

# Australian Institute of Company Directors

## *Financial Report*



**Financial Report for the year ended 30 June 2016***Contents*

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<b>Directors' Report</b>	<b>4</b>
<b>Auditor's Independence Declaration</b>	<b>9</b>
<b>Corporate Governance Statement</b>	<b>10</b>
<b>Statement of Profit or Loss and Other Comprehensive Income</b>	<b>20</b>
<b>Statement of Financial Position</b>	<b>21</b>
<b>Statement of Changes in Equity</b>	<b>22</b>
<b>Statement of Cash Flows</b>	<b>23</b>
<b>Notes to the Financial Statements</b>	<b>24</b>
<b>Directors' Declaration</b>	<b>42</b>
<b>Independent Auditor's Report</b>	<b>43</b>
<b>Division Councillors</b>	<b>44</b>
<b>Chairman's Forum and Committees</b>	<b>45</b>

## Financial Report for the year ended 30 June 2016

### 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 2016.

#### 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 2016, there were 38,815 members including over 1,400 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 266 employees around the country 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 in house corporate education.

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

#### Financial Results

The net amount of the AICD's surplus for the financial year ended 30 June 2016 was \$1.1m (2015: surplus \$0.2m).

The operating result before investment income for the financial year was \$0.0m (2015: deficit \$3.0m).

The net investment result for the year was a surplus of \$1.0m (2015: surplus \$3.1m).

In February 2016 the Board approved a Reserves Policy. The purpose of the Reserves Policy is to provide a framework for the AICD to set aside sufficient financial reserves to facilitate the long term sustainability of the AICD by:

- Protecting and safeguarding assets;
- Meeting liabilities as they fall due;
- Providing resilience and capacity to manage unforeseen financial difficulties; and
- Delivering 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.

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

#### Review of Operations

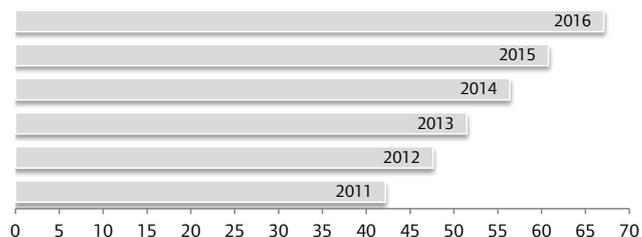
During the 2016 financial year, the AICD experienced strong growth in operating performance. There was an investment of \$3.7m in capital expenditure (2015: \$5.6m) that included the refurbishment of the existing National office and the new SA office (with the inclusion of a Business Centre and Member Lounge) and the installation of key software improvements.

In the latter half of 2016, the AICD restructured the Commercial Division, resulting in staff redundancies and associated restructure costs. The full cost of the restructure totalling \$0.7m (2015: \$2.7m) was recognised in the 2016 Financial Statements.

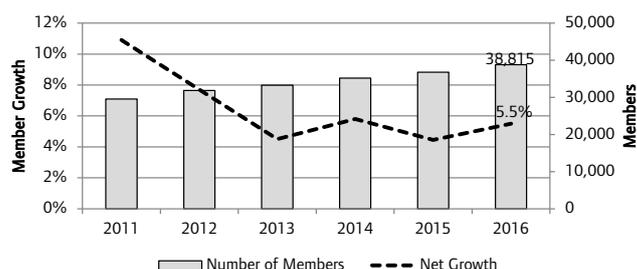
#### Revenue (\$m)

Overall revenue increased by 10.4% (2015: 7.8%) over the 2016 financial year to \$67.1m (2015: \$60.8m). Total operating revenue excludes investment income.

#### Total Operating Revenue (\$m)



Membership net growth increased to 5.5% in 2016 compared to 4.5% in 2015. Membership at 30 June 2016 was 38,815 (2015: 36,779).



## Financial Report for the year ended 30 June 2016

### Directors' Report

Education revenue increased by 15.5% (2015: 9.0%) for the year with 16,854 course attendees (2015: 13,869). The Net Promoter Score (NPS) across our public courses this year further strengthened to 58 (2015: 54). Our decision to hold fewer events across 2016 with more consistent and targeted content has led to an increased NPS of 37 (2015: 35). Attendance at our annual conference in Melbourne was a record high at 980 (2015: 367) and we increased the number of complimentary events for our members to 178 (2015: 147). Total attendance at events and conferences was 34,861 (2015: 35,424). Whilst overall revenue from Events and Conferences declined by 15.1%, the overall contribution improved by \$1.4m.

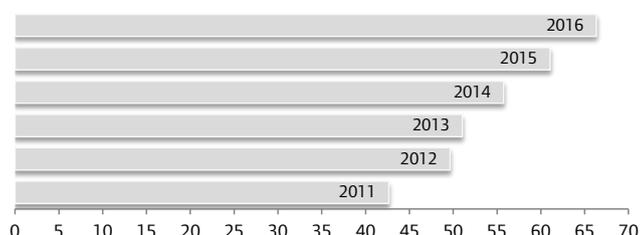
Overall there were 1,340 courses and events (2015: 1,188) held during the year with 51,965 attendees (2015: 48,988).

#### Expenses (\$m)

Total operating expenses (excluding restructuring costs) increased 8.7% from last financial year (2015: increase 9.5%). Revenue growth exceeded the growth in operating expenses by 1.7%. Full time equivalent employees increased to 266 (2015: 238) reflecting the creation of our Partnerships business unit to design, sell and execute governance programs for organisations.

The reduction in expenditure on strategic initiatives of \$0.6m (2015: \$2.6m) reflects the embedding of the organisational restructure undertaken in 2015.

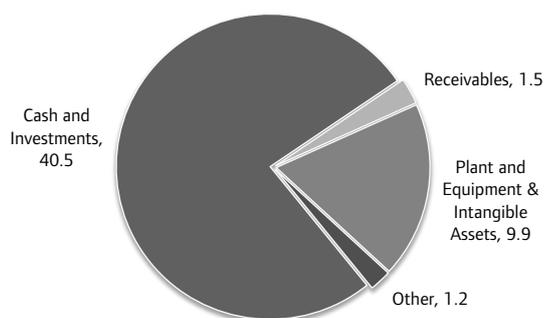
#### Total Operating Expenses excluding restructuring costs (\$m)



#### Review of Financial Condition

Members' Funds increased from \$18.9m to \$20.0m during the year ended 30 June 2016.

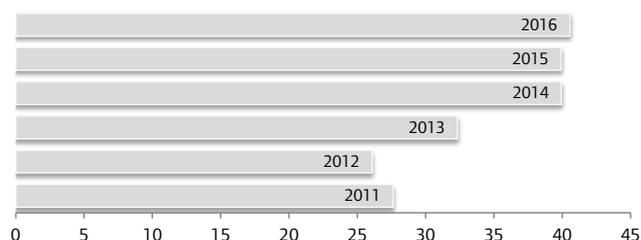
#### Assets (\$m)



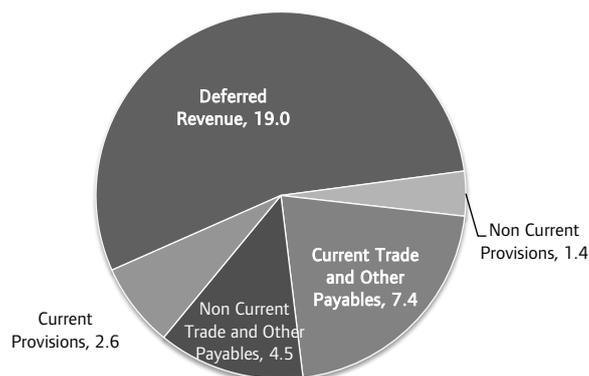
Cash and Investments total \$40.5m (2015: \$39.9m) of which \$31.3m (2015: \$32.0m) is invested in Mercer public funds in accordance with the Investment Policy approved by the Board. The

Investment Policy sets out the risk and return expectations (that are linked to CPI) over a defined investment period. The portfolio decreased by \$0.7m during the year due to net capital withdrawals (\$1.5m) partially offset by a net positive impact of fair value movements and distributions (\$0.8m).

#### Cash and Investments (\$m)



#### Liabilities (\$m)



Deferred Revenue represents annual membership fees amortised over the year and pre-paid courses and events. There was a slight increase of \$0.5m over the financial year.

Current Other Provisions decreased by \$0.7m as a result of lower restructuring activity.

Non-Current Trade and Other Payables have decreased by \$0.9m due to the recognition of rent free provisions on property which are recorded on a straight line basis and expensed over the term of the lease.

#### 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.

**Financial Report for the year ended 30 June 2016**  
*Directors' Report*

**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**

The AICD has plans to further invest and expand its governance consulting business during the financial year ending 30 June 2017. This is aligned to the AICD mission of making a positive impact on society and the economy through governance education.

**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 Managing Director & Chief Executive Officer has been appointed by the Board as an executive director and was remunerated as an employee of the company as set out in Note 16 to the Financial Statements.

