

ANNALISA ZANOLA

**GLOBAL ENGLISH
IN INTERNATIONAL
BUSINESS:
An Introduction**

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GLOBAL ENGLISH
IN INTERNATIONAL BUSINESS:
AN INTRODUCTION

Annalisa Zanola

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INTRODUCTION

Like it or not, change can not be turned on and off. At the moment it is flowing uncontrollably. Put your hand over it and the water will spread in all directions. Sit back and you will drown.

(Riddlerstråle J., Nordström K. 2000: 28)

The quotation above suggests that enormous changes are going on in our societies; and the English language, and the way it is used, is also changing.

Internationalisation is, perhaps, a fact of life. During the last forty years, international trade has increased by 1500 % (Time, 1998). We have global television channels, international magazines, global popular music and global films. As Goddard (2007: 32) states,

Any language at the centre of such changes in international activity would have gained prominence, but English was in the right place at the right time.

English is the language of global business. Nevertheless, we need more than language in order to communicate internationally. We also need cultural understanding; after all, language shapes culture and culture shapes language. Teachers and learners of English for International Business must be aware of the issues at stake so that they may avoid the misunderstandings that can arise from culturally insensitive use of language.

In this wide context, the *Annual Report genre* represents and constructs the global through texts, numbers and images of people,

technologies, and money. It deliberately seeks, through various textual, visual and numerical strategies, to invite or incite the viewing subject to accept, as real, corporations representations both of themselves as global entities, and of the global. In this respect, it offers possibilities for constructing 'imagined worlds' and locating the corporation within them. In Annual Reports, the global is often seen as an opportunity for expanding markets, as a site for capital investment and a source of increased earnings.

In other words, we are convinced that business reporting is far more than producing accounts and a few supporting explanations. Indeed, the *Annual Report genre* still contains the accounting statements and other technical and regulatory information, but this information is only just one small part of a very much larger story. It has become a key way of projecting a self-image – a way of portraying the corporate personality and, most importantly, a way of delivering both implicit and explicit messages. In many ways, an Annual Report is 'the company'. It is the corporate voice delivering corporate messages not only to shareholders and debenture-holders but also to the wider world, including potential investors, employees and the general public.

These considerations must involve – from a pragmatic point of view - a serious revision of the contents of the Business English courses in the Faculties of Economics. Students should be ready for international accounting *in* English. The main objective of an English course for students of an Italian Faculty of Economics should be that of learning how to argumentate – or to approach argumentation - in international financial and accounting contexts. A lot of Italian students are by no means familiar with the corporate Annual Report genre, even though they study some parts of the Annual Reports during their business courses or they approach some texts taken from

Annual Reports in their courses of business English: the possibility for them to approach, read, and discuss Annual Reports globally, both with an accounting expert and with a linguist, should be a priority. Nevertheless, some form of authentic exchange of competence and information between financial and language experts in academic contexts in Italy is still poor.

This short contribution tries to underline how relevant interdisciplinarity is in English for Special Purposes (ESP). Financial specialized discourse is based on competence and on texts that require the attention of both financial and linguistic experts. Furthermore, the intercultural and cross-cultural perspectives are fundamental for students of the Italian 'Lauree triennali' e 'Lauree Specialistiche' in economics, who are looking for *specificity* in the English courses they attend.

Placing *specificity* at the heart of an International Business English course means that we are less likely to focus on decontextualised forms, to see genres as artefacts rather than interactive processes. Placing *specificity* at the heart of our role means that we are able to teach and learn contents in the specific way that experts are likely to find effective and persuasive.

A.Z.

Brescia, January 2008

PART I

Communicating interculturally

1. The Global Marketplace

Market globalization is the increasing tendency of the world to act as one market. Domestic markets are opening to worldwide competition to provide growth opportunities for a company's goods and services. Technological advances in travel and telecommunications are the driving force behind market globalization. New communication technologies allow teams from all over the world to work on projects and share information without leaving their desks. At the same time, advanced technologies allow manufacturers to produce their goods in foreign locations that offer an abundant supply of low-cost labour.

Natural boundaries and national borders have disappeared, for the most part, as increasing numbers of people work in multinational settings. Even firms that once thought they were too tiny to expand into a neighbouring city have discovered that they can tap the sales of overseas markets with the help of fax machines, overnight delivery services, email, and the Internet. To be successful in the global marketplace, e-commerce companies must consider offering Web sites in the languages that current Internet users speak.

Nevertheless, a company needs not "go global" or launch a web site to interact with someone who speaks a foreign language or who thinks, acts, or transacts business differently. Even if a company transacts business locally, there are a lot of chances that an employee will be communicating at work with people who come from different national, religious, and ethnic backgrounds.

2. The Multicultural Work Force

Today's workforce is made up of more and more people who differ in race, gender, age, culture, family structure, religion, and educational background. Such *cultural diversity* is the second trend contributing to the importance of intercultural communication. It affects how business messages are conceived, planned, sent, received, and interpreted in the workplace.

Consider the U.S. work force as an example. It is partly composed of immigrants (new arrivals from Europe, Canada, Latin America, and Asia) and people from various ethnic backgrounds (such as African Americans, Hispanic Americans, and Asian Americans) – all of whom bring their own language and culture to the workplace. By 2010, minorities will account for 50 percent of the U.S. population, and immigrants will account for half of all new U.S. workers (Gleckam 1998: 76). Which is why some U.S. companies offer their employees classes that help them understand and accept cultural differences. Such 'diversity training' is sometimes considered a consistent competitive advantage. IBM's corporate work force diversity staff, for example, is very sensitive to cultural differences both inside and outside the company. An important goal for staff members is to ensure that company employees recognize how cultural differences can affect communication with co-workers and customers.

3. How Cultural Context Affects Business

When people write to or speak with someone from another culture, they encode their message using the assumptions of their own culture. However, members of their audience may decode this message according to the assumptions of another culture, so the original meaning may be misunderstood. For instance, a nodding gesture indicates understanding in the U.S., but in Japan it means only that the person is listening (Chaney and Martin 2000:6).

Cultural differences often surface in our assumptions. Consider the two following cases described by Thill and Bovée (2002:48):

When Japanese auto manufacturer Mazda opened a plant in the United States, officials passed out company baseball caps and told U.S. employees that they could wear the caps at work, along with their mandatory company uniform (blue pants and khaki shirts). The employees assumed that the caps were a 'voluntary' accessory, and many decided not to wear them. Japanese managers were upset, regarding the decision as a sign of disrespect and believing that employees who really cared about the company would want to wear the caps. However, the U.S. employees resented being told what they should want to do.

Similarly, exhibitors at a trade show could not understand why Chinese visitors were not stopping by their booth. Exhibitors were wearing green hats and giving them away as promotional items. But they soon discovered that for many Chinese, green hats are associated with infidelity; the Chinese expression "He wear a green hat" indicates that a man's wife has been cheating on him. So they discarded the green hats (giving out T-shirts instead) and the Chinese visited the booth.

Problems such as these arise when we assume, wrongly, that other people's attitudes and lives are like ours. Intercultural sensitivity can be improved, however, by recognising and accomodating cultural differences, which can be examined in four major categories: contextual, ethical, social, and nonverbal.

3.1. Contextual Differences

Cultural context is the pattern of physical cues, environmental stimuli, and implicit understanding that convey meaning between two members of the same culture. However, from culture to culture, people convey contextual meaning differently. In fact, correct social behaviour and effective communication can be defined by how much a culture depends on contextual cues (Hofstede 1984, 1991).

In a *high-context culture* (such as Japanese, Chinese, Arab), people rely less on verbal communication and more on the context of nonverbal actions and environmental setting to convey meaning. In high-context cultures, the rules of everyday life are rarely explicit, instead, as individuals grow up, they learn how to recognize situational cues (such as gestures and tone of voice) and how to respond as expected.

In a *low-context culture* (such as North-American, Scandinavian, German, French), people rely more on verbal communication and less on circumstances and cues to convey meaning. In a low-context culture, rules and expectations are usually spelled out through explicit statements such as "Please wait until I've finished", or "You're welcome to browse" (Dodd 1991: 69-70). Contextual differences are apparent in the way cultures approach situations such as negotiating, decision making and problem solving.

As for negotiating styles, high-context cultures emphasize relationships and a sociable atmosphere when negotiating, whereas low-context cultures view negotiations impersonally and focus on economic goals. In decision-making practices, high-context cultures encourage lengthy decisions, concentrating on every detail; on the contrary, low-context cultures emphasize quick, efficient decisions on major points while leaving the details to be worked out later. As for problem-solving techniques, cultures may differ in their tolerance for open disagreement: as a rule, high-context cultures avoid confrontation and debate, whereas low-context cultures encourage open disagreement.

3.2. Ethical Differences

Cultural context influences many other cultural areas, including legal and ethical behaviour. For example, because low-context cultures value the written word, they consider written agreements binding. On the contrary, high-context cultures put less emphasis on the written word and consider personal pledges more important than contracts. They also have a tendency to view law with flexibility, whereas low-context cultures would adhere to the law strictly (Wilfong and Seger 1997: 277-278).

Legal systems differ from culture to culture. In the United Kingdom and in the United States, someone is presumed innocent until proved guilty, a principle rooted in English common law. However, in many other countries, someone is presumed guilty until proved innocent, a principle rooted in the Napoleonic code (Harris and Moran 1991: 260). These distinctions can be particularly important if a firm must communicate about a legal dispute in another country.

Making ethical choices in business can be very difficult, even within one's own culture. When communicating across cultures, ethics can be even more complicated. What does it mean for a business to do the right thing in a country we do not know? What happens when a certain behaviour is unethical in our country but an accepted practice in another culture? For example, bribing officials is viewed differently from culture to culture.

In the United States, bribing officials is illegal, but Kenyans consider paying such bribes as part of life. To get something done right, they pay. In China businesses pay 'huilu', in Russia they pay 'vzyatka', in the Middle East it's 'baksheesh', and in Mexico it's 'una mordida'.

The United States has lobbied other nations for 20 years to outlaw bribery, and at last the industrialised nations have signed a treaty that makes payoffs to foreign officials a criminal offence. Of course, bribery won't end just because a treaty has been signed, but supporters are optimistic that countries will ratify the treaty, pass legislation, and enforce the new laws stringently (Kaltenheuser 1998: 11).

Making ethical choices across cultures can seem incredibly complicated, but doing so actually differs little from the way one chooses the most ethical path in his/her own culture.

3.3. Social Differences

In any culture, formal rules of etiquette are explicit and well defined. When formal rules are violated, members of a culture can explain why they feel upset. In contrast, informal social rules are more difficult to identify and they are usually learned by watching how people behave and then imitating that behaviour. When informal rules are violated, members of a culture are likely to feel uncomfortable, although they may not be able to say exactly why.

Social rules are relevant when we consider the way cultures recognize status, define manners, and think about time:

- a) *attitudes towards status.* Cultures dictate how people show respect and signify rank. For example,

people in the United States show respect by addressing top managers as "Mr Roberts" or "Ms Gutierrez". However, people in China address businesspeople according to their official titles, such as "President" or "Manager" (Thill and Bovée 1999: 53).

- b) *attitudes towards manners.* What is polite in one culture may be considered rude in another. In Arab countries it is impolite to take gifts to a man's wife, but it is acceptable to take gifts to his children. In India, if you are invited to visit someone's home "any time", you should make an unexpected visit without waiting for a definite invitation. Failure to take the "any time" invitation literally would be an insult, a sign that you don't care to develop the friendship (Thill and Bovée 1999: 55).

- c) *attitudes towards time*. Conducting business entails schedules, deadlines, and appointments, but these matters are regarded differently from culture to culture. Although businesspeople in the United States, or Germany, England, Scandinavia, and other European countries see time as a way to organize the business day efficiently, executives from Latin America, for instance, see time as more flexible (Chaney and Martin 2000: 222-223). Meeting a deadline may be less important than building a business relationship; so the workday is not expected to follow a rigid, preset schedule.

3.4. Nonverbal Differences

Nonverbal communication is extremely reliable when determining meaning, but that reliability is valid only when the communicators belong to the same culture. The simplest hand gestures change meaning from culture to culture; therefore, interpreting nonverbal elements according to one's own culture can be dangerous. Nonverbal elements are apparent in attitudes toward personal space and in body language.

- a) *personal space*. People from different cultures have different 'comfort zones'. Some examples:

People in Canada and the United States usually stand about five feet apart during a business conversation. However, this distance is uncomfortably close for people from Germany or Japan and uncomfortably far for Arabs and Latin Americans (Chaney and Martin 2000: 128).

- b) *body language*. Learning a language related to one culture does not necessarily mean that the learner understands the body language of that culture. People from different cultures may misread an intentional nonverbal signal, may overlook the signal entirely, or may assume that a meaningless gesture is significant.

4. Breaking through ESL Barriers

Once we have recognized cultural elements and overcome ethnocentrism, we are ready to focus directly on intercultural communication skills. To communicate more effectively with people from other cultures, we need to overcome language barriers, study other cultures, develop effective written skills, and develop effective oral skills.

By choosing specific words to communicate, we signal that we are members of a particular culture or subculture and that we know one specific code. The nature of our code – the language we use, the ‘specialised’ vocabulary we choose – imposes its own barriers on our message. For instance, the way a lawyer communicates to his/her colleagues differs from that of an accountant or a doctor, and the difference in their ways of communicating (in terms of lexical, syntactic and pragmatic choices) affects their ability to recognize and express ideas.

Barriers also exist because words can be interpreted in more than one way. The barriers become greater still when we are communicating across cultures. Speaking global English in an international business context implies that we must be able to

communicate effectively both with native speakers (NS) and with non-native speakers (NNS), and among them, both with people who speak English as a Second Language (ESL) and with people who speak very little English.

5. Breaking through Cross-Linguistic Barriers

Of the many millions of NNS who use English for business, some are extremely fluent, but some others have only an elementary command. In such a varied linguistic context, slang and idioms, local accents and pronunciation, and vocal variations can pose problems. For this reason, the English used in international business communication tends to be 'simplified'. Some examples from real business contexts¹:

- a) *slang and idioms*. If a U.S. executive tells a NNS that a certain product "doesn't cut the mustard" or that making the monthly sales quota will be "a piece of a cake", chances are that the communication will fail.
- b) *local accents and pronunciation*. After transferring to Toyota's U.S. office, some English-speaking Japanese employees had to enroll in a special course to learn that "Jeat yet" stood for "Did you eat yet?" (= "Have you eaten yet?") and that "Cannahepya?" meant "Can I help you?".
- c) *vocal variations*. Some people tend to use the intonational patterns of their native language when speaking English. Russian speakers, for instance, tend to keep a flat, level tone, so that they may sound bored or rude to English NS.

