(16,270)	(14,342)	(19,774)	(16,949)
Cash paid to employees		(8,253)	(8,131)	(9,000)	(8,834)
Cash generated from operations		2,954	590	3,272	1,348
Interest received		842	430	1,121	564
Income tax received		-	658	117	658
Net goods and services tax refunded		154	23	130	18
Net cash flows from operating activities	18	3,950	1,701	4,640	2,588
Cash flows from investing activities					
Proceeds from maturity of investments		19,500	3,500	19,500	3,500
Deposits received from subsidiary		2,500	2,664	-	-
Acquisition of property, plant and equipment		(333)	(304)	(333)	(304)
Acquisition of intangible assets		(157)	(78)	(157)	(105)
Acquisition of investments		(26,978)	(5,018)	(26,978)	(5,018)
Dividends received		500	-	-	-
Return of investment funds to subsidiary		(2,300)	(2,000)	-	-
Net cash flows from investing activities		(7,268)	(1,236)	(7,968)	(1,927)
Net (decrease)/increase in cash and cash equivalents		(3,318)	465	(3,328)	661
Cash and cash equivalents at beginning of year		5,496	5,031	5,881	5,220
Cash and cash equivalents at end of year	5	2,178	5,496	2,553	5,881

The accompanying notes form part of 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. 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 Executive Board on 26 September 2008.

(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.

These are the Parent and Group's first NZ IFRS financial statements and NZ IFRS 1 has been applied. An explanation of how the transition to NZ IFRS has affected the reported financial position, financial performance and cash flow of the Parent and Group is provided in note 27.

(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 and in preparing opening NZ IFRS Balance Sheets at 1 July 2006 for the purposes of the transition to NZ IFRS.

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.

NOTES TO THE FINANCIAL STATEMENTS

Significant accounting policies

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.

(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. The cost of library assets at 1 July 2006, the date of transition to NZ IFRS, was determined by reference to its fair value at that date.

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 as an expense as incurred.

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:

Class of asset	Estimated life
• 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.

NOTES TO THE FINANCIAL STATEMENTS

Significant accounting policies

(g) Intangible assets

Software

Software applications that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses.

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.

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:

Type of asset	Estimated life
• 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 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.

(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

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.

NOTES TO THE FINANCIAL STATEMENTS

Significant accounting policies

(l) Impairment (continued)

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.

(m) Employee benefits

Annual leave

Annual leave 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 on 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.

NOTES TO THE FINANCIAL STATEMENTS

Significant accounting policies

(p) Income tax (continued)

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 Service 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.

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.

Business partnership and sponsorship

The Business 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 Business 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.

NOTES TO THE FINANCIAL STATEMENTS

Significant accounting policies

(r) Revenue recognition (continued)

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) 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.

(u) Adoption status of relevant new NZ IFRS and Interpretations

The Group has elected not to early adopt the following standard which has been issued but is 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 is expected to 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.

There are no other new standards or interpretations that are expected to have a significant impact on the Institute's financial statements.

NOTES TO THE FINANCIAL STATEMENTS

in thousands of New Zealand dollars

1 Revenue	Parent 2008	Parent 2007	Group 2008	Group 2007
Subscriptions	17,583	15,232	17,583	15,232
Professional competency course fees	-	-	4,246	3,774
Professional development	3,594	4,293	3,594	4,293
Practice review fees	1,308	953	1,308	953
Journal revenue	807	521	807	521
Business partnership and sponsorship	616	711	616	711
Publications	566	536	566	536
Interest income	955	605	1,234	800
Dividend received	500	-	-	-
Other	1,558	1,178	1,660	1,178
	27,487	24,029	31,614	27,998

2 Employee benefits	Parent 2008	Parent 2007	Group 2008	Group 2007
Salaries	9,159	8,140	9,907	8,826
Increase in employee benefit provisions	31	61	31	61
	9,190	8,201	9,938	8,887

