AUSTRALIAN INSTITUTE
of COMPANY DIRECTORS

Australian Institute of Company Directors

Financial Report

FOR THE YEAR ENDED 30 JUNE 2018

Financial Report for the year ended 30 June 2018
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Directors' Report

The Board of the Australian Institute of Company Directors® (AICD®) present their report together with the financial statements for the financial year ended 30 June 2018.

Directors

The names of directors in office during the financial year or as at the date of this report are in Note 16.

Principal Activities

The AICD is a national, member-based, not-for-profit organisation whose mission is the pursuit of excellence in governance. As of 30 June 2018, there were 43,005 members including over 1,600 members based outside Australia.

Our members come from organisations as diverse as ASX-listed companies, government bodies, not-for-profit organisations and private companies.

We have offices in every Australian state as well as in the Australian Capital Territory, representation in Northern Territory and a national office in Sydney. Our 280 full time equivalent employees around the country (FY17 266) are committed to serving our members across Australia and internationally.

Our principal activities include conducting professional development programs and events for boards and directors, producing publications on director and governance issues (including books, Company Director Magazine and The Boardroom Report) and developing and promoting policies on issues of interest to directors. More recently we have renewed and expanded our governance services through consulting and corporate education.

During the financial year there was no significant change in the nature of those activities.

Mission & Strategy

Our mission is to be the independent and trusted voice of governance, building the capability of a community of leaders for the benefit of society.

The key elements of AICD's strategy are:

- Generate Intellectual Property(IP) in the form of unique governance, insights and benchmarks;
- Translate that IP into products and services to meet member and client needs;
- Create platforms that underpin our IP, products and services including digital solutions, IT support and financial sustainability;
- Develop highly engaged, satisfied and loyal members and clients;
- Develop motivated, professional and widely respected staff, consultants and facilitators.

Review of Operations

During the 2018 financial year, the AICD continued to grow and enhance member and director services including:

- Successful passage of Corporations Act insolvency safe harbour reforms for directors (commenced on 19 September 2017);
- Advocacy on major reform issues including 'BEAR' treatment of non-executive directors, corporate penalties, ACNC review, class actions and modern slavery
- Progressing the diversity agenda with the number of ASX 200 board positions held by women increasing to 27.9% (2017: 25.4%) and the number of ASX 200 Boards already at the 30% voluntary target reaching 85 (2017: 71);
- Upgrade to the MySite delivering improved member experience, easier access to past and upcoming courses, improved accessibility to course notes and view course & event details in the one portal;
- The complimentary member Essential Director Update events, attracting 7,883 participants across the country; and
- Increased funding of Not-for-Profit and regional director scholarships to 142 for directors to improve their skills and capabilities.

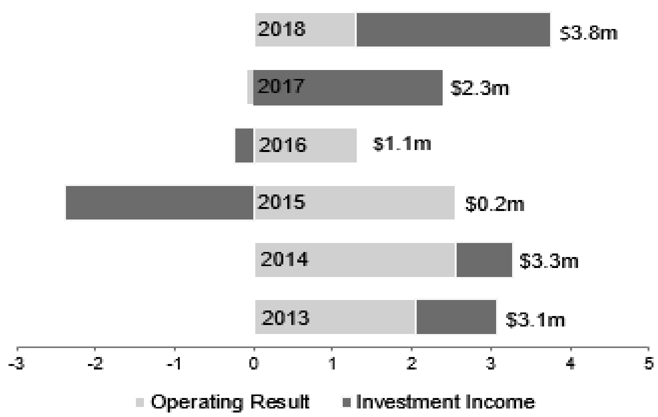
Financial Results

In accordance with its strategy, during the 2018 financial year, the AICD generated a surplus to be reinvested towards:

- Advancing the AICD mission:
- Increasing and improving services to its members; and
- Setting aside additional reserves for ongoing sustainability.

The AICD's surplus for the financial year ended 30 June 2018 was $3.8m (2017: surplus $2.3m).

Surplus / (Deficit) ($m)



The operating result before investment income for the financial year was a surplus of $1.3m (2017: $0.1m deficit).

Net income from investments for the year was $2.5m (2017: $2.4m).

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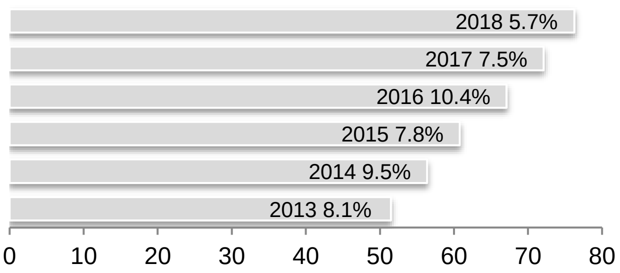
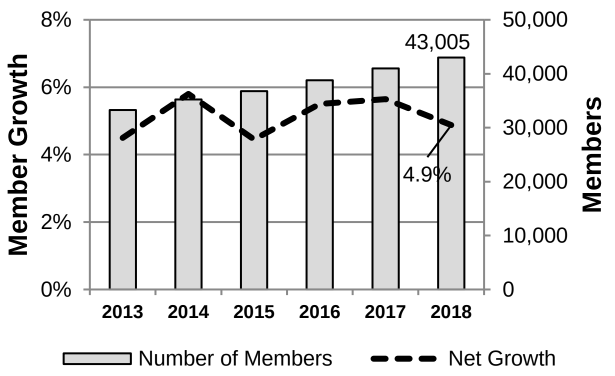
Financial Report for the year ended 30 June 2018
Directors' Report

Operating Revenue
Operating revenue (which excludes income from investments) increased by 5.7% (2017: 7.5%) over the 2018 financial year to $76.3m (2017: $72.1m).

Operating Revenue ($m – annual growth %)



Contributing to the overall increase in revenue was a 4.9% growth in membership to 43,005 (2017: 41,007).

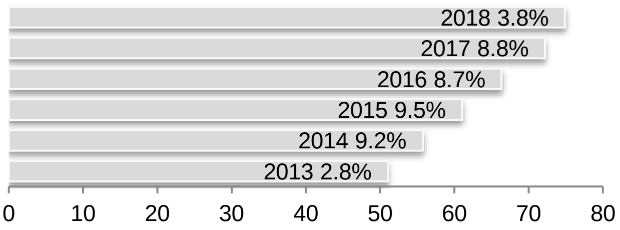


Revenue from education and consulting services increased by 5.1% (2017: 10.0%) for the year with growth being delivered across both domestic and international channels.

Attendance at our annual conference in Melbourne was a record high at 1,039 (2017: 1,013) and we increased the number of complimentary events for our members to 239 (2017: 205). Total attendance at events and conferences was 32,875 (2017: 34,712).

Operating Expenses
Operating expenses increased 3.8% from last financial year (2017: 8.8%) and included activities to grow and increase member services (as set out in the Review of Operations).

