

INSTITUTE OF PUBLIC AFFAIRS LIMITED
ABN 49 008 627 727

FINANCIAL REPORT
FOR THE YEAR ENDED
30 JUNE 2007

Prepared By
MORAN Chartered Accountants

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Institute of Public Affairs Limited

(A Company Limited by Guarantee)
Incorporated in the Australian Capital Territory, 10 June 1987
ABN 49 008 627 727

Principal Office in Victoria

Executive Director:

John Roskam B.Com (Hons), LL.B (Hons)

Editor, *IPA Review*:

Chris Berg B.A. (Hons)

Regulation Unit:

Alan Moran B.Sc. (Econ), M.Sc (Management), PhD (Econ)

Food and Environmental Unit:

Louise Staley B.A, M.Pub Pol, P.Grad Fin.

Senior Fellows

Jennifer Marohasy B.A. (Science), PhD (Entomology)

Andrew McIntyre B.A.

Michael Nahan B.A. (Econ.), M.Sc (Ag. Econ.), PhD (Econ.)

Research Fellows

Richard Allsop B.A. (Hons), Masters in History

Tim Wilson B.A. (Policy Studies), Dip. Bus. (FMI), M. Diplomacy and Trade

Client Services Manager

Andy Poon

Secretary:

John Roskam

Auditors:

Moran Chartered Accountants

Registered Office in ACT:

Agent for Secretary:

PricewaterhouseCoopers

Principal Office

Level 2, 410 Collins Street

MELBOURNE VIC 3000

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Website: www.ipa.org.au

Institute of Public Affairs Limited

Directors' Report

The directors present their report together with the financial report of the Institute of Public Affairs Limited (the "Company") for the year ended 30 June 2007 and the auditors' report thereon:

Incorporation

The Company was incorporated in the Australian Capital Territory on 10 June 1987 as a company limited by guarantee. The Company acquired and took over the funds and other assets and liabilities of the unincorporated Institute of Public Affairs with effect from 1st July 1987 pursuant to Clause 3 (f) of the Memorandum of Association of the Company.

By its Memorandum of Association and pursuant to the provisions of the Corporations Law the Company is a non-profit, policy research and educational organization having no political affiliation whatsoever.

Directors

The directors of the Company at any time during or since the financial year are:

Alan Robert Stockdale
William Harold Clough
William Timothy Duncan
Geoffrey Michael Folie
William Lawrence Hetherington
David Simon Karpin
William Hugh Morgan
Ian George Nethercote
Robert Rupert Officer
Thomas William Quirk
David Bruce Trebeck

John Peter Roskam – Principal Executive Officer.

Institute of Public Affairs Limited

Directors' Report

Directors' meetings

The number of directors' meetings and number of meetings attended by each of the directors of the Company during the 2006/07 financial year are:

Director	Directors' Meetings	
	No. of meetings Attended	No. of meetings entitled to attend
WH Clough	2	8
WT Duncan	5	8
GM Folie	2	8
WL Hetherington	5	8
DS Karpin	1	4
WH Morgan	2	2
IG Nethercote	4	8
RR Officer	5	8
AR Stockdale	8	8
DB Trebeck	-	8
TW Quirk	7	8
John Roskam	8	8

Principal activities

The principal activities of the Company during the year were the conduct of economic and social research, including the conduct of a number of seminars and conferences, the publishing of several booklets and papers, and media comments.

Institute of Public Affairs Limited

Directors' Report

Review of operations

During the year the company undertook the following activities:

- a.) Four issues of the *IPA Review* were produced.
- b.) Two *FACTs*, and two *IPA InTouch* were produced.
- c.) A monthly *IPA News Digest* was distributed electronically to IPA Members and supporters.
- d.) A total of 32 different publications of research and analysis were published.
- e.) The IPA hosted 30 different events, including through the Energy Forum and the Work Reform Unit.
- f.) IPA staff had 192 opinion pieces published in Australian newspapers.
- g.) The IPA website had in excess of 1.5 million page views.
- h.) Economic Freedom of the World – a joint venture with 62 other think tanks from around the world – was released during the year.

State of affairs

In the opinion of the Directors there were no significant changes in the state of affairs of the Company that occurred during the financial year under review not otherwise disclosed in this report or the financial report.