NOTES TO THE FINANCIAL STATEMENTS

in thousands of New Zealand dollars

3 Other expenses	Note	Parent 2008	Parent 2007	Group 2008	Group 2007
Printing, copying, mail preparation and postage		2,188	2,469	2,458	2,658
Catering, venue and equipment hire		1,793	1,478	2,314	1,907
Presenters and facilitators fees		1,227	1,472	2,057	2,253
Travel costs		1,924	1,869	2,013	1,976
Professional services and legal fees		1,367	1,014	1,393	1,046
Operating lease expenses	19	913	834	1,001	915
External contractors		786	477	786	477
Marketing costs		755	639	755	639
Information technology costs		682	741	686	763
Premises costs		402	418	417	430
Recruitment and training		438	440	447	454
Merchant and bank fees		310	280	312	283
Office bearers' honoraria		184	178	184	178
Fees paid to auditor for other services (professional development course presentation and other)		109	53	109	53
Impairment loss on intangible assets	11	-	-	40	-
Impairment of trade receivables (bad and doubtful debts)	7	35	13	35	13
Loss on disposal of property, plant and equipment		4	5	4	5
Net foreign exchange loss/(gain) on overseas translations		(19)	81	(19)	81
Audit fees (for the audit of the financial statements)		72	65	86	73
Directors fees and expenses		-	-	18	17
Increase in provisions	16	19	19	19	19
Donations		5	4	5	4
Other		2,558	2,359	3,826	3,376
		15,752	14,908	18,946	17,620

NOTES TO THE FINANCIAL STATEMENTS

in thousands of New Zealand dollars

4 Income tax expense	Parent 2008	Parent 2007	Group 2008	Group 2007
Current tax				
Current year expense	-	-	-	-
Adjustments for prior years	-	(221)	-	(112)
Total current tax benefit	-	(221)	-	(112)
Deferred tax				
Movements in temporary differences	-	-	(17)	(1)
Total deferred tax benefit	-	-	(17)	(1)
Total income tax benefit	-	(221)	(17)	(113)
Reconciliation of effective tax rate				
Operating surplus for the period	1,827	501	1,971	909
Total income tax benefit	-	(221)	(17)	(113)
Surplus excluding income tax	1,827	280	1,954	796
Prima facie income tax using the Institute's domestic tax rate	603	92	645	263
Tax effects of adjustments:				
Non-deductible expenses	5	-	5	-
Non-assessable income	(165)	-	-	-
Non-taxable transactions with members	(951)	(452)	(951)	(452)
Effect of tax rate change	58	-	58	-
Losses utilised by subsidiary	227	288	-	-
Net recognition of deferred tax assets not previously recognised	165	72	165	72
Under/(over) provided in prior periods	58	(221)	61	4
Total income tax benefit	-	(221)	(17)	(113)

NOTES TO THE FINANCIAL STATEMENTS

in thousands of New Zealand dollars

5 Cash and cash equivalents	Parent 2008	Parent 2007	Group 2008	Group 2007
Bank balances	817	381	870	429
Call deposits	344	1,062	666	1,399
Short-term deposits	1,017	4,053	1,017	4,053
	2,178	5,496	2,553	5,881

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

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

6 Cash and cash equivalents and investments

	Parent 2008	Parent 2007	Group 2008	Group 2007
Cash and cash equivalents	2,178	5,496	2,553	5,881
Investments	8,996	1,518	8,996	1,518
	11,174	7,014	11,549	7,399

The carrying value of investments approximates their fair value.

\$3,300,000 (2007: \$3,100,000) 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 (2007: \$11,000) is restricted.

7 Trade and other receivables

	Parent 2008	Parent 2007	Group 2008	Group 2007
Trade receivables	775	716	776	743
Receivable from related parties	41	383	-	-
Prepayments	462	294	683	571
Goods and services tax	-	201	71	285
Other receivables	276	169	276	169
Less: provision for impairment	(101)	(163)	(101)	(163)
	1,453	1,600	1,705	1,605

The carrying value of trade and other receivables approximates their 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 \$138,000 (2007: \$36,000) for the Parent and Group.

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

	Parent 2008	Parent 2007	Group 2008	Group 2007
Balance at 1 July	(163)	(188)	(163)	(188)
Additional provisions made during the year	(35)	(13)	(35)	(13)
Receivables written-off during the year	97	38	97	38
Balance at 30 June	(101)	(163)	(101)	(163)

NOTES TO THE FINANCIAL STATEMENTS

in thousands of New Zealand dollars

8 Income tax receivable	Parent 2008	Parent 2007	Group 2008	Group 2007
Prior year income tax receivable brought forward	180	552	390	695
Resident withholding tax paid	294	180	386	242
Provisional tax paid	-	9	-	9
Refunds received	(180)	(667)	(390)	(667)
Prior period adjustments	-	106	-	111
	294	180	386	390

9 Inventories	Parent 2008	Parent 2007	Group 2008	Group 2007
Books and periodicals	75	49	75	49
Training material	28	53	38	70
Institute branded merchandise	6	5	6	5
	109	107	119	124

In 2008, the cost of inventories sold recognised in operating expenses for the Parent and Group amounted to \$241,000 (2007: \$271,000) and the write-down of inventories to net realisable value amounted to \$62,000 (2007: nil).