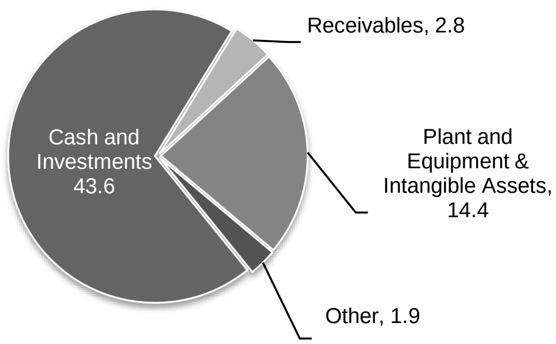
Operating Expenses (excluding restructuring costs) ($m – annual growth %)



Review of Financial Condition

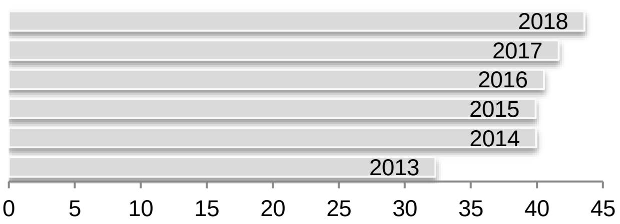
Members' Funds increased from $22.3m to $26.0m during the year ended 30 June 2018.

Assets ($m)



Cash and Investments total $43.6m (2017: $41.7m) of which $28.8m (2017: $32.0m) is invested in Mercer public funds in accordance with the Investment Policy approved by the Board.

Cash and Investments ($m)

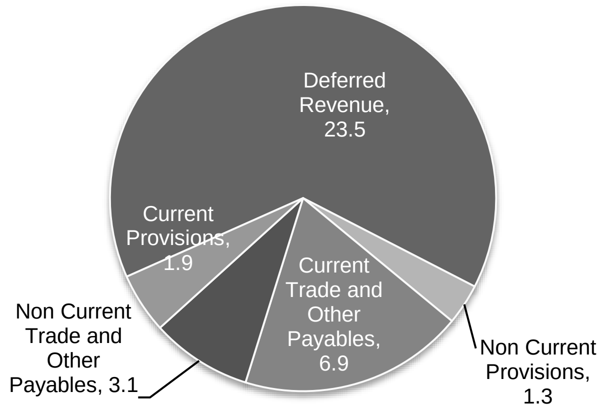


The value of investments decreased by $3.2m during the year comprised of withdrawals totalling $5.7m, largely relating to investment in technology projects and property related outlays for our upcoming Sydney office move. The outlays have been partially offset by positive fair value movements and distributions of $2.5m.

The Investment Policy sets out the risk and return expectations over a defined investment period.

Financial Report for the year ended 30 June 2018
Directors' Report

Liabilities ($m)



Deferred Revenue represents annual membership fees amortised over 12 months and pre-paid courses and events. There was an increase of $3.2m over the financial year.

Current Other Provisions increased by $0.9m as a result of the make-good on 20 Bond Street moving from non-current to current.

Reserves Policy

The AICD has a Reserves Policy which provides a framework to set aside sufficient financial reserves in order to:

- Protect and safeguard assets;
- Meet liabilities as they fall due;
- Provide resilience and capacity to manage unforeseen financial difficulties; and
- Deliver against the strategic mission and aspirations.

The following principles apply in determining the target level of reserves:

- The growth of the target level of reserves should always exceed zero in any whole financial year unless the reserve is used to fund material undertakings as set out in the strategic plan and approved by the Board;
- The target level of reserves should never fall below 25% of the annual forecast operating expenses; and
- The goal is to maintain reserves between 25%-50% of annual forecast operating expenses.

At 30 June 2018, the value of reserves as a percentage of operating expenses was 35%.

The AICD does not subscribe to any debt instruments to support its funding requirements.

The AICD is a company limited by guarantee and no dividends are payable.

Members' guarantee

The AICD is a company limited by guarantee. In the event of, and for the purpose of winding up of the company, the amount capable of being called up from each member and any person who ceased to be a member in the year prior to the winding up, is limited to $20, subject to the provisions of the company's constitution.

At 30 June 2018 the collective liability of members was $860,100 (2017: $820,140).

Rounding

The company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors Reports) Instrument 2016/191 and in accordance with that Instrument, amounts in the financial report have been rounded to the nearest thousand dollars ($'000).

Significant Changes in State of Affairs

During the financial year there was no significant change in the state of affairs of the company.

Significant Events after Year End

There has not been any matter or circumstance that has arisen in the interval between the end of the financial year and the date of this report that has significantly affected, or may significantly affect, the operations of the company, the results of those operations, or the state of affairs of the company in subsequent financial years.

Likely Developments and Future Results

There are no likely developments in the operations of the company which would affect the results of future operations.

Indemnification and Insurance of Directors and Officers

During the financial year, the company paid a premium in respect of a contract insuring the directors of the company, the company secretary and all executive officers of the company and of any related body corporate against a liability incurred by such a director, secretary or executive officer to the extent permitted by the Corporations Act 2001.

The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Directors' and Officers' Remuneration

The non-executive directors of the company are appointed on an honorary basis and as a result do not receive any remuneration, either directly or indirectly, in their capacity as a director from the company or any related party. The MD & CEO is appointed by the Board as an executive director and is remunerated as an employee of the company as set out in Note 16 to the Financial Statements.

No director can hold an interest in the company as it is a company limited by guarantee. Each director, being a member, is liable to the extent of the guarantee given under the company's Constitution. No director of the company has received or become entitled to receive a benefit during or since the end of the financial year because of a contract that the director or a firm of which the director is a member, or an entity in which the director has a substantial financial interest made with the company, or an entity that the company controlled, or a body corporate that was related to the company when the contract was made or when the director received or became entitled to receive a benefit.

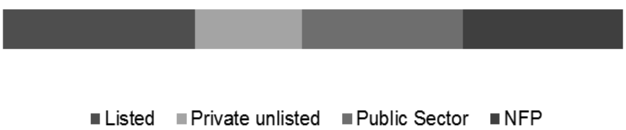
The policy governing staff and senior executive remuneration is reviewed and approved by the AICD's Human Resources and Remuneration Committee and the Board. Remuneration is determined as part of an annual performance review, having regard to market factors and a performance evaluation process. For executive officers, remuneration packages generally comprise salary, a performance-based bonus and superannuation.

Board Skills & Experience

The Board is comprised of experienced directors from various professional backgrounds and who collectively possess the requisite skills, experience, tenure and diversity considered necessary to appropriately govern the AICD. A summary of the skills and experience of the Board is set out below.

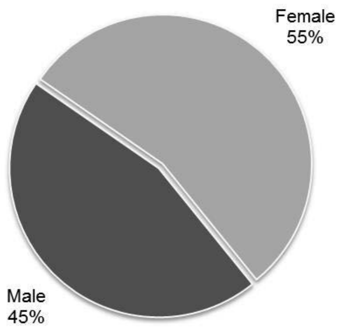
Professional skills (more than one per director and determined by a scale of experience)

Sector Experience (more than one per director)



Industry Experience (more than one per director and determined by a scale of experience)

Gender



Tenure
Directors are elected by the Board and generally may serve two, three year terms on the Board with the Chairman eligible to serve nine years in total on the Board.