Results

The operating profit/(loss) for the year ended 30 June 2007 was \$252,423 (2006: \$50,097).

Share Capital

The Company is limited by guarantee and has no share capital. The payment of dividends is prohibited by the Memorandum of Association of the Company.

Institute of Public Affairs Limited

Directors' Report

Events subsequent to reporting date

There has not arisen in the interval between the end of the financial year to the date of this report any item, transaction or event of a material or unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Company, the results of those operations or the state of affairs of the company in future financial years.

Likely developments

Further information about likely developments in the operations of the Company and the expected results of those operations in future financial years has not been included in the report because disclosure of the information would be likely to result in unreasonable prejudice to the Company.

Indemnification of officers and auditors

Since the end of the previous financial year, the Company has not indemnified or made a relevant agreement for indemnifying against a liability any person who is or has been an officer or auditor of the Company.

Date at Melbourne this 24 day of October 2007

Signed in accordance with a resolution of the Directors.



Director

INSTITUTE OF PUBLIC AFFAIRS LIMITED
ABN 49 008 627 727

INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2007

	2007 \$	2006 \$
INCOME		
Subscriptions - General	537,589	225,091
Subscriptions - Units/Projects	500,618	504,266
Conferences & Seminars	265,012	278,098
Publications & Media	15,212	18,954
Donations Received	153,243	152,226
Over Provisions	-	10,309
	1,471,674	1,188,944
OTHER INCOME		
Interest Received	6,203	2,631
Rents Received	-	8,340
Royalties Received	10,242	314
	16,445	11,285
	1,488,119	1,200,229
EXPENSES		
Conference & Seminar Costs	103,669	53,095
Direct Unit Costs	392,131	234,777
Depreciation	4,946	4,410
Electricity & Telephone	22,423	23,429
Office Rental & Cleaning	95,969	93,225
Provisions Set Aside - Annual Leave	2,221	-
Provisions Set Aside - Long Service Leave	-	3,060
Publication Costs	57,862	66,127
Salaries & Consultancy Fees	406,489	518,027
Sundry Office Expenses	66,588	63,463
Superannuation Contributions	29,888	41,128
Travelling Expenses	50,294	47,633
WorkCover Insurance	3,216	1,758
	1,235,696	1,150,132
Profit before income tax	252,423	50,097

The accompanying notes form part of these financial statements.

INSTITUTE OF PUBLIC AFFAIRS LIMITED
ABN 49 008 627 727

BALANCE SHEET
AS AT 30 JUNE 2007

	2007	2006
	\$	\$
SHARE CAPITAL AND RESERVES		
General Reserve	46,500	46,500
Retained earnings	351,421	98,998
TOTAL SHARE CAPITAL AND RESERVES	397,921	145,498
Represented by:		
CURRENT ASSETS		
Security Deposit	7,818	7,818
Cash at Bank	340,910	166,957
Sundry Debtors	122,914	54,077
Prepayments	3,234	1,371
TOTAL CURRENT ASSETS	474,876	230,223
NON CURRENT ASSETS		
Fixed Assets		
Office Machines	35,764	31,056
Less: Accumulated Depreciation	(23,676)	(18,730)
	12,088	12,326
Total Fixed Assets	12,088	12,326
TOTAL NON CURRENT ASSETS	12,088	12,326
TOTAL ASSETS	486,964	242,549
CURRENT LIABILITIES		
Trade Creditors	32,952	10,781
Other Creditors & Accruals	29,913	22,427
Employee Entitlements	20,397	54,152
Sundry Provisions	5,781	9,691
TOTAL CURRENT LIABILITIES	89,043	97,051
TOTAL LIABILITIES	89,043	97,051
NET ASSETS	397,921	145,498

The accompanying notes form part of these financial statements.

INSTITUTE OF PUBLIC AFFAIRS LIMITED
ABN 49 008 627 727

CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2007

	2007 \$	2006 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	1,417,397	1,156,078
Payments to suppliers and employees	(1,244,939)	(1,151,803)
Interest received	6,203	2,631
Net cash provided by (used in) operating activities	<u>178,661</u>	<u>6,906</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property, plant and equipment	(4,708)	(4,838)
Net cash provided by (used in) investing activities	<u>(4,708)</u>	<u>(4,838)</u>
Net increase (decrease) in cash held	173,953	2,068
Cash at beginning of year	166,957	164,888
Cash at end of year	<u>340,910</u>	<u>166,957</u>

The accompanying notes form part of these financial statements.