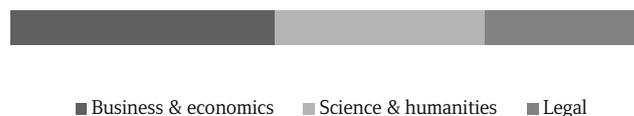
No director can hold an interest in the company as it is a company limited by guarantee. Each director, being a member, is liable to the extent of the guarantee given under the company's Constitution. No director of the company has received or become entitled to receive a benefit during or since the 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, a performance evaluation process and independent remuneration advice. 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 (one per director)\***



\* Either all or a significant majority of Directors have experience in the field of policy and advocacy, or in working or interacting with government and regulatory bodies.

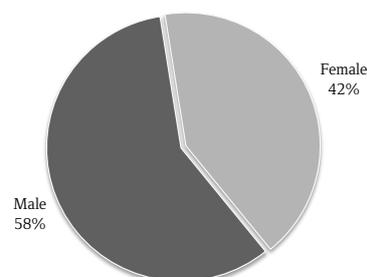
**Sector (more than one per director)**



**Industry Experience (more than one per director)**



**Gender**



**Tenure**

Directors are elected by the Board and generally speaking 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 2016

### Directors' Report

#### Meeting Attendances

The meeting attendance by directors during the year 1 July 2015 to 30 June 2016 is noted below<sup>†</sup>.

Director	Board	Audit, Risk and Compliance Committee	Human Resources and Remuneration Committee	Investment Committee	Nominations Committee	Strategy Committee
Ms Elizabeth Proust AO FAICD	8 of 8*		3 of 3		3 of 3*	2 of 2 <sup>^</sup>
Mr Gene Tilbrook FAICD	8 of 8			2 of 2	5 of 6	3 of 3*
Mr David Bayes FAICD	7 of 8	5 of 5	2 of 2*			
Mr Michael Coleman FAICD	4 of 4	3 of 3*				
Ms Kathy Gramp FAICD	1 of 3	2 of 3				
Mr Peter Hay FAICD	6 of 7 <sup>^</sup>		2 of 3 <sup>^</sup>			
Ms Tracey Horton FAICD	**		**			
Dr Sally Pitkin FAICD	8 of 8			2 of 2	5 of 5	3 of 3
Mr Roderick Roberts FAICD	7 of 8	5 of 5		2 of 2*		
Ms Liesel Wett FAICD	4 of 4		2 of 2			
Mr Kee Wong FAICD	***					***
Mr John Brogden AM FAICD <sup>o</sup>	8 of 8	5 of 5	4 of 4	2 of 2	6 of 6	3 of 3

#### Retirements and Resignations

Ms Yasmin Allen FAICD	4 of 5				3 of 3	
Ms Kathleen Conlon FAICD	3 of 4					1 of 1
Ms Anne O'Donnell FAICD	3 of 3	1 of 1	2 of 2			
Mr Kevin Osborn FAICD	5 of 5	2 of 2			3 of 3	
Mr Michael Smith FAICD	2 of 2 <sup>^</sup>		2 of 2		1 of 1 <sup>^</sup>	1 of 1

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

\*\*Appointed 10 June 2016. No scheduled meetings prior to 30 June 2016.

\*\*\*Appointed 28 June 2016. No scheduled meetings prior to 30 June 2016.

<sup>^</sup>A leave of absence was granted during the period.

<sup>o</sup>Attended all Committee meetings.

<sup>†</sup>Directors are entitled to attend any Committee meeting as observer. These attendances are not noted above.

#### 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 2016 and is located on the page following the Directors' Report.

#### Non-Audit Services

The AICD received revenue from sponsorship of events from KPMG of \$172,500. The AICD's auditor, KPMG, provided non-audit services primarily in relation to project governance services, which totalled \$66,477 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.

**Financial Report for the year ended 30 June 2016**  
*Directors' Report*

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Signed in accordance with a resolution of the directors.



**John Brogden AM FAICD**  
Managing Director & Chief Executive Officer

Sydney  
14 September 2016



**Elizabeth Proust AO FAICD**  
Chairman

**Financial Report for the year ended 30 June 2016**

*Auditor's Independence Declaration*

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**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 2016 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.

A handwritten signature of Anthony Travers in black ink, written in a cursive style.

KPMG

A handwritten signature of Anthony Travers in black ink, written in a cursive style.

**Anthony Travers**  
Partner

Sydney  
14 September 2016

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ('KPMG International'), a Swiss entity.

Liability limited by a scheme approved under Professional Standards Legislation.

**Financial Report for the year ended 30 June 2016**  
*Corporate Governance Statement*

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

**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](http://companydirectors.com.au)

*Composition of the Board*

The Board is to consist of not less than three and not more than twelve Directors, comprised of not less than two and not more than four National Directors, seven Division Directors, and a Chief Executive Officer ("CEO") who may be appointed as a Director by the Board. The Board currently consists of four National Directors, seven Division Directors and the CEO, who was appointed Managing Director by the Board ("MD & CEO"). Each Division Council is entitled to nominate a person to be appointed to the Board as a Division Director. The Board elects the Directors. The Board also elects the Chairman of the Board. Further detail on the process for appointment of Directors can be found in the Constitution and the Board Charter.

*Non-executive Board Remuneration and Tenure*

National Directors and Division Directors must be Members of the AICD and do not receive any remuneration for their services to the AICD. National Directors may serve for two terms each of up to three years, and each Director (other than the MD & CEO if applicable) may serve up to six years in total, unless elected as Chairman, in which case they may serve up to nine years in total.

No Director (except for the MD & CEO) has received or become entitled to receive a benefit from the AICD during or since the end of the financial year as a result of a contract with the director, a firm of which he or she is a member, an entity in which he or she has a substantial financial interest, or an entity related to or controlled by the AICD.

*Role of the Board*

The Board's role includes setting and periodically reviewing the strategic direction, and monitoring organisational and financial performance. Eight meetings of the Board were held during the financial year.

*The Board and the Chief Executive Officer*

The Board is responsible for the appointment and regular assessment of the performance of the MD & CEO. The MD & CEO's role is to lead the organisation. The MD & CEO develops a business strategy in collaboration with the senior management team and the Strategy Committee, and implements it once it is approved by the Board. The MD & CEO is also responsible for the culture of the AICD and for financial management and control.

The Board determines the MD & CEO's performance goals and remuneration on advice from the Human Resources and Remuneration Committee. The MD & CEO's remuneration consists of a salary and an at-risk component. The amount of the latter is set by the Board on advice from the Human Resources and Remuneration Committee, which assesses the MD & CEO's performance against agreed goals.

**Board Committees**

To improve its efficiency and effectiveness, the Board has established a Strategy Committee, an Audit, Risk and Compliance Committee, a Human Resources and Remuneration Committee, an Investment Committee and a Nominations Committee. In addition, the AICD is advised on policy matters by three advisory committees of senior practising directors (including a member of the Board) and technical experts—Corporate Governance, Law and Reporting—and is advised on matters of importance to the office of Chairman of Australian companies by the Chairman's Forum. Other advisory committees support the AICD's approach to developing policy and education curricula. The Board approves the Terms of Reference of these committees and reviews their membership periodically.

*Strategy Committee*

The Board is responsible for setting the strategic objectives of the AICD and overseeing management's implementation of the AICD's strategic objectives. The Strategy Committee's role is to assist the Board by contributing to the development of the AICD's strategic objectives, in conjunction with management, and the appropriate monitoring of their implementation.

The Strategy Committee comprises no less than three Directors, at least one of whom shall be a National Director. As at the date of this Report there are four Directors on this Committee - refer to 'Meeting Attendances' in the Directors' Report.

*Audit, Risk and Compliance Committee*

The Audit, Risk and Compliance Committee reviews and monitors the risk management and compliance program and the financial systems operating within the AICD. It provides a link between the Board, the external auditors and management.

The Committee reviews and monitors procedures to safeguard the AICD's assets and interests, including accounting and financial reporting, in compliance with applicable laws, regulations, standards, and best practice guidelines. It oversees the continuing independence of the external auditor.

The Audit, Risk and Compliance Committee comprises the Chairman of the Committee and at least two other Directors and such other parties as nominated by the Board. As at the date of this Report there are four Directors on this Committee - refer to 'Meeting Attendances' in the Directors' Report.

## Financial Report for the year ended 30 June 2016

### Corporate Governance Statement

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#### *Human Resources and Remuneration Committee*

The objectives of the Human Resources and Remuneration Committee are to assist the Board to discharge its corporate governance responsibilities to exercise due care and diligence and skill in relation to:

- Oversight of human resources strategies to foster quality of management practices;
- The setting of key performance areas for the MD & CEO and the regular review of the MD & CEO's performance;
- Oversight of executive and staff remuneration and benefits to recognise contributions to the business by staff and to reward these appropriately;
- Oversight of staff policies and procedures, including superannuation, diversity and a code of conduct; and
- Oversight of compliance with applicable laws and regulations.

The Human Resources and Remuneration Committee comprises the Chairman of the Committee and at least two other Directors in each case as appointed by the Board. As at the date of this Report there are four Directors on this Committee - refer to 'Meeting Attendances' in the Directors' Report.

#### *Nominations Committee*

The objectives of the Nominations Committee are to:

- Determine the pipeline of director nominees for election to the National Board of Directors;
- Identify and recommend candidates to fill vacancies occurring at the end of National Directors' tenure;
- Consult with Division Councils on nominees for the role of Division Director and their tenure; and
- Manage casual vacancies.