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
Cost						
Balance at 1 July 2006	36	2,355	922	635	1,001	4,949
Additions	13	179	72	8	-	272
Disposals	-	(20)	(51)	(3)	-	(74)
Balance at 30 June 2007	49	2,514	943	640	1,001	5,147
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
Depreciation and impairment losses						
Balance at 1 July 2006	-	(1,912)	(710)	(503)	(470)	(3,595)
Depreciation charge for the year	(2)	(246)	(107)	(24)	(77)	(456)
Disposals	-	18	51	-	-	69
Balance at 30 June 2007	(2)	(2,140)	(766)	(527)	(547)	(3,982)
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)
Carrying amounts						
At 1 July 2006	36	443	212	132	531	1,354
At 30 June 2007	47	374	177	113	454	1,165
At 1 July 2007	47	374	177	113	454	1,165
At 30 June 2008	55	293	107	129	378	962

NOTES TO THE FINANCIAL STATEMENTS

in thousands of New Zealand dollars

11 Intangible assets

	Parent			Group		
	Software	Development cost	Total	Software	Development cost	Total
Cost						
Balance at 1 July 2006	1,305	-	1,305	1,415	155	1,570
Additions	125	-	125	125	23	148
Disposals	-	-	-	(1)	-	(1)
Balance at 30 June 2007	1,430	-	1,430	1,539	178	1,717
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
Amortisation and impairment losses						
Balance at 1 July 2006	(998)	-	(998)	(1,030)	(24)	(1,054)
Amortisation charge for the year	(184)	-	(184)	(205)	(34)	(239)
Balance at 30 June 2007	(1,182)	-	(1,182)	(1,235)	(58)	(1,293)
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)
Carrying amounts						
At 1 July 2006	307	-	307	385	131	516
At 30 June 2007	248	-	248	304	120	424
At 1 July 2007	248	-	248	304	120	424
At 30 June 2008	238	-	238	238	78	316

Impairment

Due to a reassessment of the future economic benefits likely to be provided by the ABEL programme management system and the PAS/PCE2 programme development costs, an impairment loss of \$40,000 has been recognised in the current year to write-off the carrying value of these intangible assets.

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 2008	Parent 2007
Advanced Business Education Limited (ABEL)	250	250
	250	250

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 2008	Parent 2007	Group 2008	Group 2007
Trade payables to non-related parties	644	707	784	875
Payable to related parties	63	151	63	151
GST and PAYE payable	10	-	-	-
Accrued expenses	1,810	1,564	1,862	1,639
	2,527	2,422	2,709	2,665

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

14 Employee benefits

	Parent 2008	Parent 2007	Group 2008	Group 2007
Non-current liabilities				
Liability for long service leave	14	15	14	15
	14	15	14	15
Current liabilities				
Liability for long service leave	30	16	30	16
Liability for annual leave	478	460	478	460
Payroll accrual	261	103	261	103
	769	579	769	579

The non-current portion of the long service leave liability was calculated based on the Institute's estimation of a 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

Deferred tax balances at 30 June 2007 are calculated at the company tax rate of 33%. Deferred tax balances at 30 June 2008 are calculated at 30% as this rate was substantively enacted at balance date.

a) Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2008	2007	2008	2007	2008	2007
Parent						
Net tax asset/(liability)	-	-	-	-	-	-
Group	Assets		Liabilities		Net	
	2008	2007	2008	2007	2008	2007
Intangible assets	-	-	-	(17)	-	(17)
Net tax asset/(liability)	-	-	-	(17)	-	(17)

Movements in temporary differences during the year were:

	Balance	Recognised	Balance	Recognised	Balance
	1 July	in surplus	30 June	in surplus	30 June
	2006	or deficit	2007	or deficit	2008
Parent	-	-	-	-	-
Group	Balance	Recognised	Balance	Recognised	Balance
	1 July	in surplus	30 June	in surplus	30 June
	2006	or deficit	2007	or deficit	2008
Intangible assets	-	(17)	(17)	17	-
	-	(17)	(17)	17	-

NOTES TO THE FINANCIAL STATEMENTS

in thousands of New Zealand dollars

15 Deferred tax assets and liabilities (continued)

b) Unrecognised deferred tax assets and liabilities

Unrecognised deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2008	2007	2008	2007	2008	2007
Parent						
Other items	77	88	-	-	77	88
Tax loss carry-forwards	504	329	-	-	504	329
Tax assets	581	417	-	-	581	417