INSTITUTE OF PUBLIC AFFAIRS LIMITED
ABN 49 008 627 727

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

1 Statement of Significant Accounting Policies

The financial report is a general purpose financial report that has been prepared in accordance with Accounting Standards, Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board.

The financial report covers Institute Of Public Affairs Limited as an individual entity. Institute Of Public Affairs Limited is a company limited by guarantee, incorporated and domiciled in Australia.

The financial report of Institute Of Public Affairs Limited as an individual entity complies with all International Financial Reporting Standards (IFRS) in their entirety.

The following is a summary of the material accounting policies adopted by the company in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

Basis of Preparation

The accounting policies set out below have been consistently applied to all years presented.

Reporting basis and conventions

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

INSTITUTE OF PUBLIC AFFAIRS LIMITED
ABN 49 008 627 727

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

Accounting Policies

Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment

Plant and equipment are measured on the cost basis less depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by the director to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets' employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the company includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation reserve in equity. Decreases that offset previous increases of the same asset are charged against fair value reserves directly in equity; all other decreases are charged to the income statement. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the income statement and depreciation based on the asset's original cost is transferred from the revaluation reserve to retained earnings.

Depreciation

The depreciable amount of all fixed assets including building and capitalised lease assets, but excluding freehold land, is depreciated on a straight line basis over their useful lives to the company commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Office Machines	20%

INSTITUTE OF PUBLIC AFFAIRS LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

Employee Benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

Contributions are made by the company to an employee superannuation fund and are charged as expenses when incurred. The company does not record, as an asset or a liability, the difference between the employer established defined benefit superannuation plan's accrued benefits and the net market value of the plans assets.

The company operates an ownership-based remuneration scheme, details of which are provided in the Notes to Accounts. Profits or losses incurred by employees, being the difference between the market value and the par value of the shares acquired, are not recorded as remuneration paid to employees.

Provisions

Provisions are recognised when the company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

INSTITUTE OF PUBLIC AFFAIRS LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

Revenue

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Income Tax

The company is not liable for tax as it is exempted under Section 50-5 of the Australian Income Tax Assessment Act.

INSTITUTE OF PUBLIC AFFAIRS LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

		2007 \$	2006 \$
2	Revenue		
	Operating activities		
	Interest received	6,203	2,631
	Rendering of services	1,471,674	1,188,944
	Other revenue	10,242	8,654
	Total revenue	1,488,119	1,200,229
	Interest revenue from:		
	Interest Received	6,203	2,631
	Total interest revenue	6,203	2,631
3	Profit		
	Expenses		
	Depreciation of property, plant and equipment	4,946	4,410
4	Cash and Cash Equivalents		
	Current		
	Cash at Bank	348,728	174,775
	Reconciliation of cash		
	Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows:		
	Cash at Bank	340,910	166,957
5	Trade and Other Receivables		
	Current		
	Sundry Debtors	122,914	54,077

INSTITUTE OF PUBLIC AFFAIRS LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

	2007	2006
	\$	\$
6 Other Current Assets		
Current		
Prepayments	<u>3,234</u>	<u>1,371</u>
7 Property, Plant and Equipment		
PLANT AND EQUIPMENT		
Plant and Equipment:		
At cost	35,764	31,056
Accumulated depreciation	<u>(23,676)</u>	<u>(18,730)</u>
Total Plant and Equipment	<u>12,088</u>	<u>12,326</u>
8 Trade and Other Payables		
Current		
Trade Creditors	32,952	10,781
Other Creditors & Accruals	<u>29,913</u>	<u>22,427</u>
	<u>62,865</u>	<u>33,208</u>
9 Provisions		
Employee Entitlements	20,397	54,152
Sundry Provisions	<u>5,781</u>	<u>9,691</u>
	<u>26,178</u>	<u>63,843</u>
Total provisions	<u>26,178</u>	<u>63,843</u>
Analysis of Total Provisions		
Current	<u>26,178</u>	<u>63,843</u>
	<u>26,178</u>	<u>63,843</u>