The Nominations Committee comprises the Chairman of the Board who acts as Chairman of the Committee and at least two other Directors appointed by the Board. As at the date of this Report there are three Directors on this Committee - refer to 'Meeting Attendances' in the Directors' Report.

#### *Investment Committee*

The objectives of the Investment Committee are to:

- Develop and recommend to the Board the investment strategy for the AICD including the risk and return profile, and strategic asset allocation;
- Adopt, periodically review and revise the Investment Policy Statement; and
- Oversee the implementation of the investment strategies approved by the Board, including the performance of any investment manager.

The Investment Committee comprises the Chairman of the Committee and at least two other Directors in each case as appointed by the Board. As at the date of this report, there are three Directors on this Committee - refer to 'Meeting Attendances' in the Directors' Report.

#### **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](http://companydirectors.com.au)

The 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 MD & CEO. The Division Council Charter is available on the AICD's website: [companydirectors.com.au](http://companydirectors.com.au)

#### **Adherence to Ethical Standards**

The AICD's members agree to be bound by the principles contained in the Code of Conduct. A copy of the Code is provided to all members. The principles call for honesty, due care and diligence, and adherence to the spirit, as well as the letter, of the law.

The AICD has in place values to guide staff in their decisions. The values are:

- True Professionalism;
- Positive Influence;
- Powerful Together;
- Dynamic Performance; and
- Lasting Impact.

**Financial Report for the year ended 30 June 2016**

*Comparison of AICD Corporate Governance Principles to ASX Corporate Governance Principles and Recommendations 3rd Edition*

<b>Principle/recommendation</b>		<b>Description/reference of disclosure/ compliance</b>
Principle 1	Lay solid foundations for management and oversight	
Recommendation 1.1	A listed entity should disclose:	Refer to Articles 3(a) and 5.2 of the Board Charter.
	(a) The respective roles and responsibilities of its board and management; and	The AICD's Board Charter is disclosed on the AICD's website: <a href="http://aicd.companydirectors.com.au/about/about-our-governance">http://aicd.companydirectors.com.au/about/about-our-governance</a>
	(b) Those matters expressly reserved to the board and those delegated to management.	Refer to Articles 3(a) and 5.2 of the Board Charter.
Recommendation 1.2	A listed entity should:	Prospective directors are evaluated against a skills matrix prior to appointment. Prospective directors also undergo checks in the process of becoming a member of the AICD.
	(a) Undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and	
	(b) Provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.	Directors are elected by the Board as provided in the AICD's Constitution.
Recommendation 1.3	A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	Each director is appointed pursuant to a written agreement setting out the terms of appointment of the director.
Recommendation 1.4	The company secretary of a listed entity should be accountable directly to the board, through the chairman, on all matters to do with the proper functioning of the board.	The AICD's company secretary is accountable to the Board, through its chairman, in relation to the proper functioning of the Board.
Recommendation 1.5	A listed entity should:	The AICD has a diversity policy which states that the Board will establish measurable objectives for achieving diversity and assess annually the progress in achieving them.
	(a) Have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;	
	(b) Disclose that policy or a summary of it; and	The AICD's diversity policy is disclosed on the AICD's website: <a href="http://aicd.companydirectors.com.au/about/about-our-governance">http://aicd.companydirectors.com.au/about/about-our-governance</a>

## Financial Report for the year ended 30 June 2016

*Comparison of AICD Corporate Governance Principles to ASX Corporate Governance Principles and Recommendations 3rd Edition*

Principle/recommendation	Description/reference of disclosure/ compliance
Recommendation 1.5 (continued)	<p>(c) Disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them and either:</p> <p>(1) The respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined 'senior executive' for these purposes); or</p> <p>(2) If the entity is a 'relevant employer' under the Workplace Gender Equality Act, the entity's most recent 'Gender Equality Indicators' as defined in and published under that Act.</p> <p>The AICD has set the following measurable objectives for gender diversity:</p> <ul style="list-style-type: none"> <li>• Board: Maintain or exceed 30% female representation;</li> <li>• Executive: Maintain or exceed 30% female representation; and</li> <li>• Division Councillors: Maintain or exceed 30% female representation.</li> </ul> <p>The proportion of women as most recently reported by the AICD to the Workplace Gender Equality Agency is as follows:</p> <ul style="list-style-type: none"> <li>• Board members: 40%;</li> <li>• Key management personnel: 50%;</li> <li>• Senior management: 75%;</li> <li>• Other management: 60%;</li> <li>• Non-management: 77%; and</li> <li>• Whole organisation: 73%.</li> </ul>
Recommendation 1.6	<p>A listed entity should:</p> <p>(a) Have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and</p> <p>(b) Disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p> <p>The Nominations Committee is responsible for annually evaluating and reporting to the Board on the performance and effectiveness of the Board, its Committees and individual Directors. The Committee is authorised to obtain professional advice in relation to the scope of its responsibilities. The Committee seeks appropriate professional advice in undertaking the annual performance evaluation.</p> <p>A performance evaluation was undertaken in accordance with this process in the reporting period.</p>
Recommendation 1.7	<p>A listed entity should:</p> <p>(a) Have and disclose a process of periodically evaluating the performance of its senior executives; and</p> <p>(b) Disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p> <p>The MD &amp; CEO has undertaken an evaluation of the performance of senior executives through the Performance Management Process, which is a process approved, overseen and monitored by the Human Resources and Remuneration Committee.</p> <p>Details of this process are disclosed on the AICD's website:  <a href="http://aicd.companydirectors.com.au/about/about-our-governance">http://aicd.companydirectors.com.au/about/about-our-governance</a></p> <p>A performance evaluation was undertaken in accordance with the process described above in the reporting period.</p>

**Financial Report for the year ended 30 June 2016**

*Comparison of AICD Corporate Governance Principles to ASX Corporate Governance Principles and Recommendations 3rd Edition*

Principle/recommendation		Description/reference of disclosure/ compliance
Principle 2	Structure the board to add value	
Recommendation 2.1	<p>The board of a listed entity should:</p> <p>(a) have a Nominations Committee which:</p> <ol style="list-style-type: none"> <li>(1) has at least three members, a majority of whom are independent directors; and</li> <li>(2) is chaired by an independent director, and disclose:</li> <li>(3) the charter of the committee;</li> <li>(4) the members of the committee; and</li> <li>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</li> </ol> <p>(b) if it does not have a Nominations Committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.</p>	<p>The Board has a Nominations Committee which satisfies the requirements of this recommendation.</p> <p>The charter of the Committee is disclosed on the AICD's website: <a href="http://aicd.companydirectors.com.au/about/about-our-governance">http://aicd.companydirectors.com.au/about/about-our-governance</a></p> <p>The members of the Committee as at the date of this report are:</p> <ul style="list-style-type: none"> <li>• Elizabeth Proust AO FAICD (Chairman);</li> <li>• David Bayes FAICD;</li> <li>• Sally Pitkin FAICD; and</li> <li>• Gene Tilbrook FAICD.</li> </ul> <p>The number of meetings and individual attendances of the members at those meetings are shown in the Directors' Report.</p>
Recommendation 2.2	<p>A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.</p>	<p>The AICD uses a board skills matrix to assess the skills and diversity of the Board. This is disclosed in the Directors' Report.</p> <p>Biographical details of each director are available on the AICD's website: <a href="http://aicd.companydirectors.com.au/about">http://aicd.companydirectors.com.au/about</a></p>
Recommendation 2.3	<p>A listed entity should disclose:</p> <ol style="list-style-type: none"> <li>(a) the names of the directors considered by the board to be independent directors;</li> <li>(b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and</li> <li>(c) the length of service of each director.</li> </ol>	<p>The AICD is a membership organisation comprising seven divisions with each division having a division council which acts as an advisory body. A member of each division council is appointed to the Board.</p> <p>The independence of directors is considered as part of the appointment process. Directors are also required to disclose changes to their interests and positions as they arise.</p> <p>In relation to Division Directors, the Board is of the opinion that holding the position of division councillor provides the respective directors with specific insights to their local divisions which is valuable to the Board's deliberations but does not compromise the independence of the director.</p> <p>Therefore, other than the MD &amp; CEO, all remaining Board members are considered by the Board to be independent directors.</p> <p>The length of service of each of the directors as at 30 June 2016 is shown in Note 16 of the Financial Statements.</p>

## Financial Report for the year ended 30 June 2016

*Comparison of AICD Corporate Governance Principles to ASX Corporate Governance Principles and Recommendations 3rd Edition*

Principle/recommendation		Description/reference of disclosure/compliance
Recommendation 2.4	A majority of the board of a listed entity should be independent directors.	With the exception of the MD & CEO, the Board is comprised of independent directors.
Recommendation 2.5	The chairman of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.	The chairman of the Board is an independent director and is not the same person as the MD & CEO.
Recommendation 2.6	A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.	Directors take part in an induction program on commencement as a director of the AICD. Professional development opportunities are available to all directors.
Principle 3	Act ethically and responsibly	
Recommendation 3.1	A listed entity should: <ul style="list-style-type: none"> <li>(a) have a code of conduct for its directors, senior executives and employees; and</li> <li>(b) disclose that code or a summary of it.</li> </ul>	<p>The code of conduct for directors is contained with their letter of appointment and also within specific protocols approved by the Board from time to time. Together these documents explain the standard of behaviour and approach in relation to the directors' legal requirements including confidentiality and conflicts of interest.</p> <p>The code of conduct for senior executives and employees is contained within the Standards of Conduct Policy. The Standards of Conduct Policy sets out obligations of duty of care to ensure that the highest standards of professional and personal conduct are maintained at all times.</p>