Financial Report for the year ended 30 June 2018
Directors' Report

Meeting Attendances

The meeting attendance by directors during the year 1 July 2017 to 30 June 2018 is noted below.

Director	Board	AFIC	ARCC	HRRC	InvestCo	NMC	Noms	RACC
Ms Elizabeth Proust AO FAICD	6 of 6*						4 of 4*	
Mr Gene Tilbrook FAICD	6 of 6				1 of 2		4 of 4	1 of 1*
Mr David Bayes FAICD	6 of 6	1 of 1	4 of 4	5 of 5*		2 of 2*		
Mr Michael Coleman FAICD	6 of 6	1 of 1*	4 of 4*			2 of 2		
Ms Kathy Gramp FAICD	6 of 6	1 of 1	3 of 4	5 of 5				
Ms Tracey Horton AO FAICD	5 of 6			4 of 5				
Dr Sally Pitkin FAICD	5 of 6						4 of 4	1 of 1
Mr Roderick Roberts FAICD	5 of 6		4 of 4		2 of 2*			1 of 1
Ms Nicola Wakefield Evans FAICD	5 of 6				2 of 2			1 of 1
Ms Liesel Wett FAICD	6 of 6			5 of 5				
Mr Kee Wong FAICD	6 of 6	1 of 1				2 of 2		
Mr Angus Armour FAICD	5 of 5	1 of 1	2 of 2	4 of 4	2 of 2	2 of 2	2 of 2	1 of 1

*Denotes the Chairman of the Board or relevant Committee Chair as the case may be.

ARCC – Audit, Risk and Compliance Committee – dissolved 30 June 2018
HRRC – Human Resource and Remuneration Committee
InvestCo – Investment Committee – dissolved 30 June 2018
Noms – Nominations Committee
NMC – National Membership Committee
AFIC – Audit, Finance and Investment Committee – established on 30 June 2018
RACC – Risk and Compliance Committee – established on 30 June 2018

Auditor's Independence Declaration

The directors received the independence declaration from the AICD's auditor. The independence declaration forms part of the Directors' Report for the year ended 30 June 2018 and is located on the page following the Directors' Report.

Non-Audit Services

The AICD received revenue from sponsorship of events from KPMG of $127,250. The AICD's auditor, KPMG, provided non-audit services primarily in relation to legal services, forensic technology review and payroll tax advice which totalled $73,556 during the current financial year. The directors are satisfied that the receipt of sponsorship and the provision of non-audit services is compatible with the general standard of independence for auditors and auditor independence requirements imposed by the Australian Charities and Not-for-Profits Commission Act 2012.

Signed in accordance with a resolution of the directors.

Elizabeth Proust AO FAICD	**Angus Armour FAICD**
Chairman	Managing Director & Chief Executive Officer

Sydney
29 August 2018

Auditor's Independence Declaration under subdivision 60-C section 60-40 of Australian Charities and Not-for-profits Commission Act 2012

To: the directors of the Australian Institute of Company Directors

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2018 there have been:

i. no contraventions of the auditor independence requirements as set out in the Australian Charities and Not-for-profits Commission Act 2012 in relation to the audit; and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Anthony Travers

Anthony Travers
Partner

Sydney
29 August 2018

Financial Report for the year ended 30 June 2018

Corporate Governance Information

Governance of the Australian Institute of Company Directors (AICD) is founded on the AICD's Constitution, By-laws and Charters.

AICD is dedicated to making a difference to the quality of directorship and seek to promote excellence in governance. As such, we are committed to ensuring that we lead by example in how our organisation is governed.

The Board

The Board is responsible for the overall corporate governance of the AICD. Its powers are referred to in the AICD's Constitution. The objectives and responsibilities of the Board are set out in the Board Charter. The Board Charter is reviewed annually by the Board. The adoption of any proposed changes to the Constitution is subject to the approval of the membership at a general meeting. The Constitution and the Board Charter are available on the AICD's website: companydirectors.com.au

Board Committees

To improve its efficiency and effectiveness, the Board has established an Audit, Finance and Investment Committee, a Risk and Compliance Committee, Human Resources and Remuneration Committee, a Nominations Committee and a National Membership Committee.

With effect from 30 June 2018, the Board established the Audit, Finance and Investment Committee and the Risk and Compliance Committee which replaced the Audit, Risk and Compliance Committee, the Investment Committee and the Strategy Committee.

In addition, the AICD is advised on policy matters by several advisory committees of senior practising directors (including a member of the Board) and technical experts. The Board approves the Terms of Reference of these committees and reviews their membership periodically.

Division Councils

There are seven Division Councils. Each Division Council has between five and ten Councillors. Each Council elects a President. The rules for election and retirement of Division Councillors are set out in the By-laws, available on the AICD's website: companydirectors.com.au

Division Councils are advisory in nature and perform the following functions as delegated to them by the Board:

1) Advise the Board and MD & CEO on:
   a) Policy matters affecting the role of directors;
   b) Membership matters; and
   c) The strategy and policies of the AICD and management issues that may arise from time to time;
2) Administer the membership of the Division, approving new members and membership class upgrades;
3) Represent the views and aspirations of the AICD in the Division's territory and develop relationships with leaders in directorship, regulation and politics who reside, or are active in the relevant State or Territory; and
4) Support the State Manager with regard to:
   a) Events;
   b) Member services, member recruitment and retention and member grade matters; and
   c) The general conduct of the Division, including Education programs and Director Professional Development.

The State Managers' reporting line is through the General Manager Members & Directors to the CEO. The Division Council Charter is available on the AICD's website: companydirectors.com.au

AICD report against ASX Corporate Governance Principles and Recommendations 3rd Edition. Our Corporate Governance Statement includes a comparison of AICD Corporate Governance Principles to ASX Corporate Governance Principles and Recommendations 3rd Edition.

The AICD's Corporate Governance Statement is publicly available on the AICD website: companydirectors.com.au

Refer to the AICD website: companydirectors.com.au for further information on policies that have been approved and adopted by the Board.

A description of the AICD's operations and its principal activities are included in the Directors Report on pages 4 to 9.

Financial Report for the year ended 30 June 2018

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2018	Note	2018 $'000	2017 $'000
Operating Revenue	4	**76,254**	**72,109**
Operating Expenses			
Education and events		(31,502)	(30,754)
Membership		(16,743)	(16,176)
Publishing		(2,995)	(2,145)
Grants and donations		(13)	(15)
Administration		(22,687)	(22,230)
Strategic initiatives		(1,024)	(874)
Total expenses		**(74,964)**	**(72,194)**
Results from operating activities		**1,290**	**(85)**
Finance income	6	2,461	2,384
Finance costs	6	-	-
Net finance income	6	**2,461**	**2,384**
Surplus for the year		**3,751**	**2,299**
Total comprehensive income for the year		**3,751**	**2,299**

The Notes are an integral part of these financial statements.