¹ Examples are adapted from: Chaney and Martin 2000: 103.

6. Communicating with a Global Audience

Many companies use translations to help them communicate with people who don't speak English. Nevertheless, reaching an international audience involves more than simply offering translations of texts in English.

Successful global communication address the needs of international customers in five ways:

1. *considering the reader's viewpoint.* The audience may be unfamiliar with English vs American phrases and references. To avoid confusion, both European and American units and metric equivalents (for weights, measures, sizes, temperatures) or time expressions should be given.
2. *being sensitive to cultural differences.* Cultural stereotypes or idioms and references which are not universally recognized should be always avoided.
3. *keeping the message clear.* Simple words and sentences are always welcome; abbreviations and acronyms should be defined.
4. *breaking through language barriers with graphics.* Graphics are very useful in order to clarify concepts. However, even though most graphical icons are recognized, some images are more widely accepted than others.
5. *consulting local experts.* Working with local experts may be important in order to develop native-language keywords that will, for instance, direct international customers to one website. Even simple terms such as "home page" differ from country to country.

PART II

English for International Business
or International English for Business?

7. TESOL, EFL, ESP and EIB

The acronym TESOL stands for Teaching English to Speakers of Other Languages. The term refers to contexts where English is taught both as a second language and as a foreign language. The acronym EFL (English as a Foreign Language) is adopted in places where English is not generally used as the language of communication or instruction, which is the case of Italy, for example.

In the 1970s, the development of communicative methodology focused attention on English as a tool for communication and course contents were mainly chosen to match the communicative needs of the learner. This shift resulted in the production of needs-based courses, which were designed to meet the specific requirements of course participants. Such courses are known as ESP (English for Specific Purposes) courses.

English for International Business (EIB) is part of ESP. Some authors (Goddard 2007) suggest that EIB is a category within English for Occupational Purposes (EOP) and therefore one of a range of courses that can be taught under the umbrella term ESP. EOP courses include, for instance, English for Professional Purposes and English for Business Purposes. However, what is not clear is the kind of English to adopt as a standard for a business English course.

8. English for General or for Specific Business Purposes?

English for International Business is very difficult to define. Choice of language may be influenced by the purpose of an interaction, the professional relationship between the interlocutors, and the topic under discussion. Indeed some business communication may be no different from the English used by the general public. There are, however, a number of identifiable characteristics of EIB, which will be described in the next chapters.

Before discussing these, however, we need to revisit the distinction between English for General Business Purposes (EGBP) and English for Specific Business Purposes (ESBP), following some guidelines from Dudley-Evans and St John 1998 and Goddard 2007.

EGBP courses are often for either pre-experienced learners or for learners at an early stage in their careers. There is a similarity here between General EFL courses and courses in EGBP in that the latter are often extensive courses, with groups formed on the basis of language level, and with most materials containing work on the four skills, vocabulary and grammar, but set in a business context. This context is simply used as *carrier content*. For example, the profit&loss account in a financial statement could be used as the 'carrier content' for teaching the present perfect (e.g. 'Distribution costs have increased this year'). These courses, which teach a range of English through business settings, can not accurately be described as ESP courses. The language activities tend to be core EFL activities and are not designed to meet particular needs.

In contrast, ESBP courses are often run for experienced people with specific reasons for taking the time off work for study. These courses are often 'tailor-made' with a focus on specific communication skills, such as 'presentations, report-writing, etc.' The programs are usually intensive, of short duration and with small groups. Furthermore, participants of ESBP courses may be at different levels of language proficiency and aim at fluency rather than on accuracy.

For the teacher, the principal differences between teaching an EGBP course and teaching an ESBP course will be the following:

EGBP	Extensive course	One coursebook	Predictable pattern to the lessons	Familiarity with the teaching materials
ESBP	Intensive course	Varied materials (authentic)	Inter-cultural sensitivity is a priority	Inter-cultural competence and awareness

9. The EIB speaker

EIB is spoken and written in *global companies*. By 'global' we mean that customers, colleagues, team-members, managers can be located in almost any part of the world. All communication between them is English, and the English they use is English as a World Language (EWL) or English as a Lingua Franca (ELF) rather than the native speaker (NS) of such countries as the US or the UK (Jenkins

2007). International English is about effective communication: although non-native speakers want to communicate effectively, they do not necessarily want to use native-speaker communication style. Equally, native speakers need to be able to use International English. Aspects of native-speaker English are not very helpful when communicating with non-native speakers. Let's consider some examples from Goddard (2007: 24):

... idiomatic expressions which have their roots in British culture (e.g. 'He's on a sticky wicket', or 'In for a penny in for a pound') are unlikely to be understood by non-native speakers. Furthermore, non-native English is littered with first language interferences which, although incorrect, do not necessarily hinder communication. For example, it is very common to hear an Italian or a German using expressions like: 'I am born in 1952', or 'I work in Shangai since two months'.

At this level, the concept of 'correctness' of any linguistic form becomes necessarily a secondary one. On this point, Bruton (2005) argues that it is inevitable that certain Native Speaker (NS) varieties will serve as reference points and models. Personally, we agree with Jenkins (2006), who is far from placing everything which is linguistically acceptable and 'legitimate' on the NS side and everything that is unacceptable and 'illegitimate' on NNS; on the contrary, she interprets International English as English as a Lingua Franca (ELF), occupying a 'third space' (or 'third place' or 'third culture') between English as a Native Language and English as a Foreign Language. If we accept this interpretation of English as an International language, in the field of business above all,

we open up the possibility of accepting norms which differ from those of NSs rather than simplistically defining all that differs from NS English as wrong by default (Jenkins 2006: 155).

10. The EIB teacher

Teachers of EIB need experience, knowledge, and interest in business matters. Furthermore, they may have a good deal to learn. Most teachers of EIB have not experienced the world of business at first hand, as a matter of fact. Following Goddard (2007: 26-28), EIB teachers should:

- be sensitive to the expectations that business people may have
- keep up to date with research into discourse communities and how they operate
- be aware of the research into Business English genres and the attempts to identify the linguistic features that differentiate one genre from another
- know how language works in the key communicative events of business (possibly by attending 'real' business events in order to hear how language is used in these key activities)
- be familiar with management training courses which focus on business communication skills in the learners' native language.

But how possibly could a teacher make all these things? In 1998 Dudley-Evans and St John identified five key roles for a 'general' ESP teacher.

1. ESP teacher as teacher
2. ESP teacher as course designer and material provider
3. ESP teacher as collaborator

4. ESP teacher as researcher

5. ESP teacher as evaluator

These five roles are not enough for an EIB teacher, who is no longer an ESP teacher, in behaviour, knowledge, skills, and teacher-learner relationship.

As a matter of fact, while the principles of ESP can usually be applied to the teaching of EIB, there are some consistent differences:

1. The fundamental concern of most business people is not language learning for its own sake, but how language learning will impact on the company's bottom line and/or their salaries.
2. The teacher of EIB is working in a world where most communication is between NNSs, and the language of communication is EWL.
3. The growth of EIB will increase the need for awareness of cross-cultural issues. It may well be that EIB teachers become consultant and advise on the effectiveness of intercultural communication in global companies.
4. Another area of importance for the EIB teacher is the study of discourse communities and the role of *text* within those communities. This may involve the use of specific corpora to look at what is said and how it is said in particular genres.

10.1. *The teacher as a consultant*

Many EIB teachers who work in companies are obliged to behave as much like consultants as they do teachers. In order to organize seminars, the teacher may be required to work with staff at many levels. The final teaching day(s) will be simply the tip of the iceberg. For example, in order to do a needs analysis and make decisions regarding course content, teachers will need information. That information will be obtained from face-to-face contact, phone contact and email contact. In order to operate in this environment, EIB teachers need highly developed interpersonal skills.

This means that teachers need to be good team members. They must be EIB professionals and experts. They must have developed good teamworking skills and interpersonal skills. Guirdham (1990) suggests that there are five critical interpersonal skills. These are:

1. *understanding other people's behaviour*. Understanding others refers to interpreting their speech and actions. This means listening actively, which implies listening to those things that are not explicit. For example, emotions and attitudes may not be stated, but the listener should be sensitive to them.
2. *managing impressions*, which means presenting oneself in the best possible light to other people. EIB teachers need special skills in managing impressions, by using body language adequately. Body language is fundamental: on the one hand it can substitute for, accompany, reinforce or moderate spoken language, on the other hand it may indicate how verbal statements should be interpreted.
3. *communicating*. In order to communicate well, we need to remember that communication is a two-way process. According to Hargie 2006 receivers take in, understand and remember about 8%

of what they hear. Listeners are usually distracted, and what they hear is often distorted or interpreted in a way that was not intended. Ineffectiveness on the part of the EIB teachers can include that they: do not structure their thoughts, speak too long, too quickly or without clarity, express themselves too loosely.

4. *persuading*. Persuasion is an activity directed at influencing other people. There are no infallible ways of doing this, and persuasion does not depend on authority or power.
5. *using power*. It might appear that teachers of EIB are in the unenviable and powerless position of knowing less about business and management than their group of learners. Most EIB teachers have a language teaching background and do not have first-hand experience of business. Nevertheless, what EIB teachers do need to understand is: what business people do in their jobs, what and how business people communicate, and how language is used in business situations.

10.2. Teaching EIB in the Academic World

In principle, the qualities associated with corporate EIB teachers should also be developed in EIB teachers in the academic world. However, there are significant differences between the corporate and the academic situations. In universities, for instance, teachers usually deal with undergraduates with little or no experience of the business world.

In the corporate world, the trend is towards short and job-specific courses with an emphasis on skills and language. On the contrary, in the academic world there may be short courses designed

as 'pre-sessional' or even 'in-sessional' courses, but the emphasis is on helping learners cope with their future studies or professions.

Perhaps the most significant difference between the corporate world and the academic world is the assessment procedure. In many corporate EIB situations, tests may be inappropriate: it is unlikely that EIB trainers in the corporate world will ever have to cope with the type of formal assessment carried out in large academic institutions.

Finally, there is a question of culture. In the UK/US academic world, the learners usually have to adapt to language and cultural expectations of the British/American universities. In the corporate world, learners may use English language but not adopt the cultural values that go with it.

PART III

Business English Materials

11. The 'Babel' of materials

BE teaching is the one of the most rapidly growing areas of ESP today, yet it seems to be clear that both teachers and materials writers are operating in the dark: they are teaching BE when it is not quite known what BE actually is. This has meant that BE materials have largely been the result of the intuition and experience of the teachers and material writers. The final result has often been a *Babel* of ideas and materials, badly organized because of lack of organisation in their theoretical premises.

Daniel Defoe, when writing *An Essay upon Projects* (1697), was quite explicit on the definition of what building a Babel means. He wrote:

The Building of Babel was a Right project; for indeed the true definition of a Project, according to Modern Acceptation, is (...), a vast Undertaking, too big to be manag'd, and therefore likely enough to come to nothing; and yst as great as they are, 'tis certainly true of 'em all, even as the Projectors propose; that according to the old tale, if so many Eggs are hatch'd, there will be so many Chickens, and those Chickens may lay so many egges more, and those Eggs produce so many Chickens more, and so on. (Defoe 1697:20)

When approaching Business English materials many teachers seem to approach a real Babel of contents and topics. In such a Babel, where 'so many eggs are hatch'd', so many materials are produced,

for different purposes, for different users, in different formats, they wonder what to choose.

Business English teaching has been for too many years 'a business', not an academic pursuit. Our simple proposal here is that of contextualising EIB in its most natural academic ground, that is to say, an Italian Faculty of Economics, where students will be given the opportunity to work on authentic business texts, such as the corporate Annual Reports.

12. The Emerging of a New Genre: The Corporate Annual Report

According to Swales (1990: 45-47), *genre* may be defined as follows:

1. *It is a class of communicative events.*
2. *The principal criterial feature that turns a collection of communicative events into a genre is some shared set of communicative purposes.*
3. *Exemplars of instances of genres vary in their prototypicality.*
4. *The rationale behind a genre establishes constraints on allowable contributions in terms of their content, positioning and form.*
5. *A discourse community's nomenclature for genre is an important source of insight.*

Members of a genre share a set of communicative purposes, that the parent discourse community recognizes. This recognition provides the rationale for the genre, which, in turn, gives rise to genre conventions. Genre is a relatively stable set of conventions that is associated with, and partly enacts, a socially ratified type of activity. A genre implies not only a particular text type, but also a particular process of producing, distributing and consuming texts.

In the case of Annual Reports (ARs), shareholders and potential investors are the primary audiences; employees, customers, suppliers, community leaders, and the community-at-large are also targeted audiences². This large and varied community reads ARs for at different levels. Moreover, the challenge for producers of ARs is to

² "Annual Reports", in *Encyclopedia of Small Business*, vol. 1, p. 49.

disseminate pertinent information in a comprehensible way while simultaneously communicating the company's primary message.

12.1. The operational force of the Annual Report

Texts originating within specialized discourse communities can influence a wide range of common social activities. Following Bazermann and Paradis (1991: 8-9) texts produced inside the financial community have a strong operational force: the expertise originating within the defined research field is then transformed into terms of *socially operative texts* that guide human actions. These texts constitute the transactional domains, where *hieratic* discourse of expertise is converted to the *demotic* discourse of everyday practice. The two categories described by Bazermann and Paradis are particular useful in describing migrant features of financial specialized discourse, which originates from formal and institutionalized forms of communication (*hieratic texts*) but then has to 'translate' them into *demotic*, that is to say, popular texts (FIG. 1).

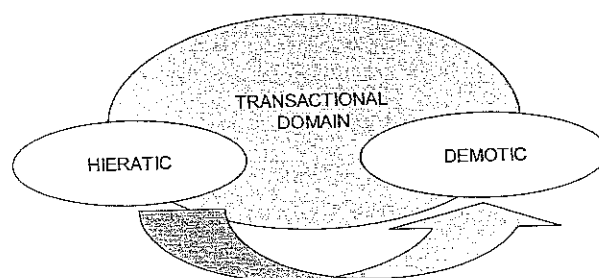


FIG. 1 – The operational force of the ARs

Socially operative texts materially shape the activities of specialists. This happens, for instance, in Annual Reports, which are produced by a community that stands between the legal system and everyday financial matters. ARs may shape financial activities on a massive scale. They are bound in a textual system that serves to translate the activities of finance into legal representations, and viceversa.

All the text-types composing the Annual Report genre must be interpreted in terms of their social and epistemological functions for the community using them. They form a complex network of interaction, a structured set of relationships. Globally, an AR is designed to fulfill a corporate need, as it is mainly a corporate product.