**Financial Report for the year ended 30 June 2016**

*Comparison of AICD Corporate Governance Principles to ASX Corporate Governance Principles and Recommendations 3rd Edition*

<b>Principle/recommendation</b>	<b>Description/reference of disclosure/compliance</b>
<b>Principle 4</b>	<b>Safeguard integrity in corporate reporting</b>
Recommendation 4.1	<p>The board of a listed entity should:</p> <p>(a) have an audit committee which:</p> <p>(1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, who is not the chairman of the board,</p> <p>and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the relevant qualifications and experience of the members of the committee; and</p> <p>(5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.</p>
Recommendation 4.2	<p>Prior to approving the AICD's financial statements for a period, the Board receives such a declaration from the MD &amp; CEO and CFO.</p>
Recommendation 4.3	<p>The AICD's external auditor is invited to attend the AICD's Annual General Meeting (AGM) and be available to answer questions from members in relation to the audit.</p>
<b>Principle 5</b>	<b>Make timely and balanced disclosure</b>
Recommendation 5.1	<p>A listed entity should:</p> <p>(a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and</p> <p>(b) disclose that policy or a summary of it.</p>

## Financial Report for the year ended 30 June 2016

*Comparison of AICD Corporate Governance Principles to ASX Corporate Governance Principles and Recommendations 3rd Edition*

Principle/recommendation		Description/reference of disclosure/compliance
Principle 6	Respect the rights of security holders	
Recommendation 6.1	A listed entity should provide information about itself and its governance to investors via its website.	The AICD provides information about it and its governance on its website, in particular the 'About our governance' page: <a href="http://aicd.companydirectors.com.au/about/about-our-governance">http://aicd.companydirectors.com.au/about/about-our-governance</a>
Recommendation 6.2	A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	The AICD is a membership organisation. Communication with members includes regular email newsletters, <i>Company Director</i> magazine, an annual financial report, information published on the AICD's website <a href="http://www.companydirectors.com.au/">http://www.companydirectors.com.au/</a> , posts shared on social media platforms and conversation in face-to-face meetings.
Recommendation 6.3	A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	The AICD's members are invited to the AICD's AGM. In accordance with the AICD's Constitution the chairman of the AGM (who is the chairman of the Board) is responsible for the general conduct of the meeting and for the procedures to be adopted at the meeting. Time is designated during the meeting for questions by members and the chairman or a delegate will encourage and coordinate questions from members.
Recommendation 6.4	A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	The AICD provides members the option to receive communications from, and send communications to, the AICD electronically.
Principle 7	Recognise and manage risk	
Recommendation 7.1	The board of a listed entity should: <ol style="list-style-type: none"> <li>(a) have a committee or committees to oversee risk, each of which:               <ol style="list-style-type: none"> <li>(1) has at least three members, a majority of whom are independent directors; and</li> <li>(2) is chaired by an independent director, and disclose:                   <ol style="list-style-type: none"> <li>(3) the charter of the committee;</li> <li>(4) the members of the committee; and</li> <li>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</li> </ol> </li> <li>(b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.</li> </ol> </li> </ol>	<p>The Board has an Audit, Risk and Compliance Committee which satisfies the requirements of this recommendation.</p> <p>The charter of the Committee is disclosed on the AICD's website: <a href="http://aicd.companydirectors.com.au/about/about-our-governance">http://aicd.companydirectors.com.au/about/about-our-governance</a></p> <p>The members of the Committee as at the date of this report are:</p> <ul style="list-style-type: none"> <li>• Michael Coleman FAICD (Chair);</li> <li>• David Bayes FAICD;</li> <li>• Kathy Gramp FAICD; and</li> <li>• Roderick Roberts FAICD.</li> </ul> <p>The number of meetings and individual attendances of the members at those meetings are shown in the Directors' Report.</p>

**Financial Report for the year ended 30 June 2016**

*Comparison of AICD Corporate Governance Principles to ASX Corporate Governance Principles and Recommendations 3rd Edition*

Principle/recommendation		Description/reference of disclosure/compliance
Recommendation 7.2	<p>The board or a committee of the board should:</p> <ul style="list-style-type: none"> <li>(a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and</li> <li>(b) disclose, in relation to each reporting period, whether such a review has taken place.</li> </ul>	<p>The Audit, Risk and Compliance Committee has responsibility for reviewing the AICD's risk management framework at least annually to satisfy itself that it continues to be sound.</p> <p>The Committee has undertaken this review in the year to June 2016.</p> <p>The AICD risk management policy is available at: <a href="http://aicd.companydirectors.com.au/about/about-our-governance">http://aicd.companydirectors.com.au/about/about-our-governance</a></p>
Recommendation 7.3	<p>A listed entity should disclose:</p> <ul style="list-style-type: none"> <li>(a) if it has an internal audit function, how the function is structured and what role it performs; or</li> <li>(b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.</li> </ul>	<p>The AICD has an internal control review function which is considered appropriate for the scale and complexity of the AICD's operations. The AICD assesses this position from time to time.</p>
Recommendation 7.4	<p>A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.</p>	<p>The Audit, Risk and Compliance Committee has responsibility to monitor the practice and effectiveness of the AICD's risk management process including material exposure to and management of economic, environmental and social sustainability risks.</p> <p>The AICD considers that it does not have a material exposure to such risks, i.e. that there is not a real possibility that economic, environmental or social risks could substantively impact the AICD's ability to create or preserve value for members over the short, medium or long term.</p> <p>There is a risk that broader economic factors or a prolonged economic downturn may affect membership subscription numbers and Company Directors Course™ revenue. However the AICD does not consider at the time of this report that this risk is likely in the short term to materially affect the provision of services to its members.</p>

## Financial Report for the year ended 30 June 2016

*Comparison of AICD Corporate Governance Principles to ASX Corporate Governance Principles and Recommendations 3rd Edition*

Principle/recommendation		Description/reference of disclosure/compliance
Principle 8	Remunerate fairly and responsibly	
Recommendation 8.1	<p>The board of a listed entity should:</p> <p>(a) have a remuneration committee which:</p> <ol style="list-style-type: none"> <li>(1) has at least three members, a majority of whom are independent directors; and</li> <li>(2) is chaired by an independent director, and disclose:</li> <li>(3) the charter of the committee;</li> <li>(4) the members of the committee; and</li> <li>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</li> </ol> <p>(b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.</p>	<p>The Board has a Human Resources and Remuneration Committee which satisfies the requirements of this recommendation.</p> <p>The charter of the Committee is disclosed on the AICD's website:  <a href="http://aicd.companydirectors.com.au/about/about-our-governance">http://aicd.companydirectors.com.au/about/about-our-governance</a></p> <p>The members of the Committee as at the date of this report are:</p> <ul style="list-style-type: none"> <li>• David Bayes FAICD (Chair);</li> <li>• Peter Hay FAICD;</li> <li>• Tracey Horton FAICD; and</li> <li>• Liesel Wett FAICD.</li> </ul> <p>The number of meetings and individual attendances of the members at those meetings are shown in the Directors' Report.</p>
Recommendation 8.2	<p>A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.</p>	<p>Refer to the section entitled "Directors' and Officers' Remuneration" in the Directors' Report.</p>
Recommendation 8.3	<p>A listed entity which has an equity-based remuneration scheme should:</p> <p>(a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and</p> <p>(b) disclose that policy or a summary of it.</p>	<p>The AICD does not have an equity-based remuneration scheme.</p>

**Financial Report for the year ended 30 June 2016**  
*Statement of Profit or Loss and Other Comprehensive Income*

For the year ended 30 June 2016	Note	2016 \$'000	2015 \$'000
<b>Revenue</b>	4	<b>67,087</b>	<b>60,794</b>
<b>Expenses</b>			
Education and events		(28,584)	(25,713)
Membership		(14,503)	(10,044)
Publishing		(2,149)	(2,113)
Grants and donations		(6)	(22)
Administration		(20,543)	(20,565)
Strategic initiatives		(561)	(2,593)
Restructuring costs		(731)	(2,703)
<b>Total expenses</b>		<b>(67,077)</b>	<b>(63,753)</b>
<b>Results from operating activities</b>		<b>10</b>	<b>(2,959)</b>
Finance income	6	1,048	3,117
Finance costs	6	-	-
<b>Net finance income</b>	6	<b>1,048</b>	<b>3,117</b>
<b>Surplus for the year</b>		<b>1,058</b>	<b>158</b>
<b>Total comprehensive income for the year</b>		<b>1,058</b>	<b>158</b>

The Notes are an integral part of these financial statements.