Financial Report for the year ended 30 June 2018
Statement of Financial Position

As at 30 June 2018	Note	2018 $'000	2017 $'000
Assets			
Current assets			
Cash and cash equivalents	7	14,819	9,681
Trade and other receivables	8	2,762	2,914
Prepayments		1,919	1,346
Total current assets		19,500	13,941
Non-current assets			
Plant and equipment	9	8,494	6,800
Intangible assets	10	5,868	4,065
Financial assets	11	28,779	31,979
Total non-current assets		43,141	42,844
Total assets		**62,641**	**56,785**
Liabilities			
Current liabilities			
Trade and other payables		6,887	7,973
Employee benefits provisions	5	953	918
Other provisions	12	898	47
Deferred revenue	13	23,534	20,364
Total current liabilities		32,272	29,302
Non-current liabilities			
Trade and other payables		3,101	3,614
Employee benefits provisions	5	308	336
Other provisions	12	945	1,269
Total non-current liabilities		4,354	5,219
Total liabilities		**36,626**	**34,521**
Net assets		**26,015**	**22,264**
Members' funds			
Retained surpluses		26,015	22,264
Total members' funds		**26,015**	**22,264**

The Notes are an integral part of these financial statements.

Financial Report for the year ended 30 June 2018

Statement of Changes in Equity

For the year ended 30 June 2018	Note	2018 $'000	2017 $'000
Opening members' funds		22,264	19,965
Total comprehensive income for the year		3,751	2,299
Members' funds		**26,015**	**22,264**

The Notes are an integral part of these financial statements.

Financial Report for the year ended 30 June 2018

Statement of Cash Flows

For the year ended 30 June 2018	Note	2018 $'000	2017 $'000
Cash flows from operating activities			
Receipts from customers and sponsors		83,151	75,097
Payments to suppliers and employees		(75,392)	(71,327)
Net cash flows from operating activities	7(b)	**7,759**	**3,770**
Cash flows from investing activities			
Interest received		71	102
Distribution received		1,016	861
Franking credits received		77	83
Sale of other financial assets		5,500	1,500
Purchase of other financial assets		(1,016)	(862)
Payment for plant and equipment		(4,695)	(2,636)
Payment for intangible assets		(3,587)	(2,406)
Net cash flows used in investing activities		**(2,634)**	**(3,358)**
Net increase in cash and cash equivalents		5,125	412
Cash and cash equivalents at the beginning of the period		9,681	9,274
Effect of exchange rate fluctuations on cash held		13	(5)
Cash and cash equivalents at the end of the period	7(a)	**14,819**	**9,681**

The Notes are an integral part of these financial statements.

1. Corporate Information

The financial report of the not for profit company Australian Institute of Company Directors (AICD) for the year ended 30 June 2018 was authorised for issue in accordance with a resolution of the directors on 29 August 2018.

The Australian Institute of Company Directors is a company limited by guarantee incorporated in Australia and by licence ("ASIC Licence") that was in force immediately before 1 July 1998 and is allowed to omit "Limited" from its name.

The AICD is incorporated and domiciled in Australia.

2. Basis of preparation

(a) Statement of compliance
The financial report is a general-purpose financial report that has been prepared in accordance with Australian Accounting Standards (AASB's) (including Australian interpretations) adopted by the Australian Accounting Standards Board (AASB) and the *Australian Charities and Not-for-Profits Commission Act 2012*. The financial report complies with International Financial Reporting Standards (IFRS) and interpretations adopted by the International Accounting Standards Board (IASB).

(b) Basis of measurement
The financial report has also been prepared on a historical cost basis, except for Financial Assets, which have been measured at fair value through profit or loss.

(c) Functional and presentation currency
The financial report is presented in Australian dollars which is the AICD's functional currency.

(d) Use of estimates and judgments
The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

In particular, information about significant areas of estimation uncertainty and judgments in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in Note 12 – Other Provisions, in relation to property "make-good" provisions and restructuring costs provisions.

(e) Future accounting developments
A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2018, and have not been applied in preparing these financial statements. Those which may be relevant to the company are set out below. The AICD does not plan to adopt these standards early.

AASB 9 'Financial Instruments' replaces the existing guidance in AASB 139 'Financial Instruments: Recognition and Measurement'. It includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and de-recognition of financial instruments from AASB 139. AASB 9 is not mandatory until 1 July 2018 for the AICD. AICD has completed a review of potential impact on its financial statements resulting from the application of AASB 9 and determined there is no material impact. AICD will adopt AASB 9 for the year ended 30 June 2019.

AASB 15 'Revenue from Contracts with Customers' introduces a single model for the recognition of revenue based upon the achievement of performance obligations. The AICD has assessed the potential impact on its financial statements resulting from the application of AASB 15. A review of contracts with members and customers confirmed the current revenue recognition approach is consistent with AICD's performance obligations in the contracts. Based on the contract review and current product and service offering, the impact on AICD financial statements has been determined to be immaterial. AASB 15 is effective for annual reporting periods beginning on or after 1 January 2019, with early adoption permitted. AICD will adopt AASB 15 for the year ended 30 June 2020.

AASB 1058 'Income of Not-for-profit entities' introduces a new income recognition model for not-for-profits that includes grant income. The AICD has assessed the potential impact on its financial statements resulting from the application of AASB 1058. AICD does not have any transactions where consideration is significantly less than fair value and AICD has elected not to measure volunteer services. Based on the review and election made by AICD, there is no material impact for AICD financial statements, AASB 1058 is effective for annual reporting periods beginning on or after 1 January 2019, with early adoption permitted. AICD will adopt AASB 1058 for the year ended 30 June 2020.

AASB 16 'Leases' amends the accounting for leases. Lessees will be required to bring all leases on balance sheet as the distinction between operating and finance leases has been eliminated. Lessor accounting remains largely unchanged. AASB 16 is not mandatory until 1 July 2019 for the AICD. On a high level basis, if the AICD was to adopt AASB 16 as at 30 June 2018, the expected present value of the future minimum lease payments for non-cancellable operating leases as noted in Note 14 would be recognised as a financial liability of approximately $14.0m in the statement of financial position. If the AICD adopted the full retrospective transition approach, the expected value of the Right-of-Use asset recognised in the statement of financial position would be approximately $10.1m. If AICD had adopted AASB 16 for the year ended 30 June 2018, the impact on the Statement of Profit or Loss and Other Comprehensive income for the year ended

Financial Report for the year ended 30 June 2018
Notes to the Financial Statements

30 June 2018 was determined to be an immaterial amount. AICD will adopt AASB 16 for the year ended 30 June 2020.

3. Summary of significant accounting policies

(a) Income tax
Section 50 of the Income Tax Assessment Act 1997 provides that certain institutions will be exempt from income tax. The AICD falls specifically under Section 50-B of the Act.

(b) Other taxes
(i) GST
Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

GST exemption on public education courses was approved by Private Ruling on the 13 July 2007.