From a strictly linguistic point of view, ARs may represent an extraordinarily interesting case of hybridized discourse. As stated in Gotti 2007, 148-149:

genre analysis (Swales 1990, 2004; Bhatia 1993, 2004; Berkenkotter/Huckin 1995, Bargiela-Chiappini/Nickerson 1999, Gilaerts/Gotti 2005, Bhatia/Gotti 2006) has proved to be particularly suited to identifying the discrepancies between global textual conventions and concrete realizations and has introduced new concepts such as genre mixing, repurposing, or hybridisation to account for generic dynamism.

An example could be provided by the case of annual reports on company websites, which no longer concerns one genre, but the interaction between genres within the genre system of a company's website. Indeed, the financial and economic information given on the website aims at keeping or acquiring the confidence of current and potential stockholders of the company, thus repurposing information into persuasion. At the same time disclaimers are added to renounce any responsibility for the information given – a clear sense of genre bending and of the intertwining of the letter genre with law and business.

12.2. The Annual Report 'package'

The entire AR package of statements, some in narrative form and some numerical in content, tell the shareholders what has been happening during the twelve months since the date on which the last annual report was presented.

Some companies provide only the minimum amount of information: ARs of this type usually are only a few pages in length and they are produced in an inexpensive fashion. Many other companies, on the contrary, view their AR as a potentially effective marketing tool: with this in mind, many medium-sized or large companies devote large sums of money to making their ARs as attractive and informative as possible.

The full package has been personally 'interpreted' and summarized in the form shown in FIG. 2.

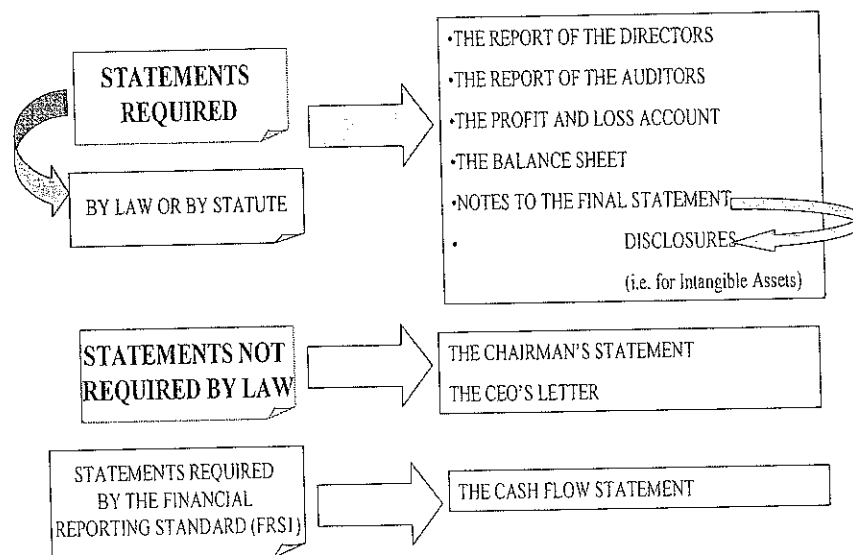


Fig. 2 – The AR 'package'

Some of what appears there is inserted by the company in order to present itself appropriately to its shareholders. Most of it, however, is required by law or by accounting standards. This will change the nature of the text and its form in a considerable way. The seven components may be described as follows:

1. *The Chairman's statement and CEO's Letter.* It is not a statement required by law but invariably appears as the first item of the report (Garzone 2004; Garzone 2005; Smith and Taffler 2000). It is usually in a narrative form and gives information on the immediate past and future plans of the business in terms which are intended to be encouraging. The *Chairman's comments* often reveal things about the economic environment in which the company is operating and how it is responding to that. It may also give some indication of the company's general long-term policies and how, in the years ahead, these are going to be implemented. It will often also be possible to glean a great deal of incidental information about the kind of business in which the company is engaged and the way in which it is organized. Some of these letters may run a dozen or more pages and include photographs of the CEO in different poses; more often, however, these letters are significantly shorter, amounting to 3,000 words or fewer.

2. *The Report of the Directors.* It is required by statute, which lays down what it must contain (review of the development of the business; details of important events; future developments; Research&Development Activities; particulars of any purchases of its own shares made by the company; company policy; political or charitable gifts made by the company; holdings or shares or debentures; dividends; name/s of the Board of Directors' members; principal activities of the company; etc.)

3. *The Report of the Auditors.* It is required by law, and its main function is to state the auditors' opinion. A very expensive part of the AR, it contains surprisingly little. The format is standardized, as it is a guarantee that the accounts give the so-called 'true and fair view' of the company's financial affairs and that they comply with the requirements of Company Law.

4. *The profit and loss (P&L) account,* showing the extent of the success, or sometimes failure, of the activities of the year in creating wealth for the shareholders. Required by law, it must follow one of the four standard formats imposed by the Companies Acts 1985-89.

5. *The balance sheet,* setting out the year-end position of the company. Required by law, it must follow the two standard formats imposed by the Companies Acts 1985-89.

6. *The cash flow statement,* showing the ebb and flow of the company's liquidity position over the year. It is a requirement, not of a company law, but of an accounting standard.

7. *Notes to the Financial statement.* They offer extra disclosure of information: some of this is required by statute and some by accounting standards

The format of the AR will make it possible to form judgments about the effectiveness and efficiency of the basic profit-earning process and of the administrative process that supports it.

Many people in business believe that they will be able to form opinions about the way the company is run such that the quality of its current management can be judged and its future progress can be predicted. Interested parties can comment authoritatively on and criticise what is occurring and can make sensible decisions such as whether or not invest in the business, whether or not to lend it money

and whether or not to continue to have confidence in the current Board of Directors.

In other words, accounts are intended to enable the user to:

- assess a business's potential and the implication of this for its future
- form a view on the degree of competence of management fully in order to exploit this potential

Nevertheless, very convincing arguments (Brockington 1996) can be adduced to show that:

- AR is not a fully comprehensive package of information
- AR does not enable predictions to be made about the future course of events
- ARs do not distinguish between management incompetence and the successful management of a difficult situation
- ARs are not relevant to a determination of the value of a business.

Indeed, if they were all that they were believed to be, it could be argued that unexpected profit or loss could never be made by investing through the Stock Exchange and that no company could ever fail either because of mistakes made by its management or because it was overwhelmed by adverse events.

12.3. Argumentation and information in ARs

The complex nature of the ARs as a genre has been demonstrated. Research in textual linguistics has underlined that texts combine different features to achieve the readers' change of mind. There are no

pure texts, and there is no 'perfect' information. In ARs informative, descriptive and argumentative texts are interwoven in order to guarantee:

- from the linguistic point of view, the *effectiveness and efficiency* of the genre;
- from the financial point of view, that ARs' *effectiveness and efficiency* comply with the Financial Reporting Standards and give a 'true and fair' view of the financial position of the company.

In ARs descriptions can be considered informative, but information can be regarded as persuasive: the different textual types are not separable, on the contrary, they need one each other to create a successful informational 'texture'. ARs are required by law or by statute; they must respond to rules imposed by Financial Reporting Standards and Financial Reporting Councils, and they are accepted if they are certified by chartered accountants and audit inspection units.

Even though company accounts are becoming more and more informative (much more now than they have been in the past), it would be unreasonable to think that they are becoming purely argumentative, or that they are more similar to advertising texts, and so less technical or domain-centred. On the contrary, they have gradually increased the precision of definition of certain elements of accounts and prescribed *disclosure* which goes beyond that required by a strict application of law.

More and more attention has been paid to *non-accounting information* such as a company's general management policies towards its workforce or towards the environment. The ever-growing usage of disclosures is a warning sign of the deficiencies of the law with respect to more and more complex financial and accounting situations; it is by no means the answer to the advertising needs of a company, or to the need of persuading the reader of the text. At least,

this is not conceived as such by accountants and financial specialists. The *notes to the financial statement* are normative texts but they have an argumentative function if they are read together with the numerical data. These notes may be considered as an excellent example of effectiveness and efficiency of the specialized language in a specialized professional context. They respond both to the main principle of any business organisational performance and to the foundations of human communication.

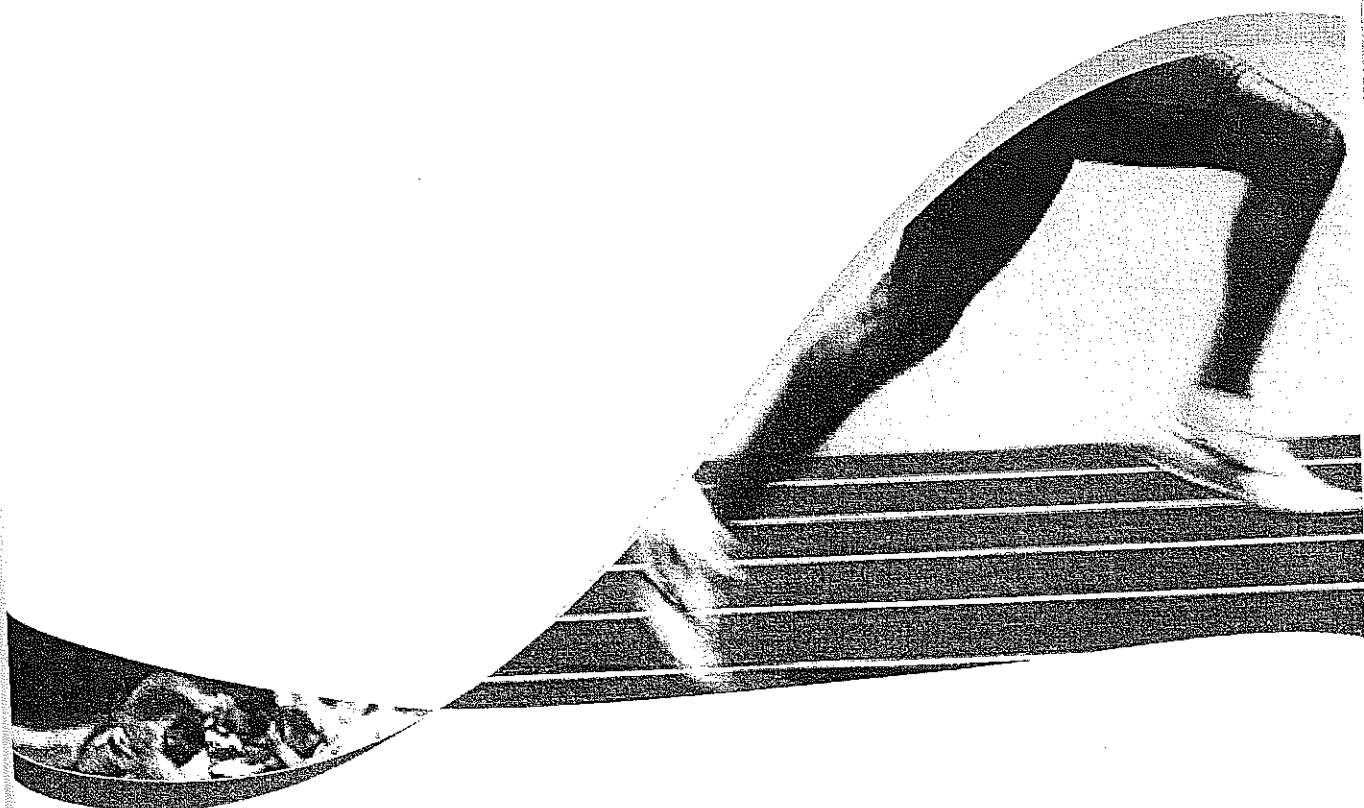
APPENDIX

ACTA Annual Report and Accounts 2005

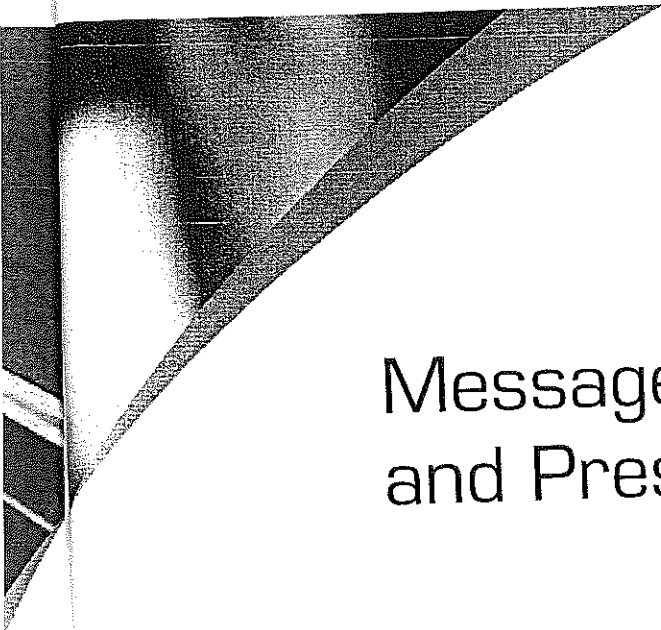
ACTA Annual Report and Accounts 2006

The source for the selection of texts which follows is the Annual Report of the Canadian Institute of Chartered Accounts (2005-2006). The main objective of this selection is pedagogical: texts have been used during English for Business courses at the Faculty of Economics (University of Brescia) as an example of one 'AR package' and have been analysed from the lexical, syntactic and pragmatic point of view.

The Canadian Institute of Chartered Accountants
Annual Report
2005-2006







Message from the Chair and President & CEO

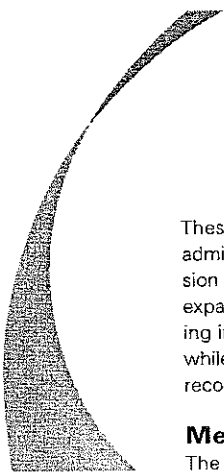
Progress with implementing the profession's new strategic plan has been steadily building momentum over the past year as the profession's leaders focused on working together to transform broad strategic directions into detailed implementation plans.

This collaborative approach to managing the profession has been formalized in the provisions of the recently updated Protocol, an agreement that defines the relationship among the 14 independent bodies comprising the CA profession in Canada and Bermuda. The new Protocol recognizes the strong provincial, territorial and national structures that exist and empowers the CEOs of all these bodies, working together as the Council of Senior Executives, to manage the profession in a spirit of cooperation, commitment and partnership. The results of this collaborative partnership can be seen in the considerable progress that has been made in the major areas for strategic action: education, member relations, protecting the public trust, and branding.

Education

Market demand for CAs continues to grow. Universities in most parts of the country are producing more qualified graduates eager to join the profession. The challenge, however, is that, under our current experience criteria, CA firms cannot create enough training positions for all these qualified graduates. To secure the future supply of CAs, the profession must create additional opportunities for more of "the best and brightest" to join the profession.