## Financial Report for the year ended 30 June 2016

### Statement of Financial Position

As at 30 June 2016	Note	2016 \$'000	2015 \$'000
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	7	9,274	7,953
Trade and other receivables	8	1,465	2,947
Prepayments		1,215	1,012
Financial assets	11	10,177	11,294
<b>Total current assets</b>		22,131	23,206
<b>Non-current assets</b>			
Plant and equipment	9	6,520	6,154
Intangible assets	10	3,376	3,633
Financial assets	11	21,097	20,662
<b>Total non-current assets</b>		30,993	30,449
<b>Total assets</b>		53,124	53,655
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables		7,157	7,395
Employee benefits provisions	5	959	1,192
Other provisions	12	714	1,383
Deferred revenue	13	19,475	18,951
<b>Total current liabilities</b>		28,305	28,921
<b>Non-current liabilities</b>			
Trade and other payables		3,558	4,459
Employee benefits provisions	5	331	311
Other provisions	12	965	1,057
<b>Total non-current liabilities</b>		4,854	5,827
<b>Total liabilities</b>		33,159	34,748
<b>Net assets</b>		19,965	18,907
<b>Members' funds</b>			
Retained surpluses		19,965	18,907
<b>Total members' funds</b>		19,965	18,907

The Notes are an integral part of these financial statements.

**Financial Report for the year ended 30 June 2016**  
*Statement of Changes in Equity*

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<b>For the year ended 30 June 2016</b>	<b>Note</b>	<b>2016</b> <b>\$'000</b>	<b>2015</b> <b>\$'000</b>
Opening members' funds		18,907	18,749
Total comprehensive income for the year		1,058	158
<b>Members' funds</b>		<b>19,965</b>	<b>18,907</b>

The Notes are an integral part of these financial statements.

## Financial Report for the year ended 30 June 2016

### Statement of Cash Flows

For the year ended 30 June 2016	Note	2016 \$'000	2015 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers and sponsors		70,774	64,041
Payments to suppliers and employees		(67,492)	(61,580)
<b>Net cash flows from operating activities</b>	7(b)	<b>3,282</b>	<b>2,461</b>
<b>Cash flows from investing activities</b>			
Interest received		129	220
Distribution received		1,625	1,394
Franking credits received		88	146
Sale of other financial assets		2,500	-
Purchase of other financial assets		(2,625)	(2,217)
Payment for plant and equipment		(2,261)	(3,651)
Payment for intangible assets		(1,429)	(1,946)
<b>Net cash flows used in investing activities</b>		<b>(1,973)</b>	<b>(6,054)</b>
Net increase / (decrease) in cash and cash equivalents		1,309	(3,593)
Cash and cash equivalents at the beginning of the period		7,953	11,529
Effect of exchange rate fluctuations on cash held		12	17
<b>Cash and cash equivalents at the end of the period</b>	7(a)	<b>9,274</b>	<b>7,953</b>

The Notes are an integral part of these financial statements.

## **Financial Report for the year ended 30 June 2016**

### *Notes to the Financial Statements*

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#### **1. Corporate Information**

The financial report of the Australian Institute of Company Directors (AICD) for the year ended 30 June 2016 was authorised for issue in accordance with a resolution of the directors on 14 September 2016.

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).

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2015, 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.

##### *(i) AASB 9 Financial Instruments (2014)*

AASB 9 replaces the existing guidance in AASB 139 Financial Instruments: Recognition and Measurement. AASB 9 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 derecognition of financial instruments from AASB 139. AASB 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The AICD is assessing the potential impact on its financial statements resulting from the application of AASB 9.

##### *(ii) AASB 15 Revenue from Contracts with Customers*

AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including AASB 118 Revenue, AASB 111 Construction Contracts and AASB Interpretation 13 Customer Loyalty Programmes. AASB 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The AICD is assessing the potential impact on its financial statements resulting from the application of AASB 15.

##### *(iii) AASB 16 Leases*

AASB 16 removes the lease classification test for lessees and requires all leases (including those classified as operating leases) to be brought onto the balance sheet. There is new guidance on when an arrangement would meet the definition of a lease. AASB 16 is effective for annual reporting periods beginning on or after 1 January 2019, with early adoption permitted where AASB 15 Revenue from Contracts with Customers is adopted at the same time. The AICD is assessing the potential impact of the application of AASB 16 on its financial statements, including the potential impact of the various transition provisions available to the company. On a high level basis, if the AICD was to adopt AASB 16 as at 30 June 2016, the 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 in the statement of financial position, and under one of the transition provisions available to the company, it would recognise a corresponding amount as a Right-of-Use asset.

##### **(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. Comparative information is reclassified where appropriate to enhance comparability.

##### **(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.

## Financial Report for the year ended 30 June 2016

### Notes to the Financial Statements

#### 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 and New South Wales.

##### (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. Revenue

	2016 \$'000	2015 \$'000
Education	40,560	35,130
Events and Conferences	5,037	5,935
Membership	19,773	18,199
Publishing	624	691
Government grants	882	645
Other income	211	194
	<b>67,087</b>	<b>60,794</b>

##### (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. Subscriptions received in advance of the provision of membership services are recognised as deferred revenue.

**Financial Report for the year ended 30 June 2016**

*Notes to the Financial Statements*

**5. Employee benefits expenses and provisions**

	2016	2015
	\$'000	\$'000
<b>(a) Employee benefits expenses:</b>		
Salary and wages	26,166	24,303
Superannuation	2,167	1,897
Long service leave	237	420
Annual leave	127	(142)
	<b>28,697</b>	<b>26,478</b>
<b>(b) Employee benefits provisions:</b>		
Current provisions:		
Long service leave	959	1,192
Non-current provisions:		
Long service leave	331	311
	<b>1,290</b>	<b>1,503</b>

**(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.

## Financial Report for the year ended 30 June 2016

### Notes to the Financial Statements

#### 6. Finance income and finance costs

	2016	2015
	\$'000	\$'000
<b>Finance income</b>		
Interest	129	220
Distribution	1,625	1,394
Franking credits	88	146
Fair value movements of financial assets held at fair value	(806)	1,340
Foreign exchange gain	12	17
	<b>1,048</b>	<b>3,117</b>
<b>Finance costs</b>		
Finance costs	-	-
	-	-
<b>Net finance income recognised in surplus</b>	<b>1,048</b>	<b>3,117</b>

#### (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

	2016	2015
	\$'000	\$'000
<b>(a) Reconciliation to cash flow statement</b>		
Cash and cash equivalents comprise the following at 30 June:		
Cash at bank and on hand	5,384	4,063
Secured term deposit	3,890	3,890
	<b>9,274</b>	<b>7,953</b>

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.

**Financial Report for the year ended 30 June 2016**

*Notes to the Financial Statements*

**7. Cash and cash equivalents (continued)**

	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>(b) Reconciliation of net surplus to net cash flows from operations</b>		
Net income	1,058	158
Adjustments for:		
Fair value movements of financial assets held at fair value	806	(1,340)
Depreciation/amortisation of non-current assets	3,549	2,787
Loss on disposal of plant and equipment	33	58
Interest received	(129)	(220)
Distribution received	(1,625)	(1,394)
Franking credits received	(88)	(146)
Foreign exchange (gain)	(12)	(17)
Net cash provided by operating activities before changes in net assets and liabilities	3,592	(114)
Changes in assets and liabilities		
(Increase)/Decrease in:		
Trade and other receivables	1,482	(899)
Prepayments	(203)	(77)
Changes in provisions:		
Provision for employee benefits	(213)	195
Property make-good provision	(71)	399
Provision for restructuring costs	(690)	1,351
Increase in:		
Trade and other payables	(1,139)	632
Deferred revenue	524	974
<b>Net cash from operating activities</b>	<b>3,282</b>	<b>2,461</b>

The AICD has bank guarantees in respect of leased properties to the amount of \$2,593,295 (2015: \$2,671,377) 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.

## Financial Report for the year ended 30 June 2016

### Notes to the Financial Statements

#### 8. Trade and other receivables

	2016 \$'000	2015 \$'000
<b>Current</b>		
Trade receivables	1,132	1,450
Less allowance for doubtful debts	(39)	-
	1,093	1,450
Other receivables	350	1,452
Accrued income	22	45
	1,465	2,947
<b>(a) Past due but not impaired</b>		
Not past due or impaired	469	893
30 to 60 days	324	322
61 to 90 days	230	135
Over 90 days	109	100
<b>Total trade receivables</b>	1,132	1,450

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

Bad and doubtful debts expense	36	(64)
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#### (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.