GST exemption on public events was applied from 1 January 2009 pursuant to *section 38-250 Goods and Services Tax Act 1999*. *(ii) Payroll tax*

The AICD is exempt from payroll tax in Queensland, New South Wales and Tasmania.

(c) Going concern
Current liabilities exceed current assets due to deferred revenue for education, events and membership. These are classified as current liabilities under deferred revenue. These amounts represent a liability for services not yet performed as distinct from a liability for unpaid amounts.

There is a national policy applied uniformly across each state governing the refund of any education and event. Membership fees are not refunded. Management believes the accountability surrounding the application of the policy, specifically refunds, is such that any future financial obligation is mitigated.

The consistent achievement of positive operating cash flows is representative of solid operating performance and the ability to pay debts as and when they fall due.

4. Operating Revenue

	2018 $'000	2017 $'000
Education	47,671	45,658
Events and Conferences	4,086	4,267
Membership	23,113	21,433
Publishing	799	547
Government grants	524	114
Other income	61	90
	76,254	**72,109**

(a) Accounting policy for revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the AICD and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Education and Events
Revenue from Education and Event activities is recognised when the course or function is held. Where an event is held over a period of time, the revenue is recognised as the service is provided over the timeframe that the event is held.

(ii) Membership
Annual membership subscriptions are recognised as revenue pro rata over the period of the membership. The date of payment of the initial annual membership subscription becomes the renewal date. Subscriptions are not refundable.

5. Employee benefits expenses and provisions

	2018 $'000	2017 $'000
(a) Employee benefits expenses:		
Salary and wages	28,781	27,567
Superannuation	2,773	2,474
Long service leave	181	231
Annual leave	131	137
	31,866	**30,409**

	2018 $'000	2017 $'000
(b) Employee benefits provisions:		
Current provisions:		
Long service leave	953	918
Non-current provisions:		
Long service leave	308	336
	1,261	**1,254**

(c) Accounting policy for employee leave benefits

Wages, salaries, annual leave
Liabilities for wages and salaries and annual leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date on an undiscounted basis. They are measured at the amounts expected to be paid when the liabilities are settled.

Long service leave
The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method.

Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on Milliman corporate discount rates with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

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Notes to the Financial Statements

6. Finance income and finance costs

	2018 $'000	2017 $'000
Finance income		
Interest	71	102
Distribution	1,016	861
Franking credits	77	83
Fair value movements of financial assets held at fair value	1,284	1,343
Foreign exchange gain / (loss)	13	(5)
	2,461	**2,384**
Finance costs		
Finance costs	-	-
	-	**-**
Net finance income recognised in surplus	**2,461**	**2,384**

(a) Accounting policy for financial income and costs

Financial income includes distribution, interest and other financial income. Distribution income is recognised in the Statement of Profit or Loss and Other Comprehensive Income, when the AICD's right to receive payment is established. Interest income is recognised in the Statement of Profit or Loss and Other Comprehensive Income, as it accrues in the surplus or deficit, using the effective interest rate method. Other financial income includes changes in the fair value of financial assets held at fair value. These are recognised in the Statement of Profit or Loss and Other Comprehensive Income as incurred.

7. Cash and cash equivalents

	2018 $'000	2017 $'000
(a) Reconciliation to cash flow statement		
Cash and cash equivalents comprise the following at 30 June:		
Cash at bank and on hand	9,161	5,791
Secured term deposit	5,658	3,890
	14,819	**9,681**

Cash at bank earns interest at floating rates based on daily bank deposit rates.

Secured term deposit is a fixed term bank deposit with a term ranging from one month and three months that is used as security for the leased properties bank guarantee facility, merchant forward delivery facility and corporate credit card facility.

7. Cash and cash equivalents (continued)

	2018 $'000	2017 $'000
(b) Reconciliation of net surplus to net cash flows from operations		
Net income	3,751	2,299
Adjustments for:		
Fair value movements of financial assets held at fair value	(1,284)	(1,343)
Depreciation/amortisation of non-current assets	4,761	3,951
Loss on disposal of plant and equipment	24	122
Interest received	(71)	(102)
Distribution received	(1,016)	(861)
Franking credits received	(77)	(83)
Foreign exchange loss / (gain)	(13)	5
Net cash provided by operating activities before changes in net assets and liabilities	6,075	3,988
Changes in assets and liabilities		
(Increase)/Decrease in:		
Trade and other receivables	152	(1,449)
Prepayments	(573)	(131)
Changes in provisions:		
Provision for employee benefits	7	(36)
Property make-good provision	527	298
Provision for restructuring costs	-	(661)
Increase in:		
Trade and other payables	(1,599)	872
Deferred revenue	3,170	889
Net cash from operating activities	**7,759**	**3,770**

The AICD has bank guarantees in respect of leased properties to the amount of $5,640,263 (2017: $3,070,611) at year-end. The bank guarantees are secured through the use of the secured term deposit which restricts the use of this facility.

The AICD's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in Note 17.

(c) Accounting policy for cash and cash equivalents

Cash and secured term deposits in the Statement of Financial Position comprise cash at bank and in hand and secured term deposits with an original maturity of three months or less.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above.

8. Trade and other receivables

	2018 $'000	2017 $'000
Current		
Trade receivables	2,250	2,454
Less allowance for doubtful debts	(59)	(39)
	2,191	2,415
Other receivables	424	388
Accrued income	147	111
	2,762	**2,914**

(a) Past due but not impaired

	2018 $'000	2017 $'000
Not past due or impaired	1,345	1,633
30 to 60 days	582	469
61 to 90 days	195	204
Over 90 days	128	148
Total trade receivables	**2,250**	**2,454**

Trade receivables are non-interest bearing and are generally on 30 day terms. An allowance for doubtful debts is made when there is objective evidence that a trade receivable is impaired.

(b) Bad and doubtful debts expense

	2018 $'000	2017 $'000
Bad and doubtful debts expense	59	39

(c) Accounting policy for trade and other receivables

Trade receivables are recognised and carried at original invoice amount less an allowance for any uncollectable amounts. Receivable balances for courses and events are not considered collectible until after the course or event has occurred.

An allowance for doubtful debts is made when there is objective evidence that the AICD will not be able to collect the debts. Bad debts are written off when identified.

(d) Credit risk

Credit risk is the risk of financial loss if a customer fails to meet their contractual obligations, and arises principally from the AICD's receivables from customers. The AICD's Membership, Events and Conferences, Sponsorship and Education courses are paid in advance and therefore mitigate the exposure to credit risk. Receivable balances for courses and events are not considered collectible until after the course or event has occurred.

Receivable balances are monitored on an ongoing basis with the result that exposure to bad debts is minimal. The carrying amount of financial assets and liabilities as shown on the face of the Statement of Financial Position represents the maximum credit risk to which the AICD is exposed.