After a year of research and consideration, the councils/bureau of all institutes/ordre have recently approved, in principle, changes to the experience requirements for CA qualification—changes that would see us broaden our definition of "qualifying experience" and expand the range of organizations we recognize as approved training offices. These changes will allow CA firms to create training positions in taxation, business advisory services, and other areas, in addition to audit and assurance. They will also offer a select group of corporate and public sector organizations the opportunity to be recognized as Approved Training Offices under very strict criteria.



These changes will maintain the excellence of our admission and qualification standards. The CA profession currently offers the best training in public practice; expanded training opportunities will offer the best training in the corporate and government sectors as well, while continuing to meet all the criteria for international recognition and reciprocity.

Member Relations

The CA profession wants all 70,000 of its members across Canada to value their CA designation and to look to the profession as a primary source for the intellectual capital and competencies they need to succeed. National collaboration has long been a part of the profession's professional development programs, ensuring top quality and value in meeting members' learning needs. New areas of national collaboration emerged in the past year, including the CA Compensation Survey, providing comprehensive profession-wide compensation information, and the Managing a Public Practice Survey, designed to provide benchmarking data that enables CAs to compare their own practices with others.

For members in public practice, the *Succession Planning Toolkit* was developed to assist them in tackling the issue of succession planning within their practices. A new *Quality Assurance Manual* was also developed for small and medium sized firms. This Manual helps smaller firms comply with the new *CICA Handbook — Assurance* recommendations and is a companion volume to the current *CICA Professional Engagement Manual*.

Two new quarterly newsletters for members have also been launched this year. *CA Practice Advantage* is targeted to members in small and medium sized practices, and *Report on Industry* addresses the needs of members outside of public practice.

Public Trust

At the core of the Canadian CA profession is the commitment to protecting the public interest. This dedication is exemplified in the profession's ongoing ethical standards and practice review and in its licensing programs.

A cornerstone of the CA profession is our belief in adhering to the highest standards. That objective has led to more changes in 2005/06. In a world of ever-accelerating knowledge bases, the international standards for Continuing Professional Development (CPD) have increased, and all councils/bureau of the provincial institutes/ordre across Canada have agreed to meet

the minimum international standards by 2008. There was also a need to review Professional Liability Insurance (PLI) coverage. The number and dollar value of claims are increasing, and although most professional and personal liability insurance coverage already exceeds the current minimums, it is appropriate and necessary that the CA profession increase PLI minimums.

We expect that both CPD and PLI enhancements will be in place across Canada by January 2008, which will require the institutes/ordre to ensure that sufficient resources are available to help members across Canada meet the new requirements. Adopting these changes will demonstrate clearly that the CA designation continues to stand for excellence and standards that are second to none, and it will signal the profession's ongoing commitment to protecting the public interest.

Branding

Enhancing the image of an already strong national CA brand requires a clear understanding of the markets served, the qualities that set CAs apart from their competitors and the unique value proposition that CAs have to offer. The councils/bureau of all the institutes/ordre have endorsed an updated brand vision and strategy and a detailed implementation plan is under development for action in the coming year. The branding strategy will capitalize on CAs' unique and well-recognized set of skills and values, and on their important contribution to business and public sector organizations. It will target students, who are the future of the profession; the market (clients and employers); and our members, who deliver and in fact, *are*, the brand.

Meanwhile, we continue to promote the CA brand internationally. Recently, Canada's CAs joined eight of the world's leading professional accounting organizations to form the Global Accounting Alliance. The GAA represents over 700,000 of the world's leading professional accountants in significant capital markets. It will promote quality professional services and global membership support, share information and collaborate on important international issues. The Alliance will work with national regulators, governments and stakeholders, through member-body collaboration and articulation of consensus views, and will work in collaboration, where possible, with other international bodies.

Standards

Both the Accounting Standards Board (AcSB) and the Auditing and Assurance Standards Board (AASB)

forged new directions for financial reporting standards in Canada. After Canada-wide consultation and with the support of its independent oversight council, the AcSB agreed to converge Canadian GAAP for publicly accountable entities with international financial reporting standards. The AcSB expects to roll out a detailed implementation program and proposals for financial reporting standards for non-publicly accountable entities later this year. The Auditing and Assurance Standards Board issued its proposals to converge with international auditing standards and expects to complete discussions with its oversight council with a view to issuing a final strategy by the end of the summer. The Public Sector Accounting Board has issued proposals that require municipalities to prepare their financial reports on the full accrual basis.

All in all, 2005/06 has been a very busy year. While much of the work has been "behind the scenes," our new strategies are building momentum, and members can expect to see tangible evidence of this progress on a number of fronts in the coming year. As always, the collaborative efforts of volunteers and staff at both the national and provincial levels have transformed great ideas into practical realities.

For us personally, this year marks the completion of our terms in office as Board Chair and as President & CEO. It has truly been an honour to serve the profession during this critical period. In 2006/07, Alain Benedetti, FCA takes over as Chair and Kevin Dancey, FCA becomes President & CEO of the CICA.

During our turn at the helm, we have paid particular attention to three key areas: First, we have focused on reinforcing synergy and collaboration among the 14 independent bodies that comprise the Canadian CA profession. Second, we have tried to ensure that standard-setting activities acknowledge, anticipate and respond to changes in the market. Finally, we have endeavoured to deepen the profession's involvement in international affairs to better serve the needs of the CA profession and the Canadian public.

While the leadership will change as we move into 2006/07, one thing will remain constant: a strong commitment to ensuring that the CA profession continues to be the pre-eminent accounting designation in Canada—a profession rooted in its values, committed to protecting the public interest and dedicated to ensuring continued confidence in our capital markets.



David A. Hope, MBA, FCA
Chair

A handwritten signature in dark ink, appearing to read "David A. Hope".



David W. Smith, FCA
President & CEO

A handwritten signature in dark ink, appearing to read "David W. Smith".

Management's Discussion and Analysis

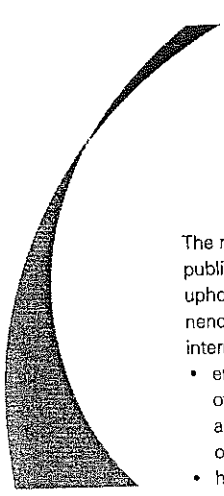
The following is a discussion of the CICA's strategic plan and outlook for 2007, as well as its financial position, results of operations, and cash flows for the year ended March 31, 2006. The CICA is a not-for-profit entity under Canadian law, generally accepted accounting principles and uses the Canadian dollar as its reporting and functional currency. The discussion, which is as of June 22, 2006, should be read in conjunction with the 2005-2006 Annual Report of the CICA, which is available on the CICA website at www.cica.ca, for the year ended March 31, 2006.

CICA Overview

The CICA is a not-for-profit entity incorporated by a Special Act of the Canadian Parliament in 1902. This Act, now known as the Canadian Institute of Chartered Accountants Act, was last amended in 1990 to reflect the CICA's current mandate and powers. The CICA works in collaboration with the Provincial Institutes/Ordre to ensure that the profession is well positioned to respond to the challenges and capitalize on the opportunities presented in today's marketplace. It executes its strategy through supporting the setting of accounting, auditing and assurance standards for business, not-for-profit organizations and government, and through developing and delivering education programs. It also provides a range of member services and professional literature; undertakes research and development of intellectual property; issues guidance on risk management and governance; and fosters relationships with key stakeholders nationally and internationally.

Vision & Mission

The CICA's vision is to enhance the CA profession's relevance, attractiveness and pre-eminence by providing leadership and influence to support the functional breadth and technical depth of all members.



The mission of the CICA is to serve the interests of the public and the CA profession by providing leadership to uphold the professional integrity, standards and pre-eminence of Canada's chartered accountants nationally and internationally through:

- enhancing the quality and credibility of financial and other information produced and used in the private and public sectors for measuring and enhancing organizational performance
- helping our members add value to their customers/employers by providing, in harmony with PICAs/Ordre, market information and professional services and products
- offering a reliable and respected source of public policy advice and commentary.

Governance

The CICA's activities are overseen by a Board of Directors comprised of 12 members, including the Chair and Vice Chair; two representatives from each of four geographic regions—Ontario, Québec, the Western region and the Eastern region; and two public directors who are not chartered accountants.

Appointment of regional directors is the responsibility of the appointing regions. Appointments of the incoming Chair and Vice Chair, and the Public Directors are made by the Selection Council, whose members are the elected first officers of the PICAs/Ordre; the Chair and Vice Chair of the Board of Directors and two general members appointed by the Board of Directors. To assist it in its role, the Board has an Audit Committee, Corporate Governance Committee, and Human Resources and Compensation Committee, comprised of members of the Board (see appendix).

Responsibility for the functions that are common to all the Institutes/Ordre and critical to the success of the Canadian CA profession is shared among the Institutes/Ordre and the CICA. The Protocol assigns the role of management of the CA profession to the Council of Senior Executives (CSE) with oversight responsibility vesting in the CICA Board of Directors. The common critical functions of strategic planning, protection of the public and ethics, communications, and education and qualification are managed by the CSE. Standard setting support is provided by the CICA. This new governance and management structure was formalized with the signing of the 2006 Protocol agreement by the leadership of the CA profession on May 23, 2006.

Guiding Principles Influencing the CICA Priority Commitments

- Protecting the public interest remains the key focus for all activities.
- Initiatives are undertaken with a view to supporting the interests of the entire CA profession.
- The CA profession strategy will provide the overall direction for ongoing effort.
- Work in collaboration with the PICAs/Ordre, members, professional firms, regulators, government, and international organizations of strategic importance to the CA profession.
- Direct business competition with members should be avoided.
- Professional initiatives will be in harmony with international standards and ethics.

Strategy: CICA Priority Commitments for 2005 – 2008

The CICA identified five key objectives as its priority commitments for 2005 – 2008:

- Implementing the CA profession strategy; working with the PICAs/Ordre through contributing to the development of an enhanced certification model; assuring PICAs/Ordre input into education, public trust, branding and communications, and member relations initiatives; and ensuring a management focus on and commitment to accomplishing the CA profession strategy
- Leading towards and adjusting to the international standards environment including a review of the future of accounting and auditing and assurance standards in Canada, addressing independence/ethics issues, continuous auditing, implementing the public sector strategic plan, and developing a comprehensive communications and change management strategy
- Securing and influencing international relationships through clarifying conditions and concepts for international reciprocity and reassessing participation and processes related to new and ongoing international commitments
- Enhancing the value of the CA profession to members and other stakeholders by better understanding member and other stakeholder needs and working on a coordinated basis with the PICAs/Ordre on approaches to enhancing development and delivery of required products and services

- Addressing operational challenges related to succession planning, premises requirements, and establishing the CICA's programs and priorities relating to the CA profession strategy.

PROGRESS ON PRIORITY COMMITMENTS

Over the past year, strong collaboration and commitment among the institutes/ordre has greatly advanced the development of implementation plans for the CA profession strategy and has resulted in the development and approval-in-principle of an enhanced certification model. The views of all Institutes/Ordre are considered in all matters concerning the four areas for strategic action—education, public trust, branding and communications, and member relations. This collaborative partnership has been formalized in the new Protocol.

Enhanced focus has been placed on balancing the need to keep pace with evolving international standards with attempting to minimize the risk of overload for our user community resulting from the number of new and complex standards being introduced. The Accounting Standards Board (AcSB) and the Auditing and Assurance Standards Board (AASB), with advice from their oversight councils and extensive stakeholder consultations, have concluded that they should work toward a single, high-quality set of international standards that are globally accepted. Both the rationale and proposed approach to achieving this vision are contained in their published strategic plans.

Our international relationships have been greatly strengthened through the recent formation of the Global Accounting Alliance, a collaborative partnership among the CICA and eight of the world's other leading professional accounting organizations. Canada's CAs will be working more closely with our colleagues in other capital markets around the world and providing leadership to the profession. The Global Accounting Alliance will play an important role in representing the views and interests of our members with national regulators, governments and stakeholders.

Significant steps have been taken toward better understanding member and other stakeholder needs and developing products and services to address them. In the past year we published the CA Compensation Survey that provides comprehensive, profession-wide compensation information, and the Managing a Public Practice Survey, which provides benchmarking data that

enables CAs to compare their own practices with others. New products included the *Succession Planning Toolkit*, designed to assist members in tackling the issue of succession planning within their practices, and the *Quality Assurance Manual* to help small and medium sized firms comply with the new *CICA Handbook—Assurance* recommendations.

Our commitment to address succession planning issues at the CICA was substantially advanced with the selection and confirmation of Kevin Dancey, FCA as incoming President & CEO. Progress was also made this year on addressing the CICA's premises requirements. A project working group has been formed and a real estate advisor has been engaged to assist in identifying and assessing suitable options to meet our premises needs once the current lease expires at the end of August 2007.

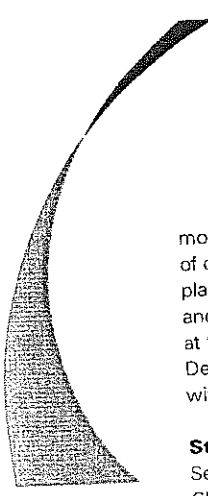
Two earlier priority commitments where work was still ongoing were also identified in last year's annual report. By-law changes related to the report of the Task Force on Governance and Management of the Profession were confirmed by the membership at the 2005 Annual Meeting. Work on the commitment to develop and confirm a new CA brand has progressed substantially and the CSE Branding Committee will be launching the new CA brand in the fall of 2006.

KEY PERFORMANCE DRIVERS

As an organization operating in the not-for-profit sector, the CICA is not driven solely by financial results, although financial indicators are relied upon to ensure the resources entrusted to it are used in an efficient and appropriate manner. Achieving success largely depends on enhancing confidence in the profession's reputation for integrity and independence; maintaining positive relationships with key stakeholders; and responding on a timely basis to changing market needs and conditions. The assessment of how successful the CICA is in achieving its vision, strategy, and priority commitments flows from a review of the primary indicators of success: Deliverables, Stakeholder Satisfaction, Institutes/Ordre Collaboration, Human Resources Performance, and Financial Performance.

Deliverables

The CICA establishes deliverables and priorities annually and ensures they continue to be well aligned with the needs of all CAs and the CA profession generally. Ensuring the CICA does what it sets out to do is one of its



most important performance indicators. The status of deliverables identified during the annual business-planning process, together with the resources needed and the time horizon expected, are reviewed annually at the end of the fiscal year to assess performance. Deliverables are expected to be completed on time, within budget, and at the highest quality possible.

Stakeholder Satisfaction

Several stakeholder groups have been identified by the CICA as critical to its success.

