

A record surplus

RETIRING NATIONAL PRESIDENT IAN NEAL and **CEO BRIAN SALTER** gave members their reports at the Annual General Meeting in April 2004.

The Institute recorded a surplus of \$1.9 million for 2003 (compared with \$2.6 million in 2002). This represents an 18% return on members' funds.

Reserves of \$12.4 million at the end of 2003 place the Institute in a strong financial position to pursue our objectives and serve our members and students. 1,639 new members joined the Institute during the year.

At last year's Annual General Meeting members voted to introduce student membership of the Institute. This provides for non-degree candidates in our open-entry award courses to join the Institute. While student members do not have voting rights or post-nominals, there are a number of benefits to students. This is part of an ongoing program to make Institute membership more relevant to all our constituents.

At year-end there were 10,500 members. These members come from a wide range of industry sectors – the traditional areas of funds management, financial markets, stock broking, corporate finance, banking, financial planning – and more recently mortgage and insurance, the professions, government and academia.

The breadth of this membership base enriches the Institute and differentiates us from the sector-specific industry associations. It reflects our commitment to representing individual professionals rather than corporate interests.

Practitioner and member commitment underpins the Institute's success. Without their expertise and contribution the Institute would be unable to provide such high quality courses.

The expertise of practitioners and members on policy committees in analysis and advocacy is critical to the Institute's representations to government on industry issues.

During 2003 the introduction of



IAN NEAL FSIA
Retiring National President

competency-based assessment presented practitioners with new marking challenges. As a result, many agreed to undertake specialist training to achieve assessor accreditation and the Institute welcomed the opportunity to provide the professional development.

Professional development and training courses

2003 was a big year for professional development and training programs, and in 2004 professional development will be expanded for both members and corporate customers by wider and more accessible courses.

The Institute has provided industry expertise to assist emerging economies on market development projects throughout Asia/Pacific region. We have had strong business growth during 2003, with a range of activities in Thailand, Vietnam and Malaysia, among other countries.

In late 2003, the Advocacy Committee of the Asian Securities Analysts Federation (ASAF) approved a policy position paper entitled: "Recommendations for Addressing Conflicts of Interest in Securities Analyst Research" and adopted its

principles as the voluntary regional standard.

Policy and advocacy

The Institute has continued to influence and shape the financial services regulatory environment by again being active on a number of key policy and regulatory issues facing the industry.

For example, the Institute made submissions on selected provisions of the CLERP 9 draft Bill; on exposure drafts issued by IASB for transition to the International Accounting Standards in 2005; and on the issue of capital raising the Institute advocated an increase in the placement threshold from 15 to 20%, without needing investor approval. This is consistent with international practice and supports improved capital raising opportunities, particularly for companies with small capitalisation. We are confident this important measure will be adopted in 2004.

The Institute was an active participant in the ASX Corporate Governance Council during 2003. The Institute endorsed the ASX 'Principles of Good Corporate Governance and Best Practice Recommendations', as we are confident they will enhance market integrity, through greater corporate accountability and transparency.

National Council has adopted a Code of Conduct that will apply to all staff and practitioners serving the Institute from 2004.

While governance and compliance issues dominated the 2003 agenda, the Institute is committed to maintaining a proper balance between regulatory intervention and self-governance. Our approach to this is guided by our mission of raising standards through practical and contemporary education, fostering ethical and effective markets and advocating high levels of professional conduct.

CEO's AGM Report

CEO **BRIAN SALTER** told members that raising industry standards remains an important issue for the Institute.

Now approaching four decades of service to members and students, it's important to note that the Institute's mission of "raising industry standards" is as relevant and compelling today as it was 38 years ago when the Institute came into being.

The Institute's quest to educate and support competent and highly principled industry professionals and to foster ethical and effective markets has been a major contributor to a great success story – the development of the sophisticated and internationally respected industrial system that is the Australian financial markets.

Strategic direction

The Institute's current three-year strategic plan embraces that mission and expresses our vision in the contemporary context as we strive to be:

- The pre-eminent provider of securities and financial services industry qualifications;
- The preferred choice for continuing professional development in securities and financial services practice;
- A constructive collaborator with like-minded organizations, to raise industry standards;
- A positive contributor to financial planning sector development;
- An internationally respected authority and contributor to financial markets development in the Asia/Pacific region; and
- An agile, customer-focused organisation, which responds to the needs of our members, students and other stakeholders.

Our industry's capacity to assert itself at the leading edge of global market development has never been more evident than over the last few years and



BRIAN SALTER SIA (Aff)
Chief Executive Officer

certainly dictated the Institute's priorities in 2003.

The focus of our efforts has been driven by industry preoccupation with FSR compliance, CLERP 9 reforms, corporate governance and market integrity issues. And the industry debate on regulation and policy has been positively influenced by our representation of members on a wide range of issues.

The changes have driven our education agenda and the professional development activities and services that we provide to members.

The unprecedented demand for industry compliance and accreditation programs significantly changed our business mix last year and the effects are enduring.

Education

The net effect of changes to the mix of education courses was a 35% increase in the total number of participants in Securities Institute education and training programs. Over 25,000 students and trainees experienced Securities Institute education in 2003. Add to that the 11,000 plus attendances at our professional

development workshops, seminars and luncheons and the breadth of the Institute's reach becomes apparent.