9. Plant and equipment

	Plant and equipment $'000	Leasehold improvements $'000	Total $'000
Year ended 30 June 2018			
At 1 July 2017, net of accumulated depreciation and impairment	2,373	4,427	6,800
Additions	1,204	3,491	4,695
Disposals	(24)	-	(24)
Depreciation charge for the year	(1,069)	(1,908)	(2,977)
At 30 June 2018, net of accumulated depreciation and impairment	**2,484**	**6,010**	**8,494**
At 30 June 2018			
Cost	6,247	11,973	18,220
Accumulated depreciation and impairment	(3,763)	(5,963)	(9,726)
Net carrying amount	**2,484**	**6,010**	**8,494**
Year ended 30 June 2017			
At 1 July 2016, net of accumulated depreciation and impairment	1,873	4,647	6,520
Additions	1,408	1,228	2,636
Disposals	(41)	(25)	(66)
Depreciation charge for the year	(867)	(1,423)	(2,290)
At 30 June 2017, net of accumulated depreciation and impairment	**2,373**	**4,427**	**6,800**
At 30 June 2017			
Cost	5,465	8,858	14,323
Accumulated depreciation and impairment	(3,092)	(4,431)	(7,523)
Net carrying amount	**2,373**	**4,427**	**6,800**

9. Plant and equipment (continued)

(a) Accounting policy for plant and equipment

Items of plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows:

	Life	Method
Office plant and equipment	2-6 years	Straight Line
Leasehold improvements	4-10 years	Straight Line

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year-end.

Derecognition and disposal
An item of plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in the Statement of Profit or Loss and Other Comprehensive Income.

Subsequent expenditure
Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the AICD.

10. Intangible assets

	Development costs (website) $'000	Software $'000	Total $'000
Year ended 30 June 2018			
At 1 July 2017, net of accumulated amortisation and impairment	1,344	2,721	4,065
Additions	1,757	1,830	3,587
Amortisation charge for the year	(556)	(1,228)	(1,784)
At 30 June 2018, net of accumulated amortisation and impairment	**2,545**	**3,323**	**5,868**
At 30 June 2018			
Cost (gross carrying amount)	4,692	10,528	15,220
Accumulated amortisation and impairment	(2,147)	(7,205)	(9,352)
Net carrying amount	**2,545**	**3,323**	**5,868**

10. Intangible assets (continued)

	Development costs (website) $'000	Software $'000	Total $'000
Year ended 30 June 2017			
At 1 July 2016, net of accumulated amortisation and impairment	849	2,527	3,376
Additions	911	1,495	2,406
Disposals	-	(56)	(56)
Amortisation charge for the year	(416)	(1,245)	(1,661)
At 30 June 2017, net of accumulated amortisation and impairment	**1,344**	**2,721**	**4,065**
At 30 June 2017			
Cost (gross carrying amount)	2,935	8,698	11,633
Accumulated amortisation and impairment	(1,591)	(5,977)	(7,568)
Net carrying amount	**1,344**	**2,721**	**4,065**

(a) Accounting policy for intangible assets

Intangible assets consist of development activities and those intangible assets acquired by the AICD. Those acquired are initially measured at cost.

Expenditure on research activities for website and software related projects, are not capitalised and expenditure is charged against the profit or loss in the year in which the expenditure is incurred. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and any ongoing accumulated impairment losses.

Development activities involve a plan or design for the production of new or substantially improved products or processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the AICD intends to and has sufficient resources to complete development and use or sell the asset. The expenditure capitalised includes professional service fees, direct labour and licence fees that are directly attributable to preparing the asset for its intended use. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

The useful life of the website and software intangible assets has been assessed to be finite. The website and software is amortised over the useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for the website and software intangible asset are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense is recognised in the Statement of Profit or Loss and Other Comprehensive Income as an amortised expenditure.

A summary of the policies applied to the AICD's intangible assets is as follows:

	Development costs – website	**Development costs – software**
Useful life	Finite (2017: Finite)	Finite (2017: Finite)
Amortisation method used	Amortised over the period of expected future sales (as recorded through the website) on a straight-line basis (2 to 5 years).	Amortised over the period of expected time in which the software will be upgraded (2 to 5 years) on a straight-line basis.
Impairment testing	Is conducted annually, with the volume of sales activity used as a measure of useful life. The amortisation method is reviewed at each financial year-end.	Is conducted annually, with the upgrade of software as a measure of useful life. The amortisation method is reviewed at each financial year-end.

10. Intangible assets (continued)

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the surplus or deficit when the asset is derecognised.

Impairment
Non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Non-financial assets that suffered impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have been reversed.

11. Financial assets

(a) Measurement of fair values

A number of the AICD's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. When measuring the fair value of an asset or liability, the AICD uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used to the valuation technique as follows:

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

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Year ended 30 June 2018				
Current assets:				
Financial assets	-	-	-	-
Non-current assets:				
Financial assets	-	28,779	-	28,779
Total	**-**	**28,779**	**-**	**28,779**
Year ended 30 June 2017				
Current assets:				
Financial assets	-	-	-	-
Non-current assets:				
Financial assets	-	31,979	-	31,979
Total	**-**	**31,979**	**-**	**31,979**

The Financial assets classified as non-current assets are part of a medium to long-term strategic investment fund. As the intent is to hold these assets for strategic wealth creation purposes for a period greater than 12 months, they have been classified as non-current. Although non-current in nature, the financial assets can be converted into cash within 10 days' notice.

11. Financial assets (continued)

(b) Accounting policy for financial assets

Recognition
Financial instruments are designated at fair value through profit or loss in accordance with the AICD documented investment strategy. Upon initial recognition, directly attributable transaction costs are recognised in the Statement of Profit or Loss and Other Comprehensive Income when incurred. Financial instruments at fair value through profit or loss are measured at fair value and changes therein, including any interest or distribution income, are recognised in the Statement of Profit or Loss and Other Comprehensive Income.

Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:
(i) the rights to receive cash flows from the asset have expired;
(ii) The AICD retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
(iii) The AICD has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

Offsetting
Financial assets and liabilities are offset and the net amount presented in the Statement of Financial Position when, and only when, the AICD has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

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12. Other provisions

	Make good provision $'000	Restructuring costs $'000	Total $'000
Year ended 30 June 2018			
At 1 July 2017	1,316	-	1,316
Provided	1,508	-	1,508
Utilised	(1,050)	-	(1,050)
Discount rate adjustment	69	-	69
At 30 June 2018	**1,843**	**-**	**1,843**
Current	898	-	898
Non-current	945	-	945
	1,843	**-**	**1,843**
Year ended 30 June 2017			
At 1 July 2016	1,018	661	1,679
Provided	927	-	927
Utilised	(728)	(661)	(1,389)
Discount rate adjustment	99	-	99
At 30 June 2017	**1,316**	**-**	**1,316**
Current	47	-	47
Non-current	1,269	-	1,269
	1,316	**-**	**1,316**

(a) Accounting policy for provisions

Provisions are recognised when the AICD has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying 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 discounted using a current pre-tax rate that reflects the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

13. Deferred revenue

	2018 $'000	2017 $'000
Current		
Courses and events	10,436	8,634
Membership	12,352	11,277
Sponsorship and publications	746	453
	23,534	**20,364**

Refer to Note 4 for details on AICD's revenue recognition policy.

