Consolidated financial report

for the year ended 30 June 2019

Financial commentary

Principal Activities

The principal activities of Chartered Accountants Australia and New Zealand (CA ANZ) are delivering the CA Program and post admission education and related services to members, provisional members and the broader business community, the influencing of government and regulatory policy, promoting the pre-eminence of the CA designation alongside our membership of international bodies including the International Federation of Accountants, the Global Accounting Alliance and Chartered Accountants Worldwide and the provision of member services.

Financial Results and Review of Operations

The surplus before tax, and following the impact of adopting new Accounting Standards, was $0.1m for the period. The Consolidated Financial Report restates the 2018 balances (where applicable) providing appropriate comparability between the two financial periods. Revenues increased by $7.1m compared with 2018. Expenses increased by $8.0m driven by significant spend on investments in strategic and business improvement initiatives.

CA ANZ owns the freehold property at 33 Erskine Street, Sydney, where its head office is located. The property is close to the Barangaroo precinct, an area of the Sydney CBD which continues to generate gains in property values. In the current period, an increment in the property valuation of $19.4m has been recognised.

Impact of New Accounting Standards

Four new accounting standards have been adopted:

- AASB 15 *Revenue from Contracts with Customers* adopted early and applied from 1 July 2017
- AASB 16 *Leases* early adopted from 1 July 2018
- AASB 9 *Financial Instruments* adopted from 1 July 2018
- AASB 1058 *Income of Not-for-Profit Entities* early adopted from 1 July 2018.

The impact of these accounting standards on the results is as follows.

AASB 15 *Revenue from Contracts with Customers* resulted in changes in timing of recognition of revenue and has had a significant impact on the result for the year compared with the 2018 Consolidated Financial Report, particularly in relation to membership application fee revenue. Membership application fees are now deferred and recognised over the life of membership, rather than recognised in the *Consolidated Statement of Profit or Loss and Other Comprehensive Income* when the fee is paid. The impact as at the date of adoption of the standard is as follows:

	Accumulated Surpluses $'000
As reported 30 June 2017	39,338
Online/on demand training	(901)
Admission Programs	(200)
Application fees	(13,605)
Accumulated Surpluses under AASB 15 at 1 July 2017	**24,632**

The impact of deferral of the membership application fees to the *Consolidated Statement of Profit or Loss and Other Comprehensive Income* was a reduction in revenue of $1.0m in the current year and a reduction in revenue of $0.9m in 2018.

AASB 9 *Financial Instruments* introduced classification and measurement models for financial assets and liabilities as well as introducing an expected credit loss model for impairment of financial assets. The standard has not led to a change in classification, however it did result in a decrease upon adoption of $0.04m to the provision for expected credit loss to cover uncollectible debts. However, the adjustment caused a corresponding restatement of accumulated surplus as at 1 July 2018.

AASB 16 *Leases* removed the distinction between operating and finance leases and required recognition of a right-of-use asset of $23.9m and a liability of $25.3m in the *Consolidated Statement of Financial Position* at the date of adoption. This does not include short-term or low value leases.

The impact of the adoption of AASB 16 to the *Consolidated Statement of Profit or Loss and Other Comprehensive Income* was an increase in costs of $1.0m in the current year as the depreciation and financing costs were higher than the lease expense that would have been reported under the previous standard.

AASB 1058 *Income of Not-for-Profit Entities* simplifies the income recognition for not-for-profit entities but had no material impact on the financial statements.

Consolidated Statement of Profit and Loss and Other Comprehensive Income

CA ANZ generated a surplus before tax of $0.1m for the year (2018: $1.0m). Total revenue and other income rose by 5.4% to $137.9m, while expenditure increased by 6.2% to $137.8m. Other comprehensive income of $13.2m includes the freehold property revaluation of $19.4m with a tax impact of $5.8m, offset by exchange differences on translation of foreign operations of $0.4m.

Revenue and Expenditure

The increase in revenue of $7.1m compared with 2018 is attributable to:

- An increase in membership revenue of $5.2m with net member growth of 3.7% contributing $2.5m while an increase in annual membership subscription fees generated an additional $2.7m. The change in accounting treatment of revenue did not create a variance as the impact year on year was consistent.
- An increase in CA Program revenues of $3.2m primarily due to an 8% increase in enrolments in CA Program generating a $2.6m increase and increase in CA Study Masterclass enrolments contributing $0.6m.
- A reduction in other revenue and other income of $1.3m primarily due to a reduction in sponsorship revenues.