Of the 25,000 students, over 11,000 were enrolled in award courses – 7,300 for postgraduate qualifications and 3,500 in open entry courses. We graduated a record 2,475 students into award course qualifications in 2003 – 1,700 in postgraduate and 700 in open-entry.

It is sobering to note that award course student numbers have now plateaued and new student intake has suffered a 15% decline. However contrary to that trend, our fledgling Masters programs experienced a 130% increase in new student intake, signaling growing demand for this elite qualification.

There is little doubt that the overwhelming demand for FSR accreditation and compliance represented in the 14,000 students we put through these programs in 2003 has had an adverse impact on award course participation. While the impact will persist into 2004, we consider that this source of distraction from participation in tertiary qualification courses will pass and are confident that award course intakes will recover.

In business terms, accreditation and compliance programs and related professional development activities became a major contributor to revenue. Income from these activities grew by 70% in absolute terms and accounted for 25% of total revenues in 2003 – up from historical levels of less than 10%.

We intend to expand on this new momentum in training and professional development in 2004 and beyond – our programs will be expanded for both members and corporate customers with a wider choice of courses.

Several initiatives that were launched during 2003 are being further developed this year:

- The inaugural Finance and Investment Week held in Melbourne was very successful and, as a result, this will be presented nationally in May this year.
- Our second Australasian Investment Management Conference will be held in September 2004 in Sydney – conducted jointly with AIMR and its local chapters – we intend to present this event bi-annually.
- We are committed to a very full program in our traditional range of PD workshops, seminars, corporate briefings and luncheon addresses from industry and government leaders.
- Tier 1 and Tier 2 compliance and assessment training, delivered to 12,500 candidates from 25 financial services corporate and professional firms in 2003, will be extended into certificate and diploma level offerings. And new programs tailored to meet emerging strong demand in the mortgage and superannuation sectors are already gathering pace.

Financial planning

The Institute remains committed to providing the highest quality of education to both aspiring and currently practising financial planning professionals at all levels – industry induction, licensing accreditation, vocational and postgraduate

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qualifications and continuing professional development.

The Institute is both a registered training organisation and a postgraduate-accredited higher education provider of long-standing, with an unequaled reputation in financial services education. The Securities Institute has the track record, the educational infrastructure and the intellectual capital to endure, and can assure our students of recognition and respect for their qualifications over the decades ahead. We intend to endure and innovate further in this field.

As ever, we remain open to collaboration with other like-minded professional bodies and industry associations to develop and deliver education programs supporting their constituencies.

Equally, we are aware that while our educational credentials in financial planning are well proven, our support of professional practice and standards has been less vigorous. Plans to redress

this shortcoming are being developed.

Finances and operations

We are able to turn our minds to initiatives of this type, and to feel secure in the forward progress of the Institute's broader agenda, as a result of sound financial management. As I have said many times in the past, producing responsible surpluses and maintaining strong reserves is essential to sustain the Institute into the future.

In 2003, under difficult conditions reflecting changing market dynamics and increasing competition on various fronts, and reflecting the need for substantial reinvestment in education product development and delivery, we did not lose sight of that responsibility.

- Our 2003 surplus of \$1.9 million for 2003 compared with \$2.6 million in 2002 and represented an 18% return on members' funds.
- Revenue of \$30.5 million was on par with the prior year. Although membership subscriptions grew and education activity volumes leapt, the price effect of the change in business mix constrained revenue growth.
- Expenses of \$28.6 million represented an increase of 2.3% over 2002, as a consequence of the change in business mix and associated margin squeeze. The price/volume variance and several one-off expenses, including the

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\$303,000 cost of our Sydney premises relocation, masked significant improvement in productivity.

- Net cash flow from operating activities remained healthy at \$1.3 million. The apparent reduction of \$2 million compared to 2002 was offset by an increase of \$1.9 million in year-end receivables from a significant volume of corporate business delivered in December.
- Our reserves now stand at \$12.4 million and place the Institute in a strong financial position to more vigorously reinvest in member services and industry development. We intend to do just that in 2004 and beyond, and while we will again aim to add to the retained earnings balance this year, our operating profits will be more fully deployed in upgrading our infrastructure and extending our support of members, students and our contributing practitioners.

I want to thank the Institute staff for their hard work throughout 2003 and our members and practitioners for their generous contribution to the Institute's good work.

Brand values

As part of a program of cultural renewal that the Institute embraced early in 2003, we embarked on a project to express and foster our brand values after identifying how we are perceived by our customers and the wider industry community and how we can serve them better. The cooperative effort has produced a renewed sense of purpose, embodied in a common language that describes "the way we do things around here":

- Collaboration (working together as a team)
- Professionalism (embracing high standards)
- Commitment (accepting accountability for individual and group goals)
- Integrity (being trustworthy, ethical, honest and respectful)
- Agility (anticipating, adapting and responding quickly to opportunity and change)
- Leadership (actively contributing to the success of our organisation)

I want to thank the Institute staff for their hard work throughout 2003 and our members and practitioners for their generous contribution to the Institute's good work. I hope you will feel satisfied with what we have achieved and what we aim to do. As both our ambassadors and our recruiters, the Institute's future is very much in your hands. J



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