Group	Assets		Liabilities		Net	
	2008	2007	2008	2007	2008	2007
Other items	77	88	-	-	77	88
Tax loss carry-forwards	504	329	-	-	504	329
Tax assets	581	417	-	-	581	417

Movements in unrecognised deferred tax assets and liabilities during the year were:

Parent	Balance	Movements	Balance	Movements	Balance
	1 July 06		30 June 07		30 June 08
Deductible temporary differences	67	21	88	(11)	77
Tax losses	278	51	329	175	504
	345	72	417	164	581

Group	Balance	Movements	Balance	Movements	Balance
	1 July 06		30 June 07		30 June 08
Deductible temporary differences	67	21	88	(11)	77
Tax losses	278	51	329	175	504
	345	72	417	164	581

Deferred tax assets arising from timing differences of \$257,000 (2007:\$267,000) and unutilised losses of \$1,684,000 (2007: \$997,000) 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
	Refurbishment provision
Balance at 1 July 2006	203
Provisions made during the year	19
Balance at 30 June 2007	222
Balance at 1 July 2007	222
Provisions made during the year	19
Balance at 30 June 2008	241
Current	-
Non-current	241

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 was calculated based on the Institute's estimation 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, however, such outflows may be deferred to the extent that the leases are renewed for further periods.

NOTES TO THE FINANCIAL STATEMENTS

in thousands of New Zealand dollars

17 Members' funds

Reconciliation of movement in members' funds

	Institute Members' funds	Special interest groups' funds	Total members' funds
Parent			
Balance at 1 July 2006	2,923	371	3,294
Surplus/(deficit) for the year	646	(145)	501
Balance at 30 June 2007	3,569	226	3,795
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

	Institute Members' funds	Special interest groups' funds	Total members' funds
Group			
Balance at 1 July 2006	3,996	371	4,367
Surplus/(deficit) for the year	1,054	(145)	909
Balance at 30 June 2007	5,050	226	5,276
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

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.

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 2008	Parent 2007	Group 2008	Group 2007
Surplus after income tax	1,827	501	1,971	909
Adjusted for:				
Dividend income classified as investing activities	(500)	-	-	-
Add back non-cash items:				
Depreciation and amortisation	718	642	776	704
Bad debts	97	38	97	38
Change in doubtful debts	(62)	(50)	(62)	(50)
Assets written down	-	-	40	-
Stock written down	62	-	62	-
Loss on sale of property, plant and equipment	4	-	4	-
Non-cash movement in taxation	-	(115)	-	-
Movements in working capital:				
(Increase)/decrease in trade and other receivables	112	(204)	(135)	(363)
Increase in inventories	(64)	(49)	(57)	(33)
Increase in trade and other payables	86	822	25	1,009
Increase in employee benefits	189	75	189	75
Increase/(decrease) in income in advance	1,576	(345)	1,724	(37)
(Increase)/decrease in income tax	(114)	372	4	305
Increase in provisions	19	14	19	14
(Decrease)/increase in deferred tax	-	-	(17)	17
Net movement in working capital	1,804	685	1,752	987
Net cash inflow from operating activities	3,950	1,701	4,640	2,588

19 Operating leases

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	Parent 2008	Parent 2007	Group 2008	Group 2007
Less than one year	939	981	939	981
Between one and five years	555	948	555	948
More than five years	-	-	-	-
	1,494	1,929	1,494	1,929

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 2008, \$913,000 (Parent) and \$1,001,000 (Group) was recognised as an expense in the Income Statements in respect of operating leases (2007: \$834,000 (Parent) and \$915,000 (Group)).

NOTES TO THE FINANCIAL STATEMENTS

in thousands of New Zealand dollars

20 Financial instruments

	Parent 2008	Parent 2007	Group 2008	Group 2007
Loans and receivables				
Cash and cash equivalents	2,178	5,496	2,553	5,881
Trade and related party receivables	816	1,099	776	743
Investments	8,996	1,518	8,996	1,518
Total loans and receivables	11,990	8,113	12,325	8,142
Financial liabilities measured at amortised cost				
Trade and related party payables	707	858	847	1,026
Funds held on deposit for subsidiary	3,300	3,100	-	-
Total financial liabilities measured at amortised cost	4,007	3,958	847	1,026

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.

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, short-term deposits and accounts receivable.

In the normal course of business, the Institute incurs credit risk from trade 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 receivables.