The increase in expenditure of $8.0m compared with 2018 is attributable to:

- An increase in employee costs of $4.1m due to general salary increases of $1.5m and people costs for the large portfolio of projects currently being undertaken, $3.6m. This was offset by a reduction in termination payments of $1.0m incurred in 2018 relating to the organisation's redesign.
- An increase in member and education services of $2.1m primarily related to increased demand for exam marking, venue hire, and catering associated with the higher enrolments in the CA Program and CA Study Masterclass.
- An increase in interest of $1.4m due to the change in accounting treatment for leases.
- Increase in technology costs of $2.0m due to additional costs from the strategic outsource agreement for infrastructure support as well as increased system development work.

These increases were offset by decreases in impairment of intangibles and capital work-in-progress of $1.0m and other expenses, primarily due to FX gain of $0.6m.

Consolidated Statement of Financial Position

Net assets increased by $13.8m over 2018 due to:

- Surplus for operating activities before tax of $0.1m
- Tax benefit of $0.5m
- Decrease in foreign currency translation reserve of $0.4m due to the strengthening of the New Zealand dollar
- Net revaluation reserve increase on Erskine Street property of $13.6m (revaluation increment of $19.4m offset by tax of $5.8m)

Assets

Cash and cash equivalents increased from $61.4m to $76.5m during the year placing CA ANZ in a strong financial position to fund ongoing operations and projects planned for the coming years.

The significant increase in property, plant and equipment of $17.2m was driven by the revaluation of the Erskine Street property of $19.5m, capital expenditure of $0.2m but offset by depreciation of $2.5m.

The right-of-use asset of $21.2m is a new category of assets in 2019 representing leases for office space and office equipment. This change from prior years is due to early adoption of AASB 16 *Leases*.

Intangible assets and capital work-in-progress decreased by $1.8m primarily from continued amortisation of $2.3m offset by $0.5m of work in progress.

Liabilities

Fees in advance of $84.4m includes Members' subscription fees, Membership application fees and course fees. $57.6m relates to subscriptions received from members as at 30 June 2019 for services that will be delivered in the 2019-20 financial year. The amounts received are not expected to be refunded and will be recognised as revenue in the financial year ending 30 June 2020. The increase of $6.5m from 2018 relates to net member growth and an increase in subscription fees. Training course fees increased by $1.0m in line with higher enrolments.

Member application fees of $15.5m relate to application fees which were deferred and will be recognised over the average life of a member under AASB 15 *Revenue from Contracts with Customers*. The increase of $1.0m is due to growth in new members exceeding member exits.

Trade payables increased by $5.0m mainly due to timing, with higher accruals in advertising and branding, technology and costs relating to the CA Program, CASM and CA Foundation programs.

The early adoption of AASB 16 *Leases* resulted in lease liabilities of $23.4m as at 30 June 2019.

The net deferred tax liability has increased mostly due to the property revaluation.

Cash Flow and Liquidity

At balance date cash and cash equivalents were $76.5m. Total Current Assets exceeded total Current Liabilities by $3.1m as at balance date.

Impact of New Accounting Standards

But for the take up of the new accounting standards, the 2019 surplus before tax would have been $1.8m (2018: 2.2m).

	Balances before adoption of New Accounting Standards	AASB 15	AASB 16	AASB 9	AASB 1058	As reported
	$'000	$'000	$'000	$'000	$'000	$'000
2019 Surplus before tax	**1,812**	(1,209)	(1,010)	484	-	**77**
2018 Surplus before tax	**2,154**	(1,170)	-	-	-	**984**

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2019

	Notes	2019 $'000	2018 Restated Note 2 $'000
Member subscriptions and fees		76,606	71,433
CA Programs revenue		39,907	36,664
Other member services revenue		18,516	19,955
Other income	3(a)	2,895	2,782
Total revenue and other income	3(i)	**137,924**	**130,834**
Employee benefits and staff related costs	3(b)	(64,836)	(60,753)
Member services and education related costs	3(c)	(25,748)	(23,670)
Technology costs (excluding depreciation and amortisation)	3(d)	(11,261)	(9,205)
Depreciation and amortisation	3(e)	(8,058)	(8,412)
Finance costs	3(f)	(1,403)	-
Travel and accommodation		(5,045)	(3,949)
Rental and outgoings		(2,004)	(5,212)
Marketing and advertising		(6,083)	(3,857)
Professional accountancy bodies fees	3(g)	(2,390)	(2,068)
Office related expenses		(1,252)	(1,233)
Impairment of intangibles and capital work-in-progress	9	(156)	(1,746)
Consultants		(1,004)	(954)
Other expenses	3(h)	(8,607)	(8,791)
Total expenses		**(137,847)**	**(129,850)**
Surplus before tax		**77**	**984**
Tax benefit	4(a)(b)	484	1,156
Surplus after tax		**561**	**2,140**
Other comprehensive income			
Items that may be reclassified subsequently to surplus or deficit			
Exchange differences on translation of foreign operations		(431)	244
Fair value increment of freehold property	7	19,460	20,935
Tax expense on items that may be reclassified to profit or loss	4(c)	(5,838)	(6,281)
Total other comprehensive income		**13,191**	**14,898**
Total comprehensive surplus for the year, net of tax		**13,752**	**17,038**