14. Operating leases

	2018 $'000	2017 $'000
(a) Commitments under non-cancellable operating leases		
Not later than 1 year	7,004	5,366
Later than 1 year but not later than 5 years	31,385	13,220
Later than 5 years	22,016	2,299
	60,405	**20,885**

Operating leases are in respect of office premises in: Sydney, Melbourne, Brisbane, Adelaide, Perth, Hobart and Canberra; and equipment rental (office equipment). Operating leases for premises are for fixed periods with generally fixed rental payments and have fixed escalation clauses. There are no restrictions placed on the lessee by entering into these leases. The weighted average interest rate implicit in the leases is 4% (2017: 4%).

(b) Operating leases expenditure

Finance costs relating to lease accounting	69	99
Lease payments and other expenses included in administrative expenses:		
Operating lease rental expense	5,971	5,331

(c) Accounting policy for leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Operating lease payments are recognised as an expense in the Statement of Profit or Loss and Other Comprehensive Income on a straight-line basis over the lease term. Lease incentives are recognised in the Statement of Profit or Loss and Other Comprehensive Income as an integral part of the total lease expense.

15. Remuneration of auditors

KPMG is the external auditor of the company. The amounts below were paid during the year or remain payable to KPMG.

	2018 $	2017 $
Audit of the financial report	69,800	68,300
Audit related services	-	-
Total audit related services	**69,800**	**68,300**
Non-audit services	**73,556**	**36,865**

The AICD received revenue from sponsorship of events from KPMG of $127,250 (2017: $185,000). The directors are satisfied that the receipt of sponsorship is compatible with the general standard of independence for auditors and auditor independence requirements imposed by the Australian Charities and Not-for-Profits Commission Act 2012.

16. Related party disclosures

(a) Key management personnel

(i) Directors

Director	Title	Appointed/Retired
Ms Elizabeth Proust AO FAICD	Chairman National Director	Appointed 10 December 2015 Appointed 4 March 2014 (First Term) Appointed 4 March 2017 (Second Term)
Mr Gene Tilbrook FAICD	Division Director, WA Deputy Chair	Appointed 2 July 2013 (First Term) Appointed 2 July 2016 (Second Term) Appointed 6 April 2016
Mr David Bayes FAICD	Division Director and President, VIC	Appointed 7 November 2014 Appointed 7 November 2017 (Second Term)
Mr Michael Coleman FAICD	Division Director, NSW	Appointed 6 November 2015
Ms Kathy Gramp FAICD	Division Director, SA and NT	Appointed 22 December 2015
Ms Tracey Horton AO FAICD	National Director	Appointed 10 June 2016
Dr Sally Pitkin FAICD	Division Director, QLD	Appointed 7 November 2014 Appointed 7 November 2017 (Second Term)
Mr Roderick Roberts FAICD	Division Director and President, TAS	Appointed 7 November 2013 (First Term) Appointed 7 November 2016 (Second Term)
Ms Nicola Wakefield Evans FAICD	National Director	Appointed 22 November 2016
Ms Liesel Wett FAICD	Division Director, ACT	Appointed 6 November 2015
Mr Kee Wong FAICD	National Director	Appointed 28 June 2016
Mr Angus Armour FAICD	Managing Director & Chief Executive Officer	Appointed 5 October 2017

(ii) Executives

Executive	Title
Mrs Rachel Gatehouse GAICD	Chief Financial Officer, General Manager, Corporate Services (resigned April 11 2018)
Mr Marcel Mol GAICD	General Manager, Education & International
Ms Louise Petschler MAICD	General Manager, Advocacy
Mr David Lumb GAICD	General Manager, Members & Directors
Ms Michelle Wood MAICD	General Manager, Marketing & Communications
Mr Bodo Mann GAICD	Group Executive, Advisory

16. Related party disclosures (continued)

(b) Compensation of key management personnel

The AICD recognises and rewards performance and behaviour that support our core values and strategic themes. The AICD values employee contribution through our remuneration and benefits philosophy. The philosophy is based on five principles:

- Share information of business achievements and financials to show how people can make a difference;
- Reward results with variable pay to motivate top performing team members;
- Create a positive experience through our reward mechanisms;
- Align our rewards with business goals to create a winning partnership; and
- Provide a competitive fixed remuneration structure.

Rewards and benefits are made up of base salary and a variable pay component.

KMP are those in permanent executive positions and having the authority and responsibility for planning, directing and controlling the activities of the AICD. Those employees covering executive leave absences are not included as they do not meet the definition of KMP.

(i) Human Resources and Remuneration Committee of the Board

The Human Resources and Remuneration Committee ("the Committee") is responsible for reviewing compensation arrangements for the CEO and all other key management personnel and making recommendations to the Board.

The Committee assesses the appropriateness of the nature and amount of compensation of key management personnel on a periodic basis by reference to relevant employment market conditions and information.

(ii) Director Compensation

The non-executive directors of the AICD are appointed on an honorary basis and as a result do not receive any remuneration either directly or indirectly in their capacity as a director of the company or any related party. Non-executive directors are reimbursed for travel and accommodation expenses incurred for performing their duties as a director. The MD & CEO was appointed by the Board as an executive director and was remunerated as an employee of the AICD.

Transactions with directors and their related parties have been under the AICD's normal terms and conditions of trading.

No other transactions with related parties have occurred during the financial year.

(iii) Executive Compensation

Fixed Compensation

The AICD aims to reward executives in accordance with their position, responsibilities and relativity to market.

Variable Compensation

The AICD has in place a Short Term Incentive scheme for its staff. Executives are rewarded from this scheme. A short term incentive is paid subject to AICD achieving a prescribed benchmark and is distributed based on individual performance outcomes. These key performance outcomes are linked to the strategic goals of the AICD.

Compensation of key management personnel

	2018 $'000	2017 $'000
Compensation by category		
Short-term employee benefits[1]	2,619	2,758
Post-employment benefits[2]	135	106
Other long-term employee benefits[3]	211	149
Termination benefits	216	297
	3,181	**3,310**

(1) Short-term employee benefits are fixed compensation, variable compensation and all other short term payments
(2) Post-employment benefits are superannuation contributions
(3) Other long-term employee benefits are leave entitlements

Included in the above compensation is the amount paid to the MD & CEO of $387,784 (inclusive of superannuation). The amount represents the MD &CEO annual salary of $525,000 (inclusive of superannuation) on a pro rata basis.

The AICD has a short term incentive plan available to all qualifying staff and each year it is subject to the achievement of a prescribed benchmark. The program potentially rewards key management personnel and staff for their achievements across a wide array of Key Performance Indicators (KPI's). The benchmark was not achieved in the 2018 financial year. However, the Board has discretionary power to reward management and staff where it considers it warranted.

The Board this year exercised its discretion to reward select key management personnel and staff. Approximately 20% of key management personnel and staff realised this discretionary bonus.