**Financial Report for the year ended 30 June 2016**

*Notes to the Financial Statements*

**9. Plant and equipment**

	<b>Plant and equipment \$'000</b>	<b>Leasehold improvements \$'000</b>	<b>Total \$'000</b>
<b>Year ended 30 June 2016</b>			
At 1 July 2015, net of accumulated depreciation and impairment	1,504	4,650	6,154
Additions	1,085	1,176	2,261
Disposals	(12)	-	(12)
Depreciation charge for the year	(704)	(1,179)	(1,883)
<b>At 30 June 2016, net of accumulated depreciation and impairment</b>	<b>1,873</b>	<b>4,647</b>	<b>6,520</b>
<b>At 30 June 2016</b>			
Cost	4,318	8,038	12,356
Accumulated depreciation and impairment	(2,445)	(3,391)	(5,836)
<b>Net carrying amount</b>	<b>1,873</b>	<b>4,647</b>	<b>6,520</b>

	<b>Plant and equipment \$'000</b>	<b>Leasehold improvements \$'000</b>	<b>Total \$'000</b>
<b>Year ended 30 June 2015</b>			
At 1 July 2014, net of accumulated depreciation and impairment	1,271	2,875	4,146
Additions	840	2,811	3,651
Disposals	(34)	(24)	(58)
Depreciation charge for the year	(573)	(1,012)	(1,585)
<b>At 30 June 2015, net of accumulated depreciation and impairment</b>	<b>1,504</b>	<b>4,650</b>	<b>6,154</b>
<b>At 30 June 2015</b>			
Cost	3,416	7,297	10,713
Accumulated depreciation and impairment	(1,912)	(2,647)	(4,559)
<b>Net carrying amount</b>	<b>1,504</b>	<b>4,650</b>	<b>6,154</b>

## Financial Report for the year ended 30 June 2016

### Notes to the Financial Statements

## 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
<b>Year ended 30 June 2016</b>			
At 1 July 2015, net of accumulated amortisation and impairment	741	2,892	3,633
Additions	353	1,076	1,429
Disposals	-	(21)	(21)
Amortisation charge for the year	(245)	(1,420)	(1,665)
<b>At 30 June 2016, net of accumulated amortisation and impairment</b>	<b>849</b>	<b>2,527</b>	<b>3,376</b>
<b>At 30 June 2016</b>			
Cost (gross carrying amount)	2,024	7,328	9,352
Accumulated amortisation and impairment	(1,175)	(4,801)	(5,976)
<b>Net carrying amount</b>	<b>849</b>	<b>2,527</b>	<b>3,376</b>

**Financial Report for the year ended 30 June 2016**

*Notes to the Financial Statements*

**10. Intangible assets (continued)**

	<b>Development costs (website) \$'000</b>	<b>Software \$'000</b>	<b>Total \$'000</b>
<b>Year ended 30 June 2015</b>			
At 1 July 2014, net of accumulated amortisation and impairment	205	2,684	2,889
Additions	657	1,289	1,946
Disposals	-	-	-
Amortisation charge for the year	(121)	(1,081)	(1,202)
<b>At 30 June 2015, net of accumulated amortisation and impairment</b>	<b>741</b>	<b>2,892</b>	<b>3,633</b>
<b>At 30 June 2015</b>			
Cost (gross carrying amount)	1,671	6,294	7,965
Accumulated amortisation and impairment	(930)	(3,402)	(4,332)
<b>Net carrying amount</b>	<b>741</b>	<b>2,892</b>	<b>3,633</b>

**(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:

	<b>Development costs – website</b>	<b>Development costs – software</b>
<b>Useful life</b>	Finite (2015: Finite)	Finite (2015: Finite)
<b>Amortisation method used</b>	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.
<b>Impairment testing</b>	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.

## Financial Report for the year ended 30 June 2016

### Notes to the Financial Statements

#### 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
<b>Year ended 30 June 2016</b>				
Current assets:				
Financial assets	-	10,177	-	10,177
Non-current assets:				
Financial assets	-	21,097	-	21,097
<b>Total</b>	<b>-</b>	<b>31,274</b>	<b>-</b>	<b>31,274</b>

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Year ended 30 June 2015</b>				
Current assets:				
Financial assets	-	11,294	-	11,294
Non-current assets:				
Financial assets	-	20,662	-	20,662
<b>Total</b>	<b>-</b>	<b>31,956</b>	<b>-</b>	<b>31,956</b>

The Financial assets classified as current assets are part of a short term strategic investment fund. As the intent is to hold these assets for business interruption and working capital reserve purposes, they have been classified as current.

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.

**Financial Report for the year ended 30 June 2016**

*Notes to the Financial Statements*

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**11. Financial assets (continued)**

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**(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.

## Financial Report for the year ended 30 June 2016

### Notes to the Financial Statements

#### 12. Other provisions

	Make good provision \$'000	Restructuring costs \$'000	Total \$'000
<b>Year ended 30 June 2016</b>			
At 1 July 2015	1,089	1,351	2,440
Provided	106	661	767
Utilised	(232)	(1,351)	(1,583)
Discount rate adjustment	55	-	55
<b>At 30 June 2016</b>	<b>1,018</b>	<b>661</b>	<b>1,679</b>
Current	53	661	714
Non-current	965	-	965
	<b>1,018</b>	<b>661</b>	<b>1,679</b>
<b>Year ended 30 June 2015</b>			
At 1 July 2014	690	-	690
Provided	393	1,351	1,744
Utilised	(34)	-	(34)
Discount rate adjustment	40	-	40
<b>At 30 June 2015</b>	<b>1,089</b>	<b>1,351</b>	<b>2,440</b>
Current	32	1,351	1,383
Non-current	1,057	-	1,057
	<b>1,089</b>	<b>1,351</b>	<b>2,440</b>

#### (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.

**Financial Report for the year ended 30 June 2016**

*Notes to the Financial Statements*

**13. Deferred revenue**

	2016	2015
	\$'000	\$'000
<b>Current</b>		
Courses and events	8,261	8,384
Membership	10,607	9,771
Sponsorship and publications	607	796
	<b>19,475</b>	<b>18,951</b>

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

**14. Operating leases**

	2016	2015
	\$'000	\$'000
<b>(a) Commitments under non-cancellable operating leases</b>		
Not later than 1 year	3,462	3,040
Later than 1 year but not later than 5 years	12,045	13,744
Later than 5 years	1,683	1,393
	<b>17,190</b>	<b>18,177</b>

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% (2015: 4%).

**(b) Operating leases expenditure**

Finance costs relating to lease accounting	55	40
Lease payments and other expenses included in administrative expenses:		
Operating lease rental expense	5,203	3,550

**(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.

## Financial Report for the year ended 30 June 2016

### Notes to the Financial Statements

#### 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.

	2016	2015
	\$	\$
Audit of the financial report	66,895	65,200
Audit related services	14,055	9,800
<b>Total audit related services</b>	<b>80,950</b>	<b>75,000</b>
<b>Non-audit services</b>	<b>66,477</b>	<b>132,500</b>

The AICD received revenue from sponsorship of events from KPMG of \$172,500 (2015: \$342,900). 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.

**Financial Report for the year ended 30 June 2016**

*Notes to the Financial Statements*

**16. Related party disclosures**

**(a) Key management personnel**

*(i) Directors*

<b>Director</b>	<b>Title</b>	<b>Appointed/Retired</b>
Ms Elizabeth Proust AO FAICD	Chairman National Director	Appointed 10 December 2015 Appointed 4 March 2014
Mr Gene Tilbrook FAICD	Division Director, WA Deputy Chair	Appointed 2 July 2013 Appointed 6 April 2016
Mr David Bayes FAICD	Division Director and President, VIC	Appointed 7 November 2014
Mr Michael Coleman FAICD	Division Director, NSW	Appointed 6 November 2015
Ms Kathy Gramp FAICD	Division Director, SA and NT	Appointed 22 December 2015
Mr Peter Hay FAICD	National Director	Appointed 8 November 2012
Ms Tracey Horton FAICD	National Director	Appointed 10 June 2016
Dr Sally Pitkin FAICD	Division Director and President, QLD	Appointed 7 November 2014
Mr Roderick Roberts FAICD	Division Director and President, TAS	Appointed 7 November 2013
Ms Liesel Wett FAICD	Division Director, ACT	Appointed 6 November 2015
Mr Kee Wong FAICD	National Director	Appointed 28 June 2016
Mr John Brogden AM FAICD	Managing Director & Chief Executive Officer	Appointed 19 January 2015
Ms Yasmin Allen FAICD	National Director Acting Chair	Appointed 5 November 2010 10 September 2015 to 10 December 2015 Resigned 31 January 2016
Ms Kathleen Conlon FAICD	Division Director, NSW	Appointed 8 November 2012 Retired 5 November 2015
Ms Anne O'Donnell FAICD	Division Director and President, ACT	Appointed 9 November 2011 Retired 30 September 2015
Mr Kevin Osborn FAICD	Division Director and President, SA and NT	Appointed 7 November 2013 Resigned 21 December 2015
Mr Michael Smith FAICD	Division Director and President, WA National Director and Chairman [Stood aside from the Board on 10 September 2015 until resignation on 14 December 2015]	Appointed 9 November 2011 Appointed 7 May 2013 Resigned 14 December 2015

*(ii) Executives*

<b>Executive</b>	<b>Title</b>
Mrs Rachel Gatehouse	CFO and General Manager, Corporate Services (appointed 25 August 2015)
Mr Marcel Mol MAICD	General Manager, Director and Board Development
Ms Louise Petschler	General Manager, Advocacy (appointed 13 July 2015)
Ms Michelle Wood	General Manager, Marketing & Communications (appointed 1 June 2016)
Ms Karen Rennie	Acting General Manager, Members & Directors (appointed 1 June 2016)
Mr Bradley Sherringham MAICD	General Manager, Commercial (until 1 July 2016)
Ms Carmen Fraser MAICD	Company Secretary
Mr Rob Elliott FAICD	Company Secretary (until 27 October 2015)
Mr Fabio Bastian GAICD	Acting General Manager, Corporate Services (until 25 August 2015)
Ms Leah Watterson GAICD	Joint Acting General Manager, Advocacy (until 13 July 2015)
Mr Matthew Pritchard	Joint Acting General Manager, Advocacy (until 13 July 2015)

## Financial Report for the year ended 30 June 2016

### Notes to the Financial Statements

#### 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 four 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; and
- Align our rewards with business goals to create a winning partnership.