- **Member Satisfaction** Enhancing the value of the CA profession to members through a better understanding of their needs, and developing and considering alternative approaches to support them, is a critical performance indicator. Members' views are measured on a range of CICA activities including standard-setting; guidance on control, risk and governance; expanding competencies of members; *CAMagazine*; national advertising; and representing the interests of the profession. The CICA measures progress by the extent to which members are satisfied that the CICA is undertaking appropriate activities and performing those activities in a satisfactory manner. Member Satisfaction is measured using a Web-based survey every second year; this is supplemented with focus groups conducted periodically.
- **Volunteer Satisfaction** Almost 600 CICA volunteers contribute an enormous amount of their time, energy, and expertise to a wide range of strategically important projects and activities. Many of the CICA's volunteers are experienced professionals and recognized experts in their fields. Their commitment, dedication and overall satisfaction as CICA volunteers are critical to CICA's success. The ability to attract and retain highly qualified and experienced volunteers is determined by the extent to which volunteers are satisfied that the objectives of committee activities were challenging, attainable, clearly communicated, and substantially accomplished. Volunteer satisfaction is measured through a Web-based survey conducted every second year.
- **External Stakeholder Satisfaction** The relations with external stakeholders and how the CA profession is viewed by them is an important indicator of the CICA's success. External stakeholders include governments, government finance departments, securities regulators, the superintendent of financial institutions and international accounting profession counterparts. Measurement is based on an informal survey of key external stakeholders identified as being influential and relevant to the CICA's strategic objectives.

Institutes/Ordre Collaboration

Effective collaboration among the Institutes/Ordre improves the understanding of local, national, and international issues among the profession's leadership; allows the profession to speak on issues of importance with "one voice"; eliminates duplication of effort and resources; and is crucial to achieving the shared strategy for the CA profession. The CICA's collaborative efforts are assisted by the quality and effectiveness of staff contributions to inter-institute/ordre activities and to the CSE. Measurement is based on an annual survey of the CSE members.

Human Resources Performance

The quality of the CICA work environment and its ability to attract and retain highly skilled people are important indicators of the CICA's capacity to deliver results. The appropriateness and level of support for staff training and development; fair and reasonable working conditions and compensation practices; staff morale; and staff turnover, all help to gauge the CICA's success at providing a high quality working environment. Measurement is based on data gathered through an Internet-based Employee Survey completed every second year and through annual human resource statistics related to staff turnover, and investment in staff training.

Financial Performance

The CICA sets financial targets annually through the business-planning process. The CICA's performance is determined by the extent to which financial objectives identified in the budget for the fiscal year are met and how effectively the financial resources of the CICA are managed. Measurement is based on actual financial results for the year, compared to the budget and prior year.

CAPABILITY TO DELIVER RESULTS

Capital Resources and Liquidity

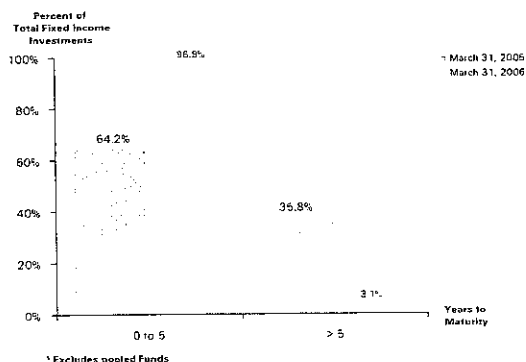
At March 31, 2006, the CICA had cash and short-term investments of approximately \$3.3 million, versus \$2.0 million at March 31, 2005. Cash generated from operating activities during the year was \$3.9 million. The increase in cash partially resulted from reduced required funding for post-retirement benefits in 2006, following the actuarial valuation of post-retirement benefits at January 1, 2005. In addition, a discretionary payment to the registered pension plan was not made in 2006, as had been done in the previous year, when a one-time discretionary payment of \$2.5 million was made to reduce the unfunded pension liability. In addition, accounts payable

and accrued liabilities and deferred revenue increased over the previous year giving rise to an increase in cash generated from operations. Cash of \$2.6 million was used to fund investing activities, which consisted of the purchase and sale of long-term investments and the acquisition of capital assets.

The execution of the CICA's 2007 business plan, which is heavily influenced by the ongoing implementation of the CA Profession's strategic plan, is anticipated to reduce cash and short-term investments by approximately \$1.6 million by the end of fiscal 2007. Management believes that current cash and short-term investments, as well as anticipated cash flow from operations and investing activities are sufficient to meet its working capital and capital expenditure requirements. In addition, the Institute has an undrawn operating line of credit with a Canadian bank of \$0.5 million that is available to offset any fluctuations in short-term funding requirements.

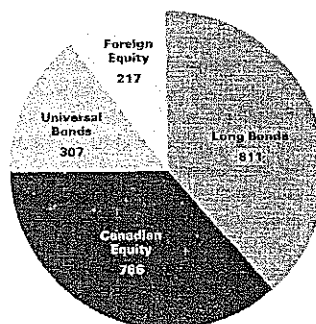
The CICA's investments are primarily comprised of a long-term investment portfolio. The CICA Board approved investment policy permits investing in equity securities in addition to fixed income securities. Over the long term it is expected that investing in equity securities will help to enhance the CICA's ability to adequately fund its ongoing activities on behalf of its members and the CA profession through higher average returns. The long-term investment portfolio includes Canadian federal and provincial government and corporate bonds, as well as passively managed indexed pooled funds. The bonds held have varying terms to maturity and a ladder structure is used to enhance average yield and to reduce the impact of interest rate variability.

Fixed Income Investments¹ at Market Value



Commencing at the end of the second quarter of fiscal 2006, the CICA began transitioning a portion of the long-term investment portfolio to passively managed indexed pooled funds. The approved asset mix of the indexed pooled funds is set at 55% for fixed income securities and 45% for equities and is rebalanced to the policy at the end of each calendar quarter. The transitioning of additional funds to the indexed portfolio is being undertaken over a period of approximately 30 months to accommodate operational cash flow needs and minimize the transitional costs.

**Indexed Pooled Funds at Market Value
\$000's**

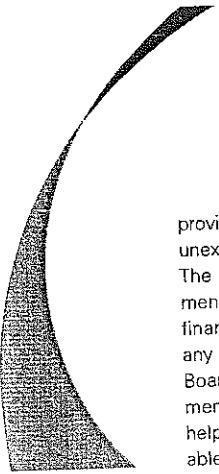


Investment in capital assets is made using a structured approach principally guided by the capital asset plan that is prepared by management each year and approved by the Board of Directors. For fiscal 2006 capital asset investment was \$0.3 million. Management believes this level of investment is sufficient to maintain operational efficiency.

Net Assets

Net assets at March 31, 2006 amounted to \$16.5 million and consisted of \$1.0 million invested in capital assets (net book value of capital assets less deferred tenant inducements used to purchase leasehold improvements) and \$15.5 million of unrestricted net assets.

Unrestricted net assets increased by \$2.8 million during the year principally as a result of better than expected growth in revenue from the sales of publications, products and services and the delivery of conferences and courses. The unrestricted net assets are required to



provide sufficient financial capital to meet any material unexpected financial risks that the CICA may encounter. The \$9.2 million excess of the actual year-end post-retirement benefits liability over the amounts recorded in the financial statements, future long-term lease costs, and any unbudgeted projects subsequently approved by the Board are examples of these potential funding requirements. The unrestricted net assets are also available to help maintain reasonable stability in the annual fee payable by members from year to year.

The Audit Committee annually reviews the level of the unrestricted net assets to assess its appropriateness. For the 2007 fiscal year, the budget approved by the Board of Directors anticipates an excess of expenses over revenue of approximately \$1.8 million, principally related to the branding initiative that will be funded from net assets.

Non-financial Resources

The CICA also relies heavily on non-financial resources to enable it to carry out its mandate. These include:

Experienced Volunteers and Employees The CICA has an experienced team of managers, staff and volunteers and well developed processes that can be redeployed to meet changing market needs and support the organization in implementing its strategies.

Intellectual Property As a knowledge-based organization, the CICA operates in large measure with the intellectual capital that resides with its employees, volunteers, and within the CA profession. The CICA leverages its existing opportunities and looks for new opportunities to improve the way knowledge is gathered, retained and shared within the profession. Further opportunities exist to expand knowledge sharing with volunteers and the PICAs/Ordre.

Strategic Alliances The CICA has nurtured and encouraged strategic alliances with a number of leading organizations that contribute to the profession's success. Many of these alliances are relatively new and represent untapped opportunities.

Brand Recognition The CA profession has a long, stable history and a well developed and well recognized brand. The work of the CSE Branding Committee, although not yet completed, is focused on finding ways to fully leverage the brand to achieve future goals.

Education System Changes to the CA education and qualification system are expected to yield positive results for the profession's future by increasing the number of new CA students to meet a growing demand for qualified CAs.

Systems and Processes

While the CICA believes there are no mission-critical systems, controls, procedures, or deficiencies that would impair its ability to provide reliable and timely disclosure or affect its ability to execute its strategic plan, it does intend to continue to invest in system improvements. In fiscal 2006 management completed the review of its requirements for the replacement of its order fulfillment and inventory management systems and initiated a structured review of solutions available in the marketplace. The scope and complexity of the needs analysis and software selection process required more time than originally anticipated, delaying the implementation phase. Management now expects the final selection of a software provider to be approved in the second quarter of the 2007 fiscal year and implementation to be initiated before the end of the 2007 fiscal year.

2005-2006 RESULTS

Deliverables

The CICA continued work in support of the five priority commitments related to the *2005-2008 Objectives*. The CICA contributed significantly during the year to facilitating the process of review and revision of the *Protocol* agreement among the institutes/ordre. The Standards Group continued a high level of output with a number of exposure drafts, standard revisions and emerging issues topics being published during the year. As well, the Accounting Standards Board formulated its strategy for the future of standard setting in Canada following consultations with interested stakeholders. The Audit and Assurance Standards Board has undertaken a similar strategy consultation process.

Additional *20 Questions* booklets were published, as was the second edition of *Integrity in the Spotlight*. The use of computers by CA candidates writing the UFE exam showed significant increase. The corporate finance education program completed development and was successfully launched during the year. Significant increases occurred in conferences and courses revenues as a result of higher participant rates and new program offerings.

CAMagazine advertising revenues showed a significant recovery from the prior year and production costs were noticeably reduced. The international distribution of the magazine to members is now principally electronic. The CA Source career services site that was extensively redeveloped last year had revenue growth of over 34% to more than \$371,000. As of March 2006, there were 13,551 (2005 – 4,854) members registered on the site, 2,921 (2005 – 2,380) posted member résumés and 155 (2005 – 107) open positions across Canada that were listed. The number of subscribers to the *Report on Industry* and *CA Practice Advantage* electronic newsletters showed a significant increase.

The new management role for the Council of Senior Executives progressed well during the year. Implementation of the CA profession strategic plan commenced through the branding, education, public trust and member relations task forces established to address these priority areas.

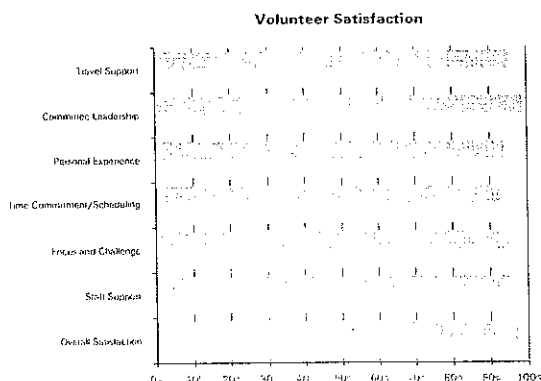
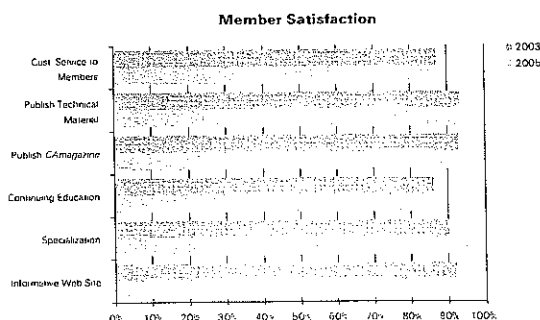
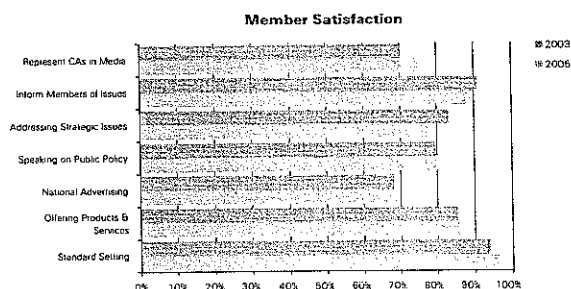
The CSE Branding Committee worked diligently throughout fiscal 2006 carrying out further research in support of the CA Branding initiative. Significant work was done on assessing logo and creative proposals and Cossette Communications was engaged as the media planning and creative content advisor. A major promotional campaign in support of enhancing the CA brand image is in the planning and development stage for implementation in the second quarter of fiscal 2007.

Overall, substantially all deliverables were completed and/or significantly advanced during the year.

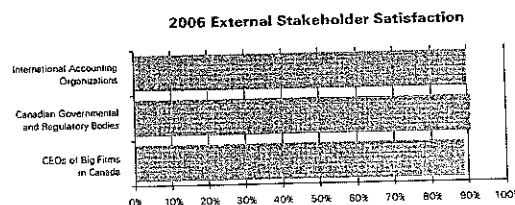
Stakeholder Satisfaction

Member Satisfaction Member Satisfaction survey scores were strong in key areas such as standard setting, publishing (both technical material, and CAMagazine), maintaining an informative website, and offering specialist designations. At the same time, national advertising and representing the profession in the media were perceived at lower levels of performance. The national advertising program was curtailed at the time of the merger discussions in fiscal 2005 and pending the results of the evaluation of the CA brand position being undertaken by the Branding Committee. The key messaging for promoting the CA brand is now being developed as part of the Branding Committee's mandate and will be launched in the second quarter of fiscal 2007.

Volunteer Satisfaction Overall, volunteers are positive about their CICA volunteer experience. Seventy-one per cent of volunteers responding to the volunteer survey indicated that they were "very satisfied" (72.5% in 2003) and a total of 97% (98% in 2003) were somewhat satisfied or very satisfied. Virtually all respondents (95%) indicated that they would volunteer again, and 91% believed their time was well invested. Committees were seen to be well supported by staff (97%) and meeting scheduling was appropriate (97%).