The maximum exposure at balance date is equal to the total amount of bank balances, short-term deposits, and trade receivables disclosed in the Balance Sheets. Trade 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

in thousands of New Zealand dollars

20 Financial instruments (continued)

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 its foreign currency exposure.

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 \$115,000 (2007: \$74,000) (Parent: \$112,000; 2007: \$70,000).

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 2007 and 2008 financial years.

Quantitative disclosures

As at 30 June 2008 and 30 June 2007, 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	2008			2007		
	Gross	Impairment	Net	Gross	Impairment	Net
Not past due	352	-	352	294	-	294
Past due 1-30 days	96	-	96	104	-	104
Past due 31-60 days	44	-	44	54	-	54
Past due 61-180 days	109	(31)	78	46	(17)	29
Past due 181-365 days	148	(56)	92	69	(34)	35
Past due more than 1 year	26	(14)	12	149	(112)	37
	775	(101)	674	716	(163)	553

Group	2008			2007		
	Gross	Impairment	Net	Gross	Impairment	Net
Not past due	353	-	353	321	-	321
Past due 1-30 days	96	-	96	104	-	104
Past due 31-60 days	44	-	44	54	-	54
Past due 61-180 days	109	(31)	78	46	(17)	29
Past due 181-365 days	148	(56)	92	69	(34)	35
Past due more than 1 year	26	(14)	12	149	(112)	37
	776	(101)	675	743	(163)	580

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; the V E A Halligan Trust and its Executive Management.

b) Related party transactions

Executive Board

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

Graham Crombie (President)	Laurie Jordan**	Denise Bovaird*
Linda Turner (1st Vice President)	David Osborne	Keith Wedlock (ex-officio)***
Dinu Harry (2nd Vice President)	Paul Pedofski	Fred Hutchings (co-opted)
Mike Hanaray	Sarah Taylor	Terry McLaughlin (co-opted)****
Ross Jackson		

* Term completed in December 2007

** Term commenced in January 2008

*** Term as Interim Chief Executive commenced in January 2008 and concluded in June 2008

**** Term as Chief Executive commenced 30 June 2008

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

	Parent 2008	Parent 2007	Group 2008	Group 2007
Graham Crombie (Partner in Polson Higgs)				
Paid to Polson Higgs:				
Professional development fees	376	319	376	319
Honorarium as Office Bearer	87	21	87	21
Amount owing at year end	47	36	47	36
Received from Polson Higgs:				
Practice review fees	16	-	16	-
Linda Turner (Head of School Business at Eastern Institute of Technology; formerly Dean of Manukau Business School, Manukau Institute of Technology)				
Paid to Linda Turner:				
Honorarium as Office Bearer	22	7	22	7
Received from Manukau Institute of Technology:				
Advertising in the <i>Chartered Accountants Journal</i>	1	2	1	2
Dinu Harry (Director of Smith Chilcott Bertelson Harry Limited)				
Paid to Smith Chilcott Bertelson Harry Limited:				
Honorarium as Office Bearer	8	-	8	-
Mike Hanaray (Director of Accountants on London Limited)				
Paid to Accountants on London Limited:				
Workshop facilitator fees	-	-	14	11
Received from Accountants on London Limited:				
Practice review fees	4	-	4	-

NOTES TO THE FINANCIAL STATEMENTS

in thousands of New Zealand dollars

21 Related parties (continued)

	Parent 2008	Parent 2007	Group 2008	Group 2007
Ross Jackson (Partner in McCulloch & Partners)				
Received from McCulloch & Partners:				
Practice review fees	8	5	8	5
Denise Bovaird (Bovaird Partners Limited, formerly Managing Principal of Marsh Limited)				
Paid to Bovaird Partners Limited:				
Honorarium as Office Bearer	70	35	70	35
Paid to Denise Bovaird:				
Honorarium as Office Bearer	-	48	-	48
Received from Marsh Limited:				
Room hire at Auckland Conference Centre	-	1	-	1
Keith Wedlock (Partner in Glendinning & Glendinning)				
Paid to Glendinning & Glendinning:				
Honorarium as Office Bearer	-	67	-	67
Interim Chief Executive fees	146	-	146	-
Fred Hutchings (Partner in PricewaterhouseCoopers)				
Paid to PricewaterhouseCoopers:				
Professional development fees	138	104	138	104
Room hire/catering	9	10	9	10
Professional conduct investigating fees	24	10	24	10
Technical reviewer fees	3	-	3	-
Amount owing at year end	16	115	16	115
Received from PricewaterhouseCoopers:				
Practice review fees	-	19	-	19
Terry McLaughlin (Executive Director of Audit New Zealand until 29 June 2008)				
Received from Audit New Zealand:				
Practice review fees	9	3	9	3

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 2008 with the subsidiary was \$506,000 (2007: \$806,000).