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

##### (i) Human Resources and Remuneration Committee

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 with a level and mix of compensation commensurate with their position and responsibilities so as to:

- reward executives for the AICD, business unit and individual performance against targets set to appropriate benchmarks;
- link rewards with the strategic goals and performance of the AICD; and
- ensure total compensation is competitive by market standards.

###### Variable Compensation

The AICD has in place a Short-term Incentive Plan (SIP) that creates a pool of funds, a certain proportion of which is distributed to staff on the basis of achievement of pre-determined corporate goals. The distribution is determined by individual performance assessment and adherence to organisational values. The objective of the SIP is to reward high performers and key talent as well as to motivate and encourage staff members who have performed beyond the core requirements of their specific role during the past 12 months.

###### Compensation of key management personnel

	2016	2015
	\$'000	\$'000
<b>Compensation by category</b>		
Short-term employee benefits	2,970	3,152
Post-employment benefits	128	153
Other long-term employee benefits	295	334
Termination benefits	350	1,002
	<b>3,743</b>	<b>4,641</b>

The table above includes short-term incentive payments allocated in accordance with the AICD's policy.

Income 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.

**Financial Report for the year ended 30 June 2016**

*Notes to the Financial Statements*

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**17. Financial Risk Management**

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**(a) Risk management, objectives and policies**

The AICD's principal financial instruments comprise of listed equity investments in unit funds. 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 holds listed equity investments consisting of investments in unit funds. The AICD does not hold any direct investments in equities.

The objective of the AICD's investment policy is to target a reasonable return from its investments. This allows the AICD to satisfy two competing objectives:

- To maximise the value provided to members, either by minimising the cost of membership and other services provided, or by maximising the re-investment in long-term initiatives of benefit to the membership; and
- To ensure that sufficient financial reserves exist to sustain the organisation through economic cycles.

The overall expected long-term average return of the investment is CPI + 3.0% pa. This takes into consideration currency and market fluctuations.

**(c) Market risk**

Changes in equity prices for investments held in unit funds will affect income and the value of its holdings.

*Unit funds*

A 1% change in equity prices at reporting date would have increased/decreased the surplus and equity by an estimated \$312,100. A proportion of this investment is held in international funds and equities. Exposure to foreign currency risk is not considered to be a significant risk given the low proportion of the investment held in international funds. The most significant risk to the value of this investment is equity price risk.

## Financial Report for the year ended 30 June 2016

### Notes to the Financial Statements

#### 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 %
<b>Year ended 30 June 2016</b>						
<b>Financial assets</b>						
<i>Fixed rate</i>						
Fixed Term Deposit	3,890	-	-	-	3,890	2.56%
<i>Floating rate</i>						
Cash and cash equivalents	5,384	-	-	-	5,384	0.95%
Unit funds	-	-	-	31,274	31,274	
Trade and other receivables	-	-	-	1,465	1,465	
	<b>9,274</b>	<b>-</b>	<b>-</b>	<b>32,739</b>	<b>42,013</b>	
<b>Financial liabilities</b>						
<i>Floating rate</i>						
Trade and other payables	-	-	-	7,157	7,157	
Subscriptions and fees in advance	-	-	-	19,475	19,475	
	<b>-</b>	<b>-</b>	<b>-</b>	<b>26,632</b>	<b>26,632</b>	
<b>Year ended 30 June 2015</b>						
<b>Financial assets</b>						
<i>Fixed rate</i>						
Fixed Term Deposit	3,890	-	-	-	3,890	2.71%
<i>Floating rate</i>						
Cash and cash equivalents	4,063	-	-	-	4,063	1.40%
Unit funds	-	-	-	31,956	31,956	
Trade and other receivables	-	-	-	2,947	2,947	
	<b>7,953</b>	<b>-</b>	<b>-</b>	<b>34,903</b>	<b>42,856</b>	
<b>Financial liabilities</b>						
<i>Floating rate</i>						
Trade and other payables	-	-	-	7,395	7,395	
Subscriptions and fees in advance	-	-	-	18,951	18,951	
	<b>-</b>	<b>-</b>	<b>-</b>	<b>26,346</b>	<b>26,346</b>	

**Financial Report for the year ended 30 June 2016**

*Directors' Declaration*

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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 20 to 41 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 2016 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.



**John Brogden AM FAICD**  
Managing Director & Chief Executive Officer

Sydney  
14 September 2016



**Elizabeth Proust AO FAICD**  
Chairman

## Financial Report for the year ended 30 June 2016

### Independent Auditor's Report



#### Independent Auditor's Report to the members of Australian Institute of Company Directors

We have audited the accompanying financial report of the Australian Institute of Company Directors (the Company), which comprises the statement of financial position as at 30 June 2016, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, notes 1 to 17 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Company. This audit report has also been prepared for the members of the Company in pursuant to *Australian Charities and Not-for-Profits Commission Act 2012* and the *Australian Charities and Not-for-profits Commission Regulation 2013* (ACNC).

#### Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the ACNC. The directors' responsibility also includes such internal control as the directors determine necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 2(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

#### Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the financial report that gives a true and fair view 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report gives a true and fair view, in accordance with the Australian Accounting Standards and the ACNC, a true and fair view which is consistent with our understanding of the Company's financial position and of its performance.

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

#### Independence

In conducting our audit, we have complied with the independence requirements of the *Australian Charities and Not-for-Profits Commission Act 2012*.

#### Auditor's opinion

In our opinion, the financial report of the Australian Institute of Company Directors is in accordance with the *Australian Charities and Not-for-Profits Commission Act 2012*, including:

- (a) giving a true and fair view of the Company's financial position as at 30 June 2016 and of its performance for the year ended on that date;
- (b) complying with Australian Accounting Standards and the *Australian Charities and Not-for-Profits Commission Regulation 2013*; and
- (c) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2(a).

KPMG

Anthony Travers  
Partner

Sydney  
14 September 2016

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ('KPMG International'), a Swiss entity.

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**Financial Report for the year ended 30 June 2016**

*Division Councillors*

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**Australia Capital Territory**

Mr David Trebeck FAICD, President from  
12 November 2015  
Ms Anne O'Donnell FAICD, President until  
30 September 2015 \*  
Ms Ilea Buffier GAICD ^  
Mr David Carr GAICD ^  
Mr John Kalokerinos FAICD  
Ms Anne-Marie Perret GAICD ^  
Mr Nigel Phair GAICD  
Dr Michael Schaper MAICD  
Dr Vivienne Thom FAICD  
Ms Liesel Wett FAICD  
Ms Christine Williams FAICD ^  
Mr Hugh Chalmers FAICD \*  
Mr Peter McGrath FAICD \*  
Ms Fran Raymond FAICD

**South Australia**

Dr Roger Sexton AM FAICD, President from  
24 December 2015  
Mr Kevin Osborn FAICD, President until  
24 December 2015 \*  
Mr Fraser Bell GAICD ^  
Ms Alexandra Cannon FAICD  
Mr Brett Cowell FAICD  
Mr Richard Giles FAICD ~ *NT Committee Chair*  
Ms Kathy Gramp FAICD ^  
Ms Courtney Morcombe FAICD  
Mr John van Ruth FAICD  
Ms Heather Webster FAICD  
Mr Brenton Ellery GAICD \*  
Mr Chris Stewart GAICD \*

**Western Australia**

Mr Frank Cooper AO FAICD, President since  
1 February 2016  
Mr Gene Tilbrook FAICD, President until  
31 January 2016  
Mr Rick Crabb FAICD  
Mr David Craig FAICD  
Ms Helen Cook GAICD ^  
Ms Jane Cutler FAICD ^  
Ms Alison Gaines FAICD, Vice President  
Mr Derek La Ferla FAICD ^  
Mr Paul Sadleir FAICD  
Ms Gillian Swaby FAICD ^  
Mr David Flanagan FAICD \*  
Ms Shirley In't Veld FAICD \*  
Mr Craig Readhead FAICD \*

**New South Wales**

Mr Peter Achterstraat AM FAICD, President  
Mrs Anne Brennan FAICD  
Mr Michael Coleman FAICD  
Dr Sue Craig GAICD  
Dr Eileen Doyle FAICD  
Ms Nancy Milne OAM FAICD  
Ms Naseema Sparks AM FAICD ^  
Dr Katherine Woodthorpe FAICD  
Mr Phillip Cenere GAICD \*  
Ms Kathleen Conlon FAICD Board Member \*  
Mr Lindsay Yelland FAICD \*

**Tasmania**

Mr Roderick Roberts FAICD, President  
Ms Jo Archer FAICD  
Mrs Heather Chong FAICD  
Mrs Ann Cunningham FAICD  
Mr Rhys Edwards FAICD  
Mr Derris Gillam FAICD  
Ms Janine Healey FAICD  
Ms Sarah Merridew FAICD  
Prof David Sadler MAICD ^  
Mrs Diane Tompson FAICD

**Northern Territory**

**(Regional Committee)**  
Mr Richard Giles FAICD (Chair)  
Mr Peter Carew AM FAICD  
Ms Lorraine Corowa GAICD  
Ms Linda Fazldeen FAICD  
Mr Tom Ganley FAICD  
Ms Vicki O'Halloran AM FAICD  
Mr Chris Tudor AM MAICD ^  
Mr Ross Springolo FAICD ^  
Mr Denys Stedman GAICD