External Stakeholder Satisfaction External Stakeholder Satisfaction continued to be rated favourably. A key evaluation source was the November 2005 survey of MPs, Senators and key civil servants together with other assessment factors indicative of the CICA's relations with key external stakeholders.

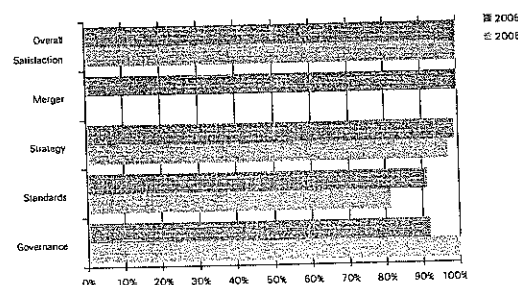


The CICA has a solid working relationship with Canadian governmental and regulatory bodies, the Canadian Public Accountability Board and the Ontario Securities Commission. It has also maintained international respect and CAs continue to be leaders in supporting the development of high quality global accounting and auditing standards. In addition to its long standing strong relationship with the American Institute of Certified Public Accountants (AICPA), Canada's CAs are well represented in the International Federation of Accountants (IFAC). Our profession has representatives on the IFAC Constitution Task Force, the IFAC Planning and Finance Committee, the International Accounting Education Standards Board, the International Auditing and Assurance Standards Board, the International Public Sector Accounting Standards Board, and the International Ethics Standards Board for Accountants. Canada's CAs have also taken a leadership role in the International Accounting Standards Board work to converge international accounting. Several joint product initiatives have also been undertaken by the CICA and the AICPA including Privacy, Trust Services and PrimePlus and further opportunities for AICPA-CICA collaboration are being explored.

Institutes/Ordre Collaboration

Respondents to the March 2006 Council of Senior Executives survey indicated general satisfaction with the quality and effectiveness of the contribution of CICA staff to inter-institute/ordre activities and in the areas of governance and implementation of the CA Profession Strategy. Survey results, however, also indicated there was some room to improve the process of seeking input from the provinces in standard setting and in communi-

Institutes/Ordre Collaboration



cating and assisting provinces in the implementation of new standards.

Volunteers continue to strongly rate their efforts to collaborate with the PICAs/Ordre, with almost all volunteers indicating they made significant efforts to communicate; that they considered the views of the PICAs/Ordre in their decision-making; and they believed the consultation was successful.

Human Resources Performance

Responses from staff were positive and improved slightly from the prior survey. Although attempts to objectively evaluate overall satisfaction with compensation are always difficult, 66% of responding staff indicated overall satisfaction with their compensation package.

The CICA was generally seen to score well in terms of the work challenge, working conditions and compensation policies and practices, and 88% of staff indicated they were satisfied in terms of the work environment, up from 86% in the February 2004 survey.

Staff training and development and staff turnover have been areas of focus over the past two years. Training and development cost per person averaged \$1,250 and, based on feedback from those participating in the programs, we provide good value to participants and good return on investment of training dollars to the organization.

This year's turnover rate of 5.5% (9 separations) has improved significantly over last year's 9.7% turnover. Outstanding staff vacancies decreased by 3.5 net positions during the year, to 13 positions, however, 6 of these positions have been filled during April and May 2006.

Financial Performance

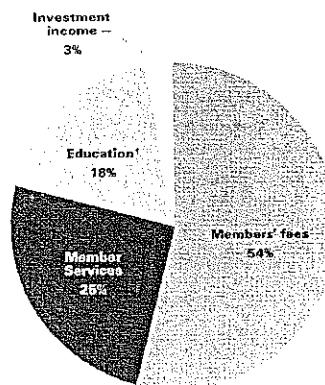
REVENUES

Total revenue for fiscal 2006 from all sources increased more than expected over the prior year, growing by 8.1%. It is anticipated that total revenue will continue to grow next year although at a more modest rate of 4.2%. Members' fees and revenue from Member Services (including publications, products, services and *CAMagazine*) grew by 2.0% and 6.6% respectively compared to fiscal 2005. Education saw revenue grow 8.9% in the prior year and the pace of growth accelerated in fiscal 2006 with year over year growth of 34.3%. Investment returns increased 9.4% over the prior year and continued to be primarily impacted by interest rate and market conditions.

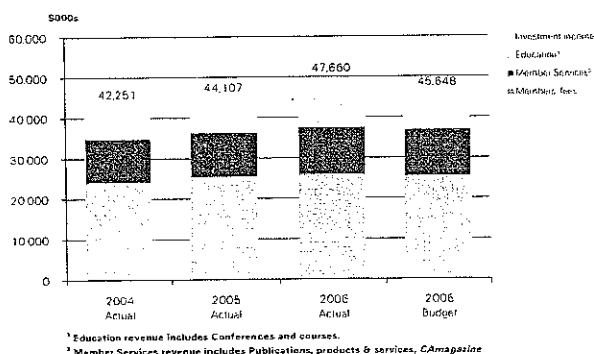
Total fiscal 2006 revenue exceeded budget by 4.4%, as a result of growth in the number of members, much stronger results from Education than planned, modest excess of Member Services revenue over budget, and better-than-expected investment returns. The members' fee remains the single most important source of funding for the CICA at 54.3% of revenue. Total members' fees rose in fiscal 2006 and the increase is solely attributable to the growth in the number of prime paying members compared to fiscal 2005. Fees on a per member basis did not increase over the prior year and remained unchanged at \$425. From a historical perspective, the annual members' fee has risen only five times in the past 14 years or at an average annual rate of 2.7% over the same period.

Total Member Services revenue for the current year increased \$0.7 million over the prior year. Revenue from the sale of publications, products and services grew by 3.3%, from \$9.5 million in fiscal 2005 to \$9.9 million in fiscal 2006, reflecting a combination of increased prices and a modest increase in unit sales, and the successful introduction of the new *Quality Assurance Manual*. *CAMagazine* revenue, which saw a decline in revenue in fiscal 2005 from the preceding year, rebounded in fiscal 2006 with significant growth of \$0.4 million or 26.7%. Enhanced efforts to introduce and attract new advertisers to the magazine, as well as increased sales to existing customers, helped reverse the downward trend.

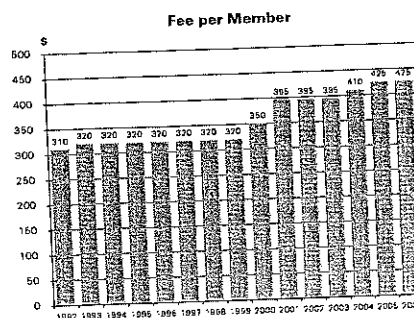
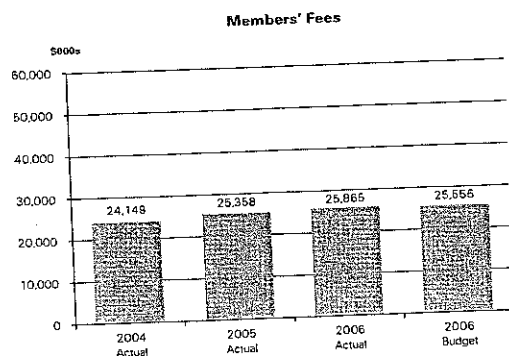
2006 Sources of Revenue



Total Revenue



Continuing education programs were delivered through a broad range of training courses and professional development conferences in the areas of income and commodity taxation, financial reporting and accounting, and specialized industries and practices. Revenues increased \$2.2 million over last year to \$8.6 million, primarily attributed to a general rise in attendance in several popular events including the Commodity Tax Symposium and the Financial Reporting and Accounting Conference, an increase in the number of presentations needed for the Canadian Conference in IT, Audit, Governance & Security as well as the successful launch of a new tax course, *Advanced Tax Issues for the Owner Managed Business*, offered in fiscal 2006.



Total investment income for fiscal 2006 increased by \$0.1 million, mainly as a result of gains on the sale of investments made during the year. Total investment income outperformed the budget established for the year by \$0.3 million. The year-end average yield of the portfolio to maturity was 4.2% based on market value.

EXPENSES

Total expenses for fiscal 2006 increased \$2.7 million over the prior year. Publications, products, services and development costs increased by \$0.2 million, or 2.1% over fiscal 2005.

Conferences and courses expenses rose \$1.4 million or 24.5% over the prior year but this was well in line with the growth in revenue of 34.3% and was necessary to support the increased level of participation, additional presentations, and the launch of a new event offering during the year.

Standards group expenses of \$7.1 million increased only marginally over the prior year maintaining an expenditure level which had been ramped up significantly in fiscal 2005 to keep pace with ongoing commitments that contributed to the harmonization of accounting standards internationally. The Standards group recognized the need to continue to play a key role in the development of international standards, to relate them to the standards in Canada, and to communicate and consult with stakeholders to prepare them for convergence with international standards. In fiscal 2006, the Standards group also continued to effectively deliver its core activities of setting standards and providing guidance in accounting, audit and assurance and public sector accounting. The frequency and complexity of standards changes have continued at a high level. Assistance in improving implementation guidance to help address "standards

overload" concerns, particularly those of the small business sector, was also provided.

Corporate services expenses for fiscal 2006 rose by \$0.1 million, or 1.8% over the prior year.

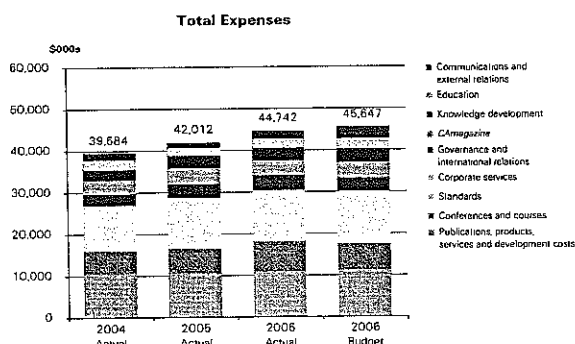
Governance and international relations expenses increased by \$0.1 million over fiscal 2005 primarily reflecting higher costs for maintaining our international involvement and membership support for IFAC.

CAMagazine reduced expenditures in fiscal 2006 by \$0.3 million over the prior year. Savings related primarily to production costs and resulted from a number of targeted cost-cutting initiatives that lowered shipping, handling, and polybagging charges, and better utilized staff resources. In addition, time and dollar savings were achieved through the use of an electronic delivery approach for overseas subscriptions.

Knowledge Development group expenses increased \$0.1 million over fiscal 2005, reflecting support for Risk Management & Governance projects involving disclosure controls and procedures, small to medium sized enterprises, and not-for-profit organizations. Canadian Performance reporting activities were reduced somewhat in comparison to the prior year when more resources were committed to developing reporting guidance for MD&A and Value Measurement.

Education group expenses increased \$0.4 million in fiscal 2006 compared to the prior year to step up support for CA qualifications activities related to the competency map and computers in the UFE. In addition, resources were needed for the development of the corporate finance education program and promotion in the specialization area.

Communications and External Relations group expenses increased significantly, by \$0.5 million compared to the prior year, as the Council of Senior Executives Branding Committee moved the implementation of the CA branding initiative further along in the process. In addition, anticipating the recent change in the federal government, more resources were directed to delivery of the fiscal 2006 Impact CA program.



EXCESS OF REVENUES OVER EXPENSES

The \$2.9 million excess of revenues over expenses realized in fiscal 2006 primarily reflects the CICA's success in gaining greater acceptance and promoting wider interest in current products, services and educational offerings. This resulted in significant revenue growth over the fiscal 2006 business plan and prior year results. Total expenses were impacted by lower than planned spending, mainly for the national media advertising campaign for the promotion of the CA brand and other planned communications activities as a result of the complexity of the CA branding project. Branding implementation has progressed more slowly than the CSE Branding Committee originally anticipated and this has delayed the launch of the campaign until the second quarter of fiscal 2007.

In developing its annual business plan, the CICA reviews and evaluates key objectives and priority projects and assesses the availability of other sources of revenue, prior to determining the members' fee revenue required to complete the funding needs for its planned projects. The business plan is designed on a break-even basis. The events and delays that principally resulted in the excess of revenues over expenses realized in fiscal 2006 were unforeseen at the time that the member fee was

set by the Board of Directors and are not expected to reoccur in fiscal 2007. The 2007 fiscal year business plan anticipates that expenses will exceed revenue by approximately \$1.8 million, principally as a result of full implementation of the branding project.

PROSPECTS FOR FISCAL 2007

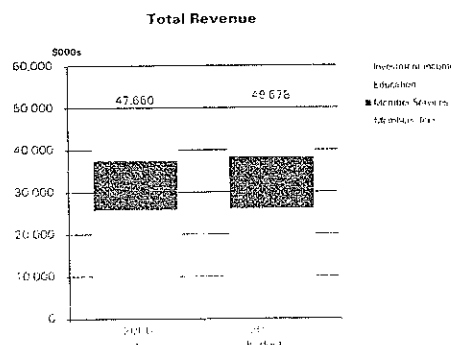
In fiscal 2007, the CICA will continue to focus its principal efforts on the 2005-2008 priority commitments outlined on page 10. In addition, the CICA's current Toronto office lease expires in August 2007 and a review of occupancy requirements which began in fiscal 2006 will carry on into fiscal 2007. The CICA has engaged the services of a real estate advisor and a project management and design firm to assist it to identify and explore the available options to meet future office facility needs.

The comments that follow outline the expectations for revenue and expenses based on the fiscal 2007 business plan approved by the CICA Board of Directors in February 2006.

REVENUES

The CICA needs stable and sustainable funding to successfully deliver on its 2005-2008 priority commitments. Total revenues from all sources are budgeted to be \$49.7 million in fiscal 2007, an increase of 4.2% compared to fiscal 2006. Members' fees for fiscal 2007 are expected to rise based on the growth in the number of prime paid members. The growth rate in prime paid members is not expected to change significantly from the prior year. The annual fee per member for fiscal 2007 will remain unchanged at \$425.

Member Services revenue is expected to increase overall by \$0.7 million in fiscal 2007 with publications products and services revenue rising \$0.8 million, offset by an expected decline in CAMagazine revenue of \$0.1 million. Education revenues are expected to increase by \$1.4 million in fiscal 2007 as the Conferences and Courses department continues with expansion of its course offerings spurred by increased demand from mandatory CPD requirements, as well as full implementation of the corporate finance program. For fiscal 2007, investment income has been budgeted at \$1.2 million.