The amount remaining to be reimbursed at 30 June 2008 was \$41,000 (2007: \$383,000) which has been included in trade and other receivables. The subsidiary also paid a dividend of \$500,000 to the Parent during the year (2007:nil).

The Institute held funds on deposit for ABEL as at 30 June 2008, totalling \$3,300,000 (2007:\$3,100,000).

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.

Transactions with Executive Management

Key management compensations were as follows:

	Parent 2008	Parent 2007	Group 2008	Group 2007
Short-term employee benefits	1,168	1,154	1,432	1,414
Termination benefits	-	30	-	30
	1,168	1,184	1,432	1,444

22 Contingent liabilities

There are no contingent liabilities for the Parent or Group at 30 June 2008 (2007: nil).

23 Contingent assets

There are no contingent assets for the Parent or Group at 30 June 2008 (2007: nil).

24 Capital commitments

There are no outstanding capital commitments for the Parent or Group at 30 June 2008 (2007: 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
- Note 14 – employee benefits
- Note 16 – provisions

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.

NOTES TO THE FINANCIAL STATEMENTS

in thousands of New Zealand dollars

27 Explanation of transition to NZ IFRS

These are the Institute's first financial statements prepared in accordance with NZ IFRS.

The accounting policies set out in the notes to the financial statements have been applied in preparing financial statements for the year ended 30 June 2008, the comparative information presented for the year ended 30 June 2007 and in the preparation of opening NZ IFRS Balance Sheets at 1 July 2006 (the Institute's date of transition).

In preparing its opening NZ IFRS Balance Sheets and restating the 2007 financial statements, the Institute has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (previous GAAP). An explanation of how the transition from previous GAAP to NZ IFRS has affected the Institute's Balance Sheets, Income Statements and Statements of Cash Flows is set out in the following tables and notes.

Reconciliation of the surplus for the year ended 30 June 2007

	Note	Parent Previous GAAP	Parent Effect of transition to NZ IFRS	NZ IFRS	Group Previous GAAP	Group Effect of transition to NZ IFRS	NZ IFRS
Revenue		24,029	-	24,029	27,998	-	27,998
Expenses							
Employee benefits	b	8,206	(5)	8,201	8,892	(5)	8,887
Depreciation		456	-	456	456	-	456
Amortisation		184	-	184	239	-	239
Other expenses	d	14,889	19	14,908	17,601	19	17,620
Total expenses		23,735	14	23,749	27,188	14	27,202
Surplus/(deficit) before income tax		294	(14)	280	810	(14)	796
Income tax benefit		221	-	221	113	-	113
Surplus/(deficit) after income tax		515	(14)	501	923	(14)	909

NOTES TO THE FINANCIAL STATEMENTS

in thousands of New Zealand dollars

27 Explanation of transition to NZ IFRS (continued)

Reconciliation of the Balance Sheets

	Note	Transition Balance Sheet 1 July 2006			Comparative Balance Sheet 30 June 2007		
		Previous GAAP	Effect of transition to NZ IFRS	NZ IFRS	Previous GAAP	Effect of transition to NZ IFRS	NZ IFRS
Parent							
Assets							
Cash and cash equivalents	c	5,031	-	5,031	6,980	(1,484)	5,496
Investments	c	-	-	-	-	1,518	1,518
Trade and other receivables	c,f	999	-	999	1,251	349	1,600
Income tax receivable		552	-	552	180	-	180
Inventories		58	-	58	107	-	107
Total current assets		6,640	-	6,640	8,518	383	8,901
Property, plant and equipment	a	1,661	(307)	1,354	1,413	(248)	1,165
Intangible assets	a	-	307	307	-	248	248
Investment in subsidiary		250	-	250	250	-	250
Total non-current assets		1,911	-	1,911	1,663	-	1,663
Total assets		8,551	-	8,551	10,181	383	10,564
Liabilities							
Trade and other payables		1,583	-	1,583	2,422	-	2,422
Employee benefits		504	-	504	579	-	579
Income in advance		776	-	776	431	-	431
Funds held on deposit for subsidiary	f	2,171	-	2,171	2,717	383	3,100
Total current liabilities		5,034	-	5,034	6,149	383	6,532
Employee benefits	b	-	20	20	-	15	15
Provisions	d	-	203	203	-	222	222
Total non-current liabilities		-	223	223	-	237	237
Total liabilities		5,034	223	5,257	6,149	620	6,769
Members' funds							
Institute members' funds	b,d	3,146	(223)	2,923	3,806	(237)	3,569
Special interest groups' funds		371	-	371	226	-	226
Total members' funds		3,517	(223)	3,294	4,032	(237)	3,795
Total members' funds and liabilities		8,551	-	8,551	10,181	383	10,564