**Queensland**

Dr Sally Pitkin FAICD, President  
Ms Annabelle Chaplain FAICD  
Ms Anne Cross GAICD ^  
Mr Peter Forbes FAICD  
Ms Teresa Handicott GAICD \*  
Dr Doug McTaggart FAICD  
Ms Bronwyn Morris FAICD  
Mr Grant Murdoch FAICD  
Ms Rosemary Vilgan FAICD  
Mr Paul Woosley MAICD ^

**Victoria**

Mr David Bayes FAICD, President  
Ms Jane Harvey FAICD  
Mr Ben Hubbard GAICD  
Mr Graeme Liebelt FAICD  
Ms Elana Rubin FAICD  
Ms Leah Sertori GAICD  
Mr Felix Wong GAICD  
Dr Vince Fitzgerald FAICD \*  
Ms Susan Olivier FAICD \*

**Key**

^ denotes began during year

\* denotes resigned/retired during or at end of year

~ ex officio members of committee

## Financial Report for the year ended 30 June 2016

### Chairman's Forum and Committees

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#### Chairman's Forum

Mr David Crawford AO FAICD *Chair*  
 Mr John Brogden AM FAICD  
 Mr Malcolm Broomhead FAICD  
 Ms Elizabeth Bryan FAICD  
 Mr Russell Caplan FAICD \*  
 Mr Michael Chaney AO FAICD  
 Mr R. Leigh Clifford AO FAICD  
 Mr David Gonski AC FAICD *Life*  
 Mr Rick Holliday-Smith FAICD  
 Ms Belinda Hutchinson AM FAICD  
 Mr Richard Lee FAICD  
 Ms Catherine Livingstone AO FAICD  
 Mr Lindsay Maxsted FAICD  
 Mr Kevin McCann AM FAICD \*  
 Mr Simon McKeon AO FAICD  
 Mr Jerry Maycock FAICD  
 Mr Jacques Nasser AO FAICD  
 Sir Ralph Norris  
 Ms Elizabeth Proust AO FAICD ^  
 Mr Brian Schwartz AM FAICD  
 Mr Michael Smith FAICD \*  
 Dr Zygmunt Switkowski AO FAICD  
 Mr David Turner FAICD  
 Mr Peter Warne FAICD ^

Ms Kerry Hicks  
 Senior Policy Adviser

#### Corporate Governance Committee

Mr Anthony Berg AM FAICD *Chair*  
 Ms Yasmin Allen FAICD \*  
 Ms Ilana Atlas MAICD  
 Mr Graham Bradley AM FAICD  
 Ms Catherine Brenner MAICD  
 Mr John Brogden AM FAICD  
 Mr Steven Cole FAICD  
 Ms Melinda Conrad FAICD  
 Dr Eileen Doyle FAICD  
 Mr Colin Galbraith FAICD  
 Mr Stephen Gerlach AM FAICD  
 Mr John Green FAICD  
 Mr Peter Hay FAICD National Director  
 Mr Graham Kraeae AO FAICD  
 Mr Martin Kriewaldt FAICD  
 Mr Ian Laughlin  
 Dr Simon Longstaff AO  
 Mr Charles Macek FAICD  
 Mr Jerry Maycock FAICD  
 Mr Kevin McCann AM FAICD  
 Dr Lisa McIntyre GAICD  
 Mr John O'Sullivan FAICD  
 Ms Louise Petschler MAICD ^  
 Mr Peter Warne FAICD

Ms Lysarne Pelling  
 Senior Policy Adviser

#### Law Committee

Professor Bob Baxt AO FAICD *Life Chair*  
 Mr Maurice Baroni  
 Mr Miles Bastick MAICD \*  
 Mr Bill Beerworth FAICD  
 Mr Tom Bostock FAICD  
 Mr John Brogden AM FAICD  
 Ms Priscilla Bryans MAICD  
 Mr Hugh Chalmers FAICD \*  
 Mr Brett Cowell FAICD  
 Mr Bruce Cowley MAICD  
 Ms Caroline Cox ^  
 Mr Ewen Crouch FAICD  
 Mr Vijay Cugati  
 Mrs Ann Cunningham FAICD  
 Ms Sarah Dulhunty MAICD  
 Ms Jane Eccleston  
 Ms Kirsten Gray \*  
 Ms Teresa Handicott ^  
 Mr Aaron Jenkinson ~  
 Mr John Kalokerinos FAICD ^  
 Mr David Landy  
 Mr Ben McLaughlin MAICD  
 Ms Julie McPherson MAICD  
 Ms Nancy Milne OAM FAICD  
 Ms Louise Petschler MAICD ^  
 Mr Craig Readhead FAICD \*  
 Mr Brian Salter MAICD  
 Mr Peter Shaw MAICD \*

Ms Lysarne Pelling  
 Senior Policy Adviser

**Financial Report for the year ended 30 June 2016**

*Chairman's Forum and Committees*

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**Reporting Committee**

Mr Michael Coleman FAICD, *Chair*  
Mr James Beecher FAICD, *Deputy Chair*  
Mr David Armstrong MAICD  
Ms Dianne Azoor Hughes MAICD  
Mr John Brogden AM FAICD  
Mr Peter Cadwallader FAICD  
Mr Frank Cooper AO FAICD  
Mr Bruce Donald ~  
Ms Judith Downes FAICD ^  
Mr Brenton Ellery GAICD \*  
Mr Peter Forbes FAICD  
Mr Scott Hadfield  
Mr Chris Hall  
Ms Fiona Harris FAICD  
Ms Jane Harvey FAICD  
Ms Janine Healey MAICD  
Mr Peter Housden FAICD  
Mr Gary Lennon  
Ms Sam Lewis GAICD  
Ms Caithlin McCabe  
Ms Geraldine Magarey \*  
Ms Louise Petschler MAICD ^  
Mr Keith Reilly MAICD  
Mr Antony Robb FAICD \*  
Ms Liz Stamford MAICD ^  
Mr Ram Subramanian ^  
Dr Eva Tsahuridu \*  
Mr Lindsay Yelland FAICD  
Ms Katrina Zdrilic ^

Ms Kerry Hicks  
Senior Policy Adviser

**Not-For-Profits Chair's Forum**

Mr John Brogden AM FAICD, *Chair* ^  
Mr David Bayes ^  
Ms Jacqui Briggs-Weatherill GAICD ^  
Mr Mark Butcher MAICD ^  
Mrs Clare Cannon ^  
Mr Hugh Chalmers FAICD ^  
Ms Lisa Chung FAICD ^  
Mr Bruce Cowley FAICD ^  
Mr Ewen Crouch AM FAICD ^  
Ms Anne-Marie Corboy GAICD ^  
Ms Janet Dore FAICD ^  
Ms Ali Duncan ^  
Mr Rodney Fitzroy MAICD ^  
Mr Colin Galbraith AM FAICD ^  
Mr Richard Giles FAICD ^  
Ms Diane Grady AM FAICD ^  
Ms Elaine Henry OAM MAICD ^  
Mr Tony Howarth AO FAICD ^  
Mr Michael Legge ^  
Mr Paul Masi MAICD ^  
Ms Lynn Mason FAICD ^  
Ms Rowena McNally FAICD ^  
Mr Warren Mundine MAICD ^  
Mrs Vicki O'Halloran AM FAICD ^  
Mr Ian Pennell AM ^  
Ms Elizabeth Proust AO FAICD ^  
Prof David Rich GAICD ^  
Mr George Savvides FAICD ^  
Dr Erica Smyth MSc FTSE FAICD ^  
Ms Gabrielle Trainor FAICD ^  
The Hon Amanda Vanstone ^

Mr Phil Butler  
NFP Sector Leader

**DPD Steering Committee**

Phillip Cenere GAICD \*  
Mr Derris Gillam FAICD  
Ms Cathie Goss GAICD  
Ms Jane Harvey FAICD  
Ms Gill McEwen MAICD ^  
Mr Marcel Mol MAICD  
Bronwyn Morris FAICD \*  
Ms Richelle Nicols ^  
Anne O'Donnell FAICD \*  
Mr John Van Ruth FAICD

**National Education Advisory Committee**

Mr William Scales AO FAICD, *Chair*  
Mr Dale Budd OBE FAICD \*  
Mr Phil Cenere GAICD ^  
Mr Steven Cole FAICD \*  
Ms Sue Craig GAICD ^  
Ms Rebecca Davies FAICD  
Mrs Jo Fisher GAICD ^  
Mr Brand Hoff AM FAICD \*  
Ms Tracey Horton FAICD ^  
Mr Bruce Linn FAICD \*  
Ms Courtney Morcombe FAICD ^  
Ms Penny Morris AM FAICD \*  
Mr Paul Murnane FAICD \*  
Mr Nigel Phair GAICD ^  
Dr Ian Pollard FAICD  
Ms Fran Raymond FAICD ^  
Ms Judy Vulker FAICD \*

**Key**

^ denotes began during year

\* denotes resigned/retired during or at end of year

~ ex officio members of committee

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**Australian Institute of Company Directors**

*Contact details*

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