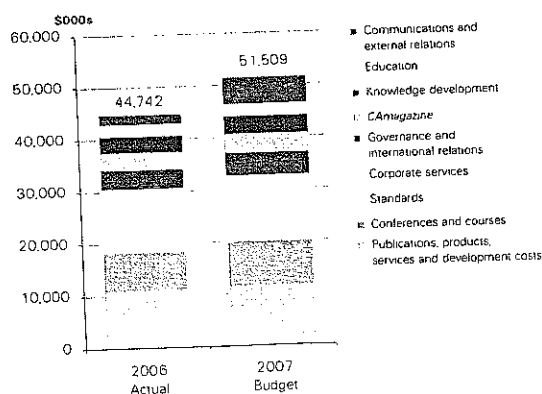
EXPENSES

Planned expenses for fiscal 2007 are higher overall than the prior year with resources allocated to align with the requirements of the priority commitments established for the year. Expenditures for fiscal 2007 are budgeted at \$51.5 million, rising 15.1% over current year expenses or 12.8% over the fiscal 2006 budget. Planned activities and funding for next year remain focused on supporting the CA profession's mission and helping to achieve its strategic objectives.

The Council of Senior Executives Branding Committee initiated the implementation of the CA branding strategy in fiscal 2006 and expects the pace of activity and expenditures to increase sharply in fiscal 2007. The significant increase of \$3.2 million in the Communications and External Relations area is primarily attributed to the CA branding campaign, of which \$1.8 million will be funded from existing net assets. Expenditures in most other areas are also anticipated to rise in fiscal 2007 with funding provided from total revenue.

Collaboration with the PICAs/Ordre together with sufficient volunteer involvement and staff resources are crucial ingredients to the implementation of the CA profession's strategy and addressing the broader CICA mandate in standard setting. Implementing the CA profession's strategy is key to enhancing the value of the CA profession to members and other stakeholders, and to helping foster and influence strategic international relationships.

Total Expenses



RISKS

The CICA operates in an environment that continues to change rapidly. Several risks and uncertainties that could affect the successful implementation of its strategic plan and priority commitments include:

Funding and Financial Risks

- The CICA is dependent on the continuation of its existing funding and alliance arrangements and relies on members' fees to a large extent to fund its programs. Membership growth will help to stabilize its funding base. Surveys are used to monitor member and stakeholder satisfaction with the Institute's performance to help manage risk in this area.
- Financial risks relate to the fluctuation in market rates of return on investments and to demand for inventories of products not yet sold. The risk of volatility in investment returns is addressed using high credit quality fixed income securities that have a laddered mix of maturities and passively managed indexed pooled funds with an asset mix of 55% fixed income and 45% equities rebalanced on a quarterly basis. The registered pension fund assets are also passively managed through indexed pooled funds. Due to the longer term nature of the liabilities, an asset mix of 65% equities and 35% fixed income securities is used. The pension fund liabilities and the funded status of the post retirement benefits plans are highly sensitive to long-term interest rate changes. The plan funding, investment policy and investment manager performance are reviewed annually as part of managing that risk.
- In the current year inventories increased \$44,000, reflecting pricing adjustments and modification to the mix of products on hand. Management continues its efforts to maintain optimal inventory levels and reduce slow-moving and obsolete stock.

Human Resources

- The CICA depends substantially on the services of volunteer members to complete planned projects. The talent and expertise of the CICA's volunteers are among the CICA's most valuable resources. A risk exists that, in the future, needed volunteers may not be as willing or able to donate their time and talents to the CICA. Without these valuable resources, there is a further risk that knowledge would be lost and a significant cost would be incurred by the CICA to recruit more staff and reacquire expertise. Volunteer recruitment and recognition programs are used to help manage risk in this area, and volunteer satisfaction is tracked through surveys conducted every second year.

- Difficulties continue in the timely recruiting of qualified staff, which could impact the profession's ability to achieve its objectives. To manage this risk, the CICA offers a high quality work environment with a competitive total compensation package, and monitors employee satisfaction through employee surveys conducted every second year.

Standards

- Repositioning of responsibilities over the setting of standards may create new challenges. Investors, investment intermediaries, creditors, regulators, governments and the public in general need reliable financial information on which to base their decisions. Financial reporting failures caused a loss in investor confidence that in turn has tarnished the image of the accounting profession. Steps have been taken to restore investor confidence in financial reporting, such as the creation of new auditor independence rules, and independent oversight councils charged with ensuring that standards serve the public interest.
- A significant continuing concern is "standards overload"—the difficulty of coping with the complexity and volume of changes to accounting and assurance standards. The concern is pervasive and applies in different forms to virtually all financial statement preparers, auditors and users across Canada. While standards are not the only source of overload and possibly not the principal source for many, the Standards Boards acknowledge that this is an issue that needs to be addressed. At the same time, the reality that standard setting has become a global endeavour means that the Canadian standard setters cannot fall behind international standards if they wish to continue to have a voice in influencing the future direction of global standards. Nevertheless, steps have been taken to moderate the pace of new standards application by:
 - providing relatively longer transition periods between the issuance of new standards and their mandatory effective date;
 - fixing the effective dates of new standards so that several will coincide, rather than being spread throughout a fiscal year; and
 - slowing down certain projects that will have relatively less effect in practice, to concentrate on more significant issues.

Products and Programs

- The introduction of new continuing education programs and products carries inherent risks including uncertain participation rates, the impact of competition, and availability of sponsorship opportunities. Organizations are looking harder and closer at sponsorship opportunities before committing to the investment. Risk in the sponsorships area is being managed by developing custom sponsorship/exhibit opportunities for larger accounts, working closely with their representatives to design a program with long-term benefits for the CICA and the sponsor. Participation is encouraged through print and online marketing activities.
- Continued investment in the development of new products will be required in the future and the risks associated with acceptance and success of the products developed through this investment remain. However, careful selection of new products based on member-focused research has resulted in cost recovery in most cases.
- Market acceptance of new products and new specialization directions is uncertain, presenting significant risks to realizing the intended objectives. The role of specialization is currently under review including the viability of smaller specializations, the impact of core area specializations on the CA brand and their applicability to non-CAs.
- Several key CICA publications are authored by other individuals or organizations. The continuity of these publications is dependent on the availability of appropriate content enhancements authored by subject matter experts. The CICA reviews the publication arrangements for core publications on a regular basis and attempts to structure suitable author succession plans to ensure that the product life is extended.

Governance

- Governance processes involving the 14 Institutes/Ordre that constitute the CA profession involve significant consultation and communication and may impede the profession's ability to act as swiftly as it otherwise might when the need arises. The assumption of the role of management of the profession by the Council of Senior Executives is meant to address this risk.

The Canadian Institute of Chartered Accountants

Auditors' Report

To the Members of The Canadian Institute of Chartered Accountants

We have audited the statements of financial position of The Canadian Institute of Chartered Accountants as at March 31, 2006 and 2005 and the statements of operations, changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Institute's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of The Canadian Institute of Chartered Accountants as at March 31, 2006 and 2005 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Hilborn Ellis Grant LLP

Chartered Accountants
Toronto, Ontario
May 19, 2006

The Canadian Institute of Chartered Accountants

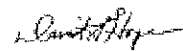
Statements of Financial Position

as at March 31

	2006 (\$000s)	2005 (\$000s)
ASSETS		
<i>Current Assets</i>		
Cash and short-term investments	\$ 3,272	\$ 1,964
Amounts receivable [Note 3]	2,699	2,671
Inventories	690	646
Prepaid royalties and other assets	1,775	1,884
	8,436	7,165
<i>Long-term Investments</i> [Note 4]	25,900	22,885
<i>Capital Assets</i> [Note 5]	1,288	1,828
	<u>\$ 35,624</u>	<u>\$ 31,878</u>
LIABILITIES		
<i>Current Liabilities</i>		
Accounts payable and accrued liabilities	\$ 6,027	\$ 5,167
Deferred revenue	8,128	7,736
	14,155	12,903
<i>Post-retirement Benefits</i> [Note 6]	4,466	4,069
<i>Deferred Lease Incentives</i> [Note 7]	517	868
	19,138	17,840
NET ASSETS		
Invested in capital assets	1,008	1,364
Unrestricted		
Cumulative excess of revenues over expenses	15,948	12,674
Cumulative net unrealized gains and losses on available for sale unrestricted financial assets	(470)	-
	16,486	14,038
	<u>\$ 35,624</u>	<u>\$ 31,878</u>

See accompanying notes

On behalf of the Board.



David A. Hope, MBA, FCA
Director



Thomas A. Hards, FCA
Director

The Canadian Institute of Chartered Accountants

Statements of Operations

for the years ended March 31

	2006 (\$000s)	2005 (\$000s)
REVENUES		
Members' fees	\$ 25,865	\$ 25,358
Publications, products and services	9,853	9,536
Conferences and courses	8,574	6,382
CAmagazine	1,988	1,569
Investment income	1,380	1,262
	47,660	44,107
EXPENSES		
Publications, products, services and development costs	\$ 10,960	\$ 10,732
Conferences and courses	7,293	5,856
Standards	7,123	7,052
Corporate services [Note 2]	5,127	5,034
Governance and international relations	3,694	3,549
CAmagazine	3,301	3,600
Knowledge development	3,201	3,072
Education [Note 2]	2,163	1,727
Communications and external relations	1,880	1,390
	44,742	42,012
EXCESS OF REVENUES OVER EXPENSES	\$ 2,918	\$ 2,095

See accompanying notes

Statements of Changes in Net Assets

for the years ended March 31

	Invested in capital assets	Unrestricted	2006 (\$000s)	2005 (\$000s)
Balance, beginning of year	\$ 1,364	\$ 12,674	\$ 14,038	\$ 11,943
Excess (deficiency) of revenues over expenses	(702)	3,620	2,918	2,095
Net capital assets acquired	346	(346)	-	-
	1,008	15,948	16,956	14,038
Accumulated gains and losses included directly in the statement of changes in net assets:				
Change in accounting policy (note 1j)	-	66	66	-
Unrealized gains and losses on available for sale financial assets arising during the period	-	(456)	(456)	-
Reclassification adjustment for gains and losses included in excess of revenues over expenses	-	(80)	(80)	-
Accumulated gains and losses included directly in the statement of changes in net assets	-	(470)	(470)	-
Balance, end of year	\$ 1,008	\$ 15,478	\$ 16,486	\$ 14,038

Statements of Cash Flows

for the years ended March 31

	2006 (\$000s)	2005 (\$000s)
Operating Activities		
Excess of revenues over expenses	\$ 2,918	\$ 2,095
Adjustments to determine net cash provided by (used in) operating activities:		
Amortization of capital assets	886	903
Amortization of investment income	(1,067)	(1,075)
Gain on sale of long-term investments	(211)	(119)
Required post-retirement benefits funding	(1,662)	(2,279)
Discretionary registered pension plan funding	-	(2,500)
Post-retirement benefits expense	2,059	1,886
Net decrease in deferred lease incentives	(351)	(352)
	2,572	(1,441)
Net change in non-cash working capital items	1,289	946
	3,861	(495)
Investing Activities		
Purchase of long-term investments	(14,894)	(18,183)
Proceeds on disposal of long-term investments	12,687	17,816
Net capital assets acquired	(346)	(566)
	(2,553)	(933)
Net change in cash and short-term investments	1,308	(1,428)
Cash and short-term investments, beginning of year	1,964	3,392
Cash and short-term investments, end of year	\$ 3,272	\$ 1,964

See accompanying notes

Notes to the Financial Statements

for the years ended March 31, 2006 and 2005

(Tabular amounts in \$ thousands)

THE INSTITUTE

The Canadian Institute of Chartered Accountants (CICA) is the national member association of Chartered Accountants in Canada and Bermuda. All members in good standing of a Provincial, Territorial and Bermuda Institute/Ordre of Chartered Accountants (Provincial Institutes/Ordre), upon payment of the annual member fee are members of the CICA. The CICA was incorporated by a Special Act of the Canadian Parliament in 1902. The CICA is a not-for-profit organization, as described in Section 149(1)(l) of the Income Tax Act, and therefore is not subject to either federal or provincial income taxes.

Each of the Provincial Institutes/Ordre has an appointed representative on the Selection Council that has the responsibility for appointing the Chair, Vice Chair and Public Directors. Other members of the Board of Directors are appointed by the respective Institutes/Ordre of the region they represent.

The CICA together with the Provincial Institutes/Ordre, represents a membership of approximately 70,000 CAs and 8,500 students in Canada and Bermuda. The CICA conducts research into current business issues and supports the setting of accounting, auditing and assurance standards for business, not-for-profit organizations and government. It issues guidance on control and governance, publishes professional literature, develops continuing education programs and represents the CA profession nationally and internationally.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

(i) Members' fees

Members' fees are set annually by the Board of Directors and are recognized as revenue proportionately over the fiscal year to which they relate.

(ii) Publications, products and services

Revenue is recognized at the time of shipment, when the service is rendered, or proportionately over the period of the subscription depending on the nature of the product or service. The liability for the portion of subscription revenues invoiced but not yet earned is recorded as deferred revenue.

(iii) Conferences and courses

Revenue is recognized when conferences and courses are presented. The liability for the portion of conferences and courses revenues invoiced but not yet presented is recorded as deferred revenue.

(iv) CAmagazine

Magazine subscriptions are recognized as revenue over the period of subscriptions. Member magazine subscriptions are included in Members' fees. The liability for the portion of subscription revenues invoiced but not yet earned is recorded as deferred revenue. Advertising revenue is recognized in the period in which the advertisement is published.

(v) Investment income

Investment income includes dividend and interest income and realized gains and losses. Unrealized gains and losses on available for sale financial assets are included directly in net assets, until the asset is removed from the statement of financial position.

b) Donated services

The work of the CICA is dependent on the voluntary service of many members. The value of donated services is not recognized in these statements.

c) Inventories

Inventories are valued at the lower of average cost and net realizable value. Cost is determined substantially on a first-in, first-out basis.

d) Long-term investments

Investments classified as available for sale are recorded at market value.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Capital assets

Capital assets are recorded at cost. Amortization of furniture, equipment and software is provided for on a straight-line basis over their estimated useful lives at rates ranging from 10% to 33 1/3% per annum. Leasehold improvements are amortized on a straight-line basis over the remaining terms of the relevant leases. Costs incurred in development of publications, products and services are expensed and not capitalized.

f) Post-retirement benefits

- (i) The accrued obligations for pensions and other post-retirement benefits are actuarially determined using the projected benefit method prorated on service and management's best estimates of salary escalation, staff turnover, retirement ages of plan members, expected health care costs, and other actuarial factors.
- (ii) For the purpose of calculating the expected return on plan assets, fixed-income securities are valued at market value and equity securities are valued using a market-related value method. The market-related value method amortizes capital gains and losses on equity securities over a three-year period to smooth the effect of fluctuations in the equity markets.
- (iii) Actuarial gains and losses arise from the difference between actual long-term rate of return on plan assets for a period and the expected long-term rate of return on plan assets for that period or from changes in actuarial assumptions used to determine the accrued obligations. The excess of the net accumulated actuarial gains and losses over 10% of the greater of the accrued obligations and the market-related value of plan assets is amortized over the expected average remaining service life of the employee group covered by the plans (13 years for pensions, 16 years for other post-retirement benefits).
- (iv) The CICA adopted the new accounting standard for both pension and other post-retirement benefits in 2000 using the prospective application method. The transitional balances are being amortized on a straight-line basis over 18 years, which was the remaining average service life of employees expected to receive benefits under the plans as of April 1, 1999.
- (v) The plan assets and accrued obligations are measured at December 31 rather than at the fiscal year-end.

g) Deferred lease incentives

Lease incentives received, including free rent benefits and tenant inducements for leasehold improvements, are being recognized in income on a straight-line basis over the terms of the leases.

h) Net assets invested in capital assets

Net assets invested in capital assets comprises the net book value of capital assets less the unamortized balance of deferred tenant inducements used to purchase leasehold improvements.

i) Management estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from these estimates.

j) Financial instruments

The CICA's financial instruments consist of cash and short-term investments, amounts receivable, long-term investments, accounts payable and accrued liabilities, and post-retirement benefits. The fair values of these financial instruments approximate their carrying values, unless otherwise stated. It is management's opinion that the CICA is not exposed to significant interest rate, currency or credit risks arising from these financial instruments.