NOTES TO THE FINANCIAL STATEMENTS

in thousands of New Zealand dollars

27 Explanation of transition to NZ IFRS (continued)

Reconciliation of the Balance Sheets

Group	Note	Transition Balance Sheet 1 July 2006			Comparative Balance Sheet 30 June 2007		
		Previous GAAP	Effect of transition to NZ IFRS	NZ IFRS	Previous GAAP	Effect of transition to NZ IFRS	NZ IFRS
Assets							
Cash and cash equivalents	c	5,220	-	5,220	7,365	(1,484)	5,881
Investments	c	-	-	-	-	1,518	1,518
Trade and other receivables	c*	1,227	-	1,227	1,639	(34)	1,605
Income tax receivable		695	-	695	390	-	390
Inventories		91	-	91	124	-	124
Total current assets		7,233	-	7,233	9,518	-	9,518
Property, plant and equipment	a	1,739	(385)	1,354	1,469	(304)	1,165
Intangible assets	a	131	385	516	120	304	424
Total non-current assets		1,870	-	1,870	1,589	-	1,589
Total assets		9,103	-	9,103	11,107	-	11,107
Liabilities							
Trade and other payables		1,639	-	1,639	2,665	-	2,665
Employee benefits		504	-	504	579	-	579
Income in advance		2,370	-	2,370	2,333	-	2,333
Deferred tax liability		-	-	-	17	-	17
Total current liabilities		4,513	-	4,513	5,594	-	5,594
Employee benefits	b	-	20	20	-	15	15
Provisions	d	-	203	203	-	222	222
Total non-current liabilities		-	223	223	-	237	237
Total liabilities		4,513	223	4,736	5,594	237	5,831
Members' funds							
Institute members' funds	b,d	4,219	(223)	3,996	5,287	(237)	5,050
Special interest groups' funds		371	-	371	226	-	226
Total members' funds		4,590	(223)	4,367	5,513	(237)	5,276
Total members' funds and liabilities		9,103	-	9,103	11,107	-	11,107

NOTES TO THE FINANCIAL STATEMENTS

in thousands of New Zealand dollars

27 Explanation of transition to NZ IFRS (continued)

Reconciliation of cash flows for the year ended 30 June 2007

	Note	Parent			Group		
		Previous GAAP	Effect of transition to NZ IFRS	NZ IFRS	Previous GAAP	Effect of transition to NZ IFRS	NZ IFRS
Cash flows from operating activities							
Cash receipts from subscriptions		14,890	-	14,890	14,890	-	14,890
Cash receipts from professional development		4,348	-	4,348	8,396	-	8,396
Cash receipts from other		3,825	-	3,825	3,845	-	3,845
Cash paid to suppliers		(14,342)	-	(14,342)	(16,949)	-	(16,949)
Cash paid to employees		(8,131)	-	(8,131)	(8,834)	-	(8,834)
Cash generated from operations		590	-	590	1,348	-	1,348
Interest received		396	34	430	530	34	564
Income tax paid		658	-	658	658	-	658
Net goods and services tax refunded		23	-	23	18	-	18
Net cash flows from operating activities		1,667	34	1,701	2,554	34	2,588
Cash flows from investing activities							
Proceeds from investments	e	-	3,500	3,500	-	3,500	3,500
Deposits received from subsidiary	e	664	2,000	2,664	-	-	-
Acquisition of property, plant and equipment		(304)	-	(304)	(304)	-	(304)
Acquisition of intangible assets		(78)	-	(78)	(105)	-	(105)
Acquisition of investments	c,e	-	(5,018)	(5,018)	-	(5,018)	(5,018)
Return of investment funds to subsidiary	e	-	(2,000)	(2,000)	-	-	-
Net cash flows from investing activities		282	(1,518)	(1,236)	(409)	(1,518)	(1,927)
Net increase in cash and cash equivalents	c,e	1,949	(1,484)	465	2,145	(1,484)	661
Cash and cash equivalents at beginning of year		5,031	-	5,031	5,220	-	5,220
Cash and cash equivalents at end of year		6,980	(1,484)	5,496	7,365	(1,484)	5,881