The CEO chose not to receive a discretionary bonus this year.

The number of Executives, excluding the MD & CEO as at June 30, 2018 whose remuneration falls within the following bands is:

	2018	2017
$300,000 - $349,999	1	1
$350,000 - $399,999	-	1
$400,000 - $449,999	-	2
$450,000 - $499,999	4	-
$500,000 - $549,999	-	1
$550,000 - $599,999	1	-

Compensation of executives comprises amounts paid or payable to executive officers domiciled in Australia, directly or indirectly, by the AICD or any related party in connection with the management of the affairs of the entity, whether as executive officers or otherwise.

The number of Directors during the year, excluding the MD & CEO, was 12 and their total remuneration was $nil (2017 - $nil).

17. Financial Risk Management

(a) Risk management, objectives and policies

The AICD's principal financial instrument is in the Mercer Moderate Growth Fund, a diversified unit trust comprising a mix of growth and defensive assets. The AICD has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the AICD's financial instruments are credit risk, market risk and currency risk. The AICD has no borrowings and as such there are no exposures to cash flow interest rate risk and liquidity risk. Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 11 to the financial statements.

(b) Investment policy

The AICD has an investment policy which sets out the investment goals and objectives of the portfolio. The intended use of the portfolio is to:

- Help manage business risk, including reserves for working capital and uninsured risks; and
- Build sustainable wealth to support the delivery of expanded services to members and other stakeholders.

The investment objective is to return CPI + 3% over a four year time horizon and the risk profile is considered to be medium. The mix of defensive assets (fixed interest and cash) is between 30% - 60% and the mix of growth assets (including Australian and International shares, property and infrastructure) is between 40% - 70%.

(c) Market risk

Changes in unit prices for investments held in unit funds will affect income and the value of its holdings.
A 1% change in unit prices at reporting date would have increased/decreased the surplus and investments by an estimated $287,790.

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17. Financial Risk Management (continued)

(d) Liquidity and interest risk

	1 year or less $'000	1 – 2 years $'000	2 – 5 years $'000	Non-interest bearing $'000	Total $'000	Weighted average effective interest rate %
Year ended 30 June 2018						
Financial assets						
Fixed rate						
Fixed Term Deposit	5,658	-	-	-	**5,658**	2.17%
Floating rate						
Cash and cash equivalents	9,161	-	-	-	**9,161**	0.50%
Unit funds	-	-	-	28,779	**28,779**	
Trade and other receivables	-	-	-	2,762	**2,762**	
	14,819	**-**	**-**	**31,541**	**46,360**	
Financial liabilities						
Floating rate						
Trade and other payables	-	-	-	8,439	**8,439**	
Subscriptions and fees in advance	-	-	-	23,535	**23,535**	
	-	**-**	**-**	**31,974**	**31,974**	
Year ended 30 June 2017						
Financial assets						
Fixed rate						
Fixed Term Deposit	3,890	-	-	-	**3,890**	2.03%
Floating rate						
Cash and cash equivalents	5,791	-	-	-	**5,791**	0.60%
Unit funds	-	-	-	31,979	**31,979**	
Trade and other receivables	-	-	-	2,914	**2,914**	
	9,681	**-**	**-**	**34,893**	**44,574**	
Financial liabilities						
Floating rate						
Trade and other payables	-	-	-	7,973	**7,973**	
Subscriptions and fees in advance	-	-	-	20,364	**20,364**	
	-	**-**	**-**	**28,337**	**28,337**	

Financial Report for the year ended 30 June 2018
Directors' Declaration

In the opinion of the directors of the Australian Institute of Company Directors:

(a) the financial statements and notes that are set out on pages 12 to 33 are in accordance with the Australian Charities and Not-for-Profits Commission Act 2012, including:

(i) giving a true and fair view in all material respects of the AICD's financial position as at 30 June 2018 and of its performance for the year ended on that date; and

(ii) complying with Accounting Standards and the Australian Charities and Not-for-Profits Commission Regulation 2013; and

(b) there are reasonable grounds to believe that the AICD will be able to pay its debts as and when they become due and payable.

The directors draw attention to Note 2(a) to the financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the directors.

Elizabeth Proust AO FAICD
Chairman

Angus Armour FAICD
Managing Director & Chief Executive Officer

Sydney
29 August 2018

Independent Auditor's Report

To the members of Australian Institute of Company Directors

Opinion

We have audited the ***Financial Report***, of the Australian Institute of Company Directors (the Company).

In our opinion, the accompanying ***Financial Report*** of the Company is in accordance with Division 60 of the *Australian Charities and Not-for-profits Commission (ACNC) Act 2012*, including:

- giving a true and fair view of the Company's financial position as at 30 June 2018, and of its financial performance and its cash flows for the year ended on that date; and
- complying with *Australian Accounting Standards and Division 60* of the *Australian Charities and Not-for-profits Commission Regulation 2013*.

The ***Financial Report*** comprises:

- Statement of financial position as at 30 June 2018;
- Statement of profit or loss and other comprehensive income, statement of changes in equity, and statement of cash flows for the year then ended;
- Notes including a summary of significant accounting policies; and
- Directors' declaration.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Company in accordance with the auditor independence requirements of the *ACNC Act 2012* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

Key Audit Matters are those matters that, in our professional judgment, were of most significance in our audit of the Financial Report of the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition ($76,254,000)

Refer to Note 4 to the Financial Report

The key audit matter	How the matter was addressed in our audit
The Company has three distinct revenue streams, each with distinct recognition requirements. • Education and events require that the revenue be recognised once the event or course has been held; • Membership requires that the revenue be recognised on a pro rata basis over the period of membership; and • Publishing requires that the revenue be recognised once the publication is released. The Company receives payments in advance of when the revenue is able to be recognised, resulting in the recognition of deferred revenue. We focused on this area as a key audit matter due to the quantum of revenue recognised combined with the large volume of transactions. This necessitated significant audit effort across the transactions.	Our procedures included: • We evaluated the Company's policy for revenue recognition for each stream including deferral of advanced payments in accordance with the accounting standards; • We selected a sample of deferred revenue transactions, using statistical sampling software and assessed the accounting treatment of the deferral by comparing to underlying documentation such as invoices detailing the related dates of membership, event or publication, bank statements and against the criteria in the accounting standards; • We selected a sample of revenue transactions using statistical sampling software and checked recognition against underlying documentation such as invoices detailing the related dates of membership, event or publication and the Company's revenue recognition policy.

Other information

Other Information is financial and non-financial information in Australian Institute of Company Director's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- Preparing the Financial Report that gives a true and fair view in accordance with Australian Accounting Standards and the ACNC.
- Implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.
- Assessing the Company's ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Financial Report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the Financial Report or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Financial Report, including the disclosures, and whether the Financial Report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that the auditor identifies during the audit.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the Financial Report of the current period and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG

KPMG

Anthony Travers
Partner

Sydney
29 August 2018

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of COMPANY DIRECTORS

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