INSTITUTE OF PUBLIC AFFAIRS LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

	2007	2006
	\$	\$
6 Other Current Assets		
Current		
Prepayments	<u>3,234</u>	<u>1,371</u>
7 Property, Plant and Equipment		
PLANT AND EQUIPMENT		
Plant and Equipment:		
At cost	35,764	31,056
Accumulated depreciation	<u>(23,676)</u>	<u>(18,730)</u>
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Current		
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Total provisions	<u>26,178</u>	<u>63,843</u>
Analysis of Total Provisions		
Current	<u>26,178</u>	<u>63,843</u>
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INSTITUTE OF PUBLIC AFFAIRS LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

	2007	2006
	\$	\$
10 Retained Earnings		
Retained earnings at the beginning of the financial year	98,998	48,901
Net profit attributable to members of the company	<u>252,423</u>	<u>50,097</u>
Retained earnings at the end of the financial year	<u>351,421</u>	<u>98,998</u>
11 Events After the Balance Sheet Date		
<p>Since the end of the financial year, there has not arisen any item, transaction or event of a material and unusual nature likely to affect significantly the operations of the company, the results of those operations, or the state of affairs of the company, in subsequent financial years.</p>		
12 Cash Flow Information		
Reconciliation of net cash provided by operating activities to profit after income tax		
Operating profit (loss) after income tax	252,423	50,097
Non-cash flows in profit:		
Depreciation	4,946	4,410
Changes in assets and liabilities, net of the effects of purchase and disposals of subsidiaries		
(Increase) Decrease in current receivables	(68,837)	(41,521)
(Increase) Decrease in prepayments	(1,863)	(1,371)
Increase (Decrease) in trade creditors	22,171	(1,285)
Increase (Decrease) in other creditors	7,486	1,236
Increase (Decrease) in current provisions	<u>(37,665)</u>	<u>(4,661)</u>
	<u>178,661</u>	<u>6,906</u>

INSTITUTE OF PUBLIC AFFAIRS LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

	2007	2006
	\$	\$
13 Remuneration & Retirement Benefits		
Directors' Remuneration		
Directors of the company receive no financial benefits. They provide their services purely on an honorary basis.		
14 Superannuation Commitments		
The company contributes to one defined contribution employee superannuation plan. The company contributes to superannuation funds based on years of service and final average salary.		
Defined Contribution Plan		
Benefits provided under the plan are based on accumulated contributions and earnings for each employee.		
15 Limitation of Members Liability		
Pursuant to the Memorandum of Association, in the event of the company being wound up the liability of each member or each former member who ceased to be a member within one year of the company being wound up would not exceed \$10 per member. As at 30 June 2007 there were 56 members.		


INSTITUTE OF PUBLIC AFFAIRS LIMITED
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DIRECTOR'S DECLARATION

The directors of the company declares that:

1. The financial statements and notes present fairly the company's financial position as at 30 June 2007 and its performance for the year ended on that date in accordance with Australian Accounting Standards and other mandatory professional reporting requirements;
2. In the director's opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the board of directors.



Director

24/10/07

Dated

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF**

THE INSTITUTE OF PUBLIC AFFAIRS LIMITED AN Chartered Accountants

584 Nicholson Street
PO Box 530
Carlton North VIC 3054

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Report on the Financial Report

We have audited the accompanying financial report, (pages 1 to 16) of the Institute of Public Affairs Ltd, which comprises the balance sheet as at 30 June 2007, the income statement and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the Institute of Public Affairs Ltd are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of Institute of Public Affairs Ltd on 22nd October 2007, would be in the same terms if provided to the directors as at the date of this auditor's report.

Auditor's Opinion

In our opinion the financial report of Institute of Public Affairs Ltd is in accordance with the *Corporations Act 2001*, including:

- a. giving a true and fair view of the Institute of Public Affairs Ltd 's financial position as at 30 June 2007 and of its performance for the year ended on that date; and
- b. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

MORAN Chartered Accountants

Zeina Moran - Partner

Dated in Carlton North on the 23rd of October 2007