NOTES TO THE FINANCIAL STATEMENTS

in thousands of New Zealand dollars

27 Explanation of transition to NZ IFRS (continued)

Notes to the reconciliation of previous GAAP

a) Intangible assets/property, plant and equipment

Computer software has been reclassified as an intangible asset in accordance with NZ IAS 38 – Intangible Assets, where the software is not an integral part of the associated hardware. It was previously classified as property, plant and equipment.

b) Long service leave

Under previous GAAP, long service leave was recognised when the employees' long service leave had vested. In accordance with NZ IAS 19, the provision for long service leave is calculated as the present value of the future benefit that employees have earned in return for their services in past periods.

1 July 2006 adjustment

The effect of recognising the above employee entitlements resulted in an increase in non-current employee benefits of \$20,000 as at 1 July 2006, and a reduction in members' funds of \$20,000.

30 June 2007 adjustment

The effect of recognising the above employee entitlements resulted in a reversal of non-current employee benefits provision of \$5,000 as at 30 June 2007; a decrease in personnel costs of \$5,000; and an increase in members' funds of \$5,000.

c) Cash and cash equivalents and investments

Cash and cash equivalent investments with maturities of greater than three months at inception has been reclassified under investments. The interest accrued on the cash and cash equivalents and investments have been apportioned based on the interest earned on the balances. These were previously included as part of trade and other receivables.

1 July 2006 adjustment

No adjustments were required.

30 June 2007 adjustment

The effect of reclassifying investments with maturities greater than three months at inception resulted in a decrease in cash and cash equivalents of \$1,511,000 and an increase in investments of \$1,511,000.

The effect of recognising interest earned on cash and cash equivalents and investments is a reduction in trade and other receivables of \$34,000 and an increase in cash and cash equivalents of \$27,000 and investments of \$7,000.

d) 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.

1 July 2006 adjustment

The effect of recognising the refurbishment provision has resulted in an increase in non-current provisions of \$203,000 as at 1 July 2006, and a reduction in members' funds of \$203,000.

30 June 2007 adjustment

The effect of recognising the above refurbishment provision resulted in an increase in non-current provisions by a further \$19,000 as at 30 June 2007; an increase in other operating expenses of \$19,000; and a further reduction in members' funds of \$19,000.

e) Statements of Cash Flows

On transition to NZ IFRS, term investments with original maturity dates of more than three months are now included as part of investments, previously these were included as part of the cash balance. The increases and decreases in investments are shown on a gross basis in the Statements of Cash Flows.

f) Inter-entity payable

The inter-entity payable was previously netted with the inter-entity receivable of \$383,000. These items have now been shown separately.

NOTES TO THE FINANCIAL STATEMENTS

in thousands of New Zealand dollars

27 Explanation of transition to NZ IFRS (continued)

g) Library

At 1 July 2006, the library assets were measured on the basis of deemed cost under NZ IFRS. As the library assets were previously reflected at a fair value below cost, and the carrying amount had been written-down, the measurement at deemed cost does not give rise to any adjustments on transition to NZ IFRS.

h) Members' funds

The effects of the above adjustments on members' funds were as follows:

		Parent	Group
	Note	Members' funds	Members' funds
Previous GAAP as at 1 July 2006		3,517	4,590
Long service leave	b	(20)	(20)
Refurbishment provision	d	(203)	(203)
NZ IFRS members' funds as at 30 June 2006		3,294	4,367
Previous GAAP as at 30 June 2007		4,032	5,513
Long service leave	b	(15)	(15)
Refurbishment provision	d	(222)	(222)
NZ IFRS members' funds as at 30 June 2007		3,795	5,276

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 1 to 33. The financial statements provide information about the past financial performance of the Institute and Group and their financial position as at 30 June 2008. This information is stated in accordance with the accounting policies set out on pages 4 to 9.

This report is made solely to the members of the Institute of Chartered Accountants of New Zealand 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 Board's responsibilities

The Executive Board is responsible for the preparation of financial statements that comply with generally accepted accounting practice in New Zealand and fairly present the financial position of the Institute and Group as at 30 June 2008 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 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 other relationships with, or interest 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 1 to 33:

- comply with generally accepted accounting practice in New Zealand; and
- fairly present the financial position of the Institute and Group as at 30 June 2008 and its financial performance and cash flows for the year ended on that date.

Our audit was completed on 26 September 2008 and our unqualified opinion is expressed as at that date.

Ernst & Young

Wellington