In April 2005, the Accounting Standards Board issued new Handbook sections on financial instruments, Section 3855 and Section 3861. Section 3855 Financial Instruments — Recognition and Measurement addresses when financial instruments should be recognized and how they should be measured. Section 3861 Financial Instruments — Disclosure and Presentation provides standards for how financial instruments should be classified on financial statements and the disclosure requirements. The CICA has adopted both of the sections for the fiscal year ended March 31, 2006. As a result of adopting these new sections, the CICA recorded a non-cash credit of \$66,000 to net assets for the change in accounting for financial assets classified as available for sale and measured at fair value rather than cost as at commencement of the current fiscal year.

The Canadian Institute of Chartered Accountants
Notes to the Financial Statements (continued)

for the years ended March 31, 2006 and 2005

(Tabular amounts in \$ thousands)

2. RELATIONSHIPS WITH PROVINCIAL INSTITUTES/ORDRE

The CICA annual member fees and CAMagazine student subscriptions are invoiced and collected by the Provincial Institutes/Ordre on behalf of the CICA and are due and payable pursuant to the terms established with the Provincial Institutes/Ordre. These amounts are reported in the statements of operations as Members' fees and CAMagazine revenues, respectively. Costs for interprovincial education services administered by the CICA on behalf of these Provincial Institutes/Ordre are fully recovered from them (2006-\$2,262,000; 2005-\$2,242,000). These cost recoveries are included in Education as reported in the statements of operations. The CICA also provides translation services to the Ordre des comptables agréés du Québec on a cost recovery basis (2006-\$290,000; 2005-\$241,000). These amounts are included in Corporate services as reported in the statements of operations.

3. AMOUNTS RECEIVABLE

	2006	2005
Amounts due from Provincial Institutes/Ordre:		
Professional services products, interprovincial education services and other	\$ 1,090	\$ 652
Member and student fees	108	357
	1,198	1,009
Amounts due from others:		
Professional services products and advertising in CAMagazine	1,379	1,635
Miscellaneous	122	27
	\$ 2,699	\$ 2,671

4. LONG-TERM INVESTMENTS

Long-term investments consist of Canadian federal and provincial government and corporate bonds and indexed pooled funds. The bonds have interest rates ranging from 2.57% to 4.49% on an annual basis, with maturity dates ranging from less than a month to eight years. The indexed pooled fund asset mix consists of 55% fixed income securities and 45% equity securities and is rebalanced on a quarterly basis.

Effective February 28, 2005, the Institute approved an investment policy that allows for investing in equity securities, in addition to fixed income. The Institute is transitioning the portfolio to the expanded asset classes permitted under the revised investment policy over a three year period, which commenced in 2006.

5. CAPITAL ASSETS

	Cost	Accumulated amortization	2006 Net book value	2005 Net book value
Furniture, equipment and software	\$ 8,258	\$ 7,265	\$ 993	\$ 1,329
Leasehold improvements	2,762	2,467	295	499
	\$ 11,020	\$ 9,732	\$ 1,288	\$ 1,828

Notes to the Financial Statements (continued)

for the years ended March 31, 2006 and 2005

(Tabular amounts in \$ thousands)

6. POST-RETIREMENT BENEFITS

	2006	2005
Pension plan	\$ (313)	\$ (85)
Other post-retirement benefits	4,779	4,154
	\$ 4,466	\$ 4,069

Total cash payments for pension and other post-retirement benefits for 2006 consisted of required minimum contribution by the CICA to its funded pension plan under current pension regulations - \$1,403,000 (2005 - \$2,020,000), discretionary contribution to reduce the unfunded liability of the funded pension plan - \$nil (2005 - \$2,500,000), cash payments directly to beneficiaries for its unfunded supplementary pension plan - \$159,000 (2005 - \$158,000) and cash contributed for its unfunded other benefit plan - \$100,000 (2005 - \$101,000).

a) Pension plan

(i) Plan description

The CICA maintains a registered non-contributory defined benefit pension plan that is mandatory for all employees, with the option of contributory participation to provide an enhanced benefit level. The plan provides benefits based on length of service and best five years' average earnings. The CICA's policy is to fund the registered pension plan in the amount that is required by governing legislation and determined by the plan's actuary. Benefits in excess of the maximum allowable registered pension benefits are provided from a non-registered unfunded defined benefit supplementary retirement plan.

(ii) Elements of pension expense recognized in the year

	2006			2005
	Registered plan	Supplementary plan	Total	Total
Service cost for the year, net of employee contributions	\$ 870	\$ 193	\$ 1,063	\$ 841
Interest cost on accrued pension obligations	1,231	148	1,379	1,321
Actual return on plan assets	(2,339)	-	(2,339)	(1,289)
Actuarial losses	3,345	230	3,575	424
Pension expense before adjustments to recognize the long-term nature of pension benefits	3,107	571	3,678	1,297
Adjustments to recognize the long-term nature of pension benefits:				
Difference between expected return and actual return on plan assets	1,019	-	1,019	246
Difference between actuarial (gains) losses recognized and actual actuarial (gains) losses for the year	(2,941)	(229)	(3,170)	(33)
Amortization of transitional asset	(169)	(26)	(195)	(195)
Pension expense recognized	\$ 1,016	\$ 316	\$ 1,332	\$ 1,315

The Canadian Institute of Chartered Accountants
Notes to the Financial Statements (continued)

for the years ended March 31, 2006 and 2005

(Tabular amounts in \$ thousands)

6. POST-RETIREMENT BENEFITS (continued)

a) Pension plan (continued)

(iii) Reconciliation of funded status to the amount recorded in the statements of financial position

	2006			2005	
	Registered plan	Supplementary plan	Total	Total	
Plan assets at fair value	\$ 21,973	\$ -	\$ 21,973	\$ 18,751	
Accrued pension obligation	(25,493)	(2,847)	(28,340)	(23,092)	
Funded status - deficit	(3,520)	(2,847)	(6,367)	(4,341)	
Employer contributions after measurement date	409	38	447	537	
Unamortized transitional asset	(1,855)	(285)	(2,140)	(2,335)	
Unamortized net actuarial (gains) losses	8,169	204	8,373	6,224	
Pension asset (liability) in statements of financial position	\$ 3,203	\$ (2,890)	\$ 313	\$ 85	
(iv) Plan assets					
Fair value, beginning of year	\$ 18,751	\$ -	\$ 18,751	\$ 13,918	
Actual return on plan assets	2,339	-	2,339	1,289	
Employer contributions	1,494	158	1,652	1,675	
Required funding	-	-	-	2,500	
Discretionary funding	252	-	252	220	
Employees' contributions	(863)	(158)	(1,021)	(851)	
Benefits paid	-	-	-	-	
Fair value, end of year	\$ 21,973	\$ -	\$ 21,973	\$ 18,751	
Plan assets consist of:					
Equity securities	65.2%	-	65.2%	65.6%	
Debt securities	34.8%	-	34.8%	34.4%	
	100.0%	-	100.0%	100.0%	
(v) Accrued pension obligations					
Balance, beginning of year	\$ (20,658)	\$ (2,434)	\$ (23,092)	\$ (21,137)	
Service cost for the year	(1,122)	(193)	(1,315)	(1,061)	
Interest cost on accrued pension obligations	(1,231)	(148)	(1,379)	(1,321)	
Benefits paid	863	158	1,021	851	
Actuarial losses	(3,345)	(230)	(3,575)	(424)	
Balance, end of year	\$ (25,493)	\$ (2,847)	\$ (28,340)	\$ (23,092)	

The most recent actuarial valuation of the pension plan for funding and accounting purposes was made on January 1, 2005 and indicated required minimum annual funding contributions of approximately \$704,000 for current service and \$650,000 for solvency amortization. The next required actuarial valuation will be on January 1, 2008.

Notes to the Financial Statements (continued)

for the years ended March 31, 2006 and 2005

(Tabular amounts in \$ thousands)

6. POST-RETIREMENT BENEFITS (continued)

a) Pension plan (continued)

(vi) Actuarial assumptions

The significant actuarial assumptions adopted in measuring the accrued pension obligations as at December 31 and the pension expense for the years then ended are as follows:

	2006		2005	
	Accrued pension obligations	Pension expense	Accrued pension obligations	Pension expense
Discount rate	5.00%	5.80%	5.80%	6.10%
Expected long-term rate of return on plan assets		7.00%		7.25%
Rate of compensation increase	3.50%	3.50%	3.50%	3.50%

b) Other post-retirement benefits

In addition to pension benefits, the CICA provides certain health, dental, and nominal life insurance benefits to its retired employees through an unfunded defined benefit plan.

(i) Elements of benefit expense recognized in the year

	2006	2005
Service cost for the year	\$ 303	\$ 241
Interest cost on accrued benefit obligation	358	282
Actuarial losses	1,103	984
Benefit expense before adjustments to recognize the long-term nature of other post-retirement benefits	1,764	1,507
Adjustments to recognize the long-term nature of other post-retirement benefits:		
Difference between actuarial (gains) losses recognized and actual actuarial (gains) losses for the year	(1,085)	(984)
Amortization of transitional obligation	48	48
Benefit expense recognized	\$ 727	\$ 571

(ii) Reconciliation of accrued benefit obligation to the amount recorded in the statements of financial position

Accrued benefit obligation, beginning of year	\$ (5,615)	\$ (4,202)
Service cost for the year	(303)	(241)
Interest cost on accrued benefit obligation	(358)	(282)
Benefits paid	102	94
Actuarial losses	(1,103)	(984)
Accrued benefit obligation, end of year	(7,277)	(5,615)
Employer contributions after measurement date	25	27
Unamortized transitional obligation	528	577
Unamortized net actuarial losses	1,945	857
Benefit liability in statements of financial position	\$ (4,779)	\$ (4,154)

6. POST-RETIREMENT BENEFITS (continued)

b) Other post-retirement benefits (continued)

(iii) Actuarial assumptions

The significant actuarial assumptions adopted in measuring the accrued benefit obligations as at December 31 and the benefit expense for the years then ended are as follows:

	2006		2005	
	Accrued benefit obligations	Benefit expense	Accrued benefit obligations	Benefit expense
Discount rate	5.25%	6.10%	6.10%	6.40%
Initial health care trend rate	5.46%	6.34%	6.34%	6.79%
Ultimate health care trend rate	4.50%	4.50%	4.50%	4.50%
Year that the health care trend rate reaches the ultimate rate	2009	2009	2009	2009

7. OPERATING LEASES

a) Lease obligations

The CICA leases office premises and equipment under operating leases. The lease agreements for office premises expire on August 31, 2007 and April 30, 2008 and require the CICA to pay a proportionate share of property taxes and operating expenses.

Future minimum annual commitments, not including an estimate of the proportionate share of property taxes and operating expenses for the office premises, are as follows:

Future minimum annual commitments, expenses for the office premises, are as follows:				
	Premises	Equipment	Total	
2007	\$ 1,979	\$ 289	\$	2,268
2008	977	283		1,260
2009	13	247		260
2010	-	165		165
2011 and thereafter	-	199		199
	\$ 2,969	\$ 1,183	\$	4,152

b) Deferred lease incentives

Deferred lease incentives consisting of cash payments received to reduce the cost of leasehold improvements and free rent periods were received in connection with the leases of office premises. These benefits have been recorded as deferred lease incentives and are amortized over the terms of the respective leases.

incentives and are amortized over the terms of the respective leases.

	Tenant inducement	Free rent benefit	Total
March 31, 2005	\$ 464	\$ 404	\$ 868
Amortization	(184)	(167)	(351)
March 31, 2006	\$ 280	\$ 237	\$ 517

Appendix

Board of Directors

The CICA's activities are overseen by a Board of Directors comprised of 12 members, including the Chair and Vice Chair; two representatives from each of four geographic regions—Ontario, Québec, the Western Region and the Eastern Region; and two public directors who are not chartered accountants. The CICA Board of Directors provides strategic leadership and coordinates specified matters of common interest known as the Common Critical Functions as outlined in the Protocol. The Board also provides governance and oversight for the Council of Senior Executives in its management role as outlined.

Chair

David A. Hope, MBA, FCA
Halifax, NS

Vice Chair

Alain Benedetti, FCA
Sainte Anne des Lacs, QC

Mark G.S. Bradbury, FCA
St. John's, NL

Pierre Brochu, FCA
Montréal, QC

Shelley A.M. Brown, FCA
Saskatoon, SK

J. Marcel Daoust, FCA
Montréal, QC

Debbie L. Good, FCA, CFP
Charlottetown, PE

Thomas A. Hards, FCA
Barrie, ON

Robert L. Neill, FCA
Welland, ON

Barbara J. Simpson, CFP, FCA, B.Comm
Vancouver, BC

Claude Lamoureux, FCIA, FSA
Toronto, ON

Peter W. Mills, QC
Toronto, ON

Committees of the Board

AUDIT COMMITTEE

Tom Hards, FCA (Chair)
Mark Bradbury, FCA
Pierre Brochu, FCA
Peter Mills, QC

CORPORATE GOVERNANCE COMMITTEE

Alain Benedetti, FCA (Chair)
Marcel Daoust, FCA
Rob Neill, FCA
Barbara Simpson, FCA

HUMAN RESOURCES &

COMPENSATION COMMITTEE

Claude Lamoureux, FCIA, FSA (Chair)
Alain Benedetti, FCA
David Hope, MBA, FCA



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