This *Consolidated Statement of Profit or Loss and Other Comprehensive Income* should be read in conjunction with the accompanying notes.
Refer note 2 for explanations on the restatement of the *FY18 Consolidated Statement of Profit or Loss and Other Comprehensive Income*.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	Notes	2019 $'000	2018 Restated Note 2 $'000
Current assets			
Cash and cash equivalents	5	76,539	61,442
Trade and other receivables	6	20,946	17,786
Total current assets		**97,485**	**79,228**
Non-current assets			
Prepayments		2	68
Property, plant and equipment	7	106,533	89,323
Right-of-use asset	8	21,157	-
Intangible assets & capital work-in-progress	9	2,368	4,177
Total non-current assets		**130,060**	**93,568**
Total assets		**227,545**	**172,796**
Current liabilities			
Fees in advance	10	69,851	62,295
Trade and other payables	11	17,162	11,378
Provisions	12	4,854	5,878
Lease liabilities	8	2,510	-
Total current liabilities		**94,377**	**79,551**
Non-current liabilities			
Lease liabilities	8	20,920	-
Fees in advance	10	14,528	13,577
Trade and other payables	11	-	1,348
Provisions	12	1,297	1,045
Net deferred tax liability	4(d)	10,479	5,125
Total non-current liabilities		**47,224**	**21,095**
Total liabilities		**141,601**	**100,646**
Net assets		**85,944**	**72,150**
Members' funds			
Amalgamation reserve	23	6,078	6,078
Foreign currency translation reserve	23	(546)	(115)
Revaluation reserve	7	45,609	31,987
Accumulated surpluses		34,803	34,200
Total members' funds		**85,944**	**72,150**

This *Consolidated Statement of Financial Position* should be read in conjunction with the accompanying notes.

Refer note 2 for explanations on: the restatement on 1 July 2017 and on 1 July 2018 of the accumulated surpluses; and the restatement of the FY18 surplus after tax.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2019

	Amalgamation reserve $'000	Foreign currency translation reserve $'000	Revaluation reserve $'000	Accumulated surpluses $'000	Total $'000
At 1 July 2018 – as restated below	**6,078**	**(115)**	**31,987**	**34,200**	**72,150**
Accounting policy change AASB 9 – note 2	–	–	–	42	42
Surplus after tax for the year	–	–	–	561	561
Other comprehensive income	–	(431)	19,460	–	19,029
Income tax expense OCI	–	–	(5,838)	–	(5,838)
Total comprehensive surplus/(deficit)	**–**	**(431)**	**13,622**	**561**	**13,752**
At 30 June 2019	**6,078**	**(546)**	**45,609**	**34,803**	**85,944**
At 1 July 2017 as previously reported	6,078	(359)	24,761	39,338	69,818
Change in accounting policy AASB 15 – note 2	–	–	–	(14,706)	(14,706)
Restated balance 1 July 2017 (note 2)	6,078	(359)	24,761	24,632	55,112
Transfer between reserves	–	–	(7,428)	7,428	–
Surplus after tax for the year	–	–	–	2,140	2,140
Other comprehensive income	–	244	20,935	–	21,179
Income tax expense OCI	–	–	(6,281)	–	(6,281)
Total comprehensive surplus	**–**	**244**	**7,226**	**9,568**	**17,038**
At 30 June 2018	**6,078**	**(115)**	**31,987**	**34,200**	**72,150**

Results have been restated for the adoption of AASB 15 for prior year using the full retrospective method (note 2).
This *Consolidated Statement of Changes in Equity* should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2019

	Notes	2019 $'000	2018 $'000
Cash flows from operating activities			
Receipts from members and customers		154,907	145,618
Payments to suppliers and employees		(132,076)	(123,280)
Net payment of GST		(4,861)	(4,652)
Interest on leases		(1,403)	-
Net cash flows from operating activities	5	**16,567**	**17,686**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		31	-
Payment for property, plant and equipment, intangibles and capital work-in-progress assets	7, 9	(808)	(948)
Interest received		1,111	743
Net cash flows from / (used in) investing activities		**334**	**(205)**
Cash flows from financing activities			
Repayment of loan receivable		-	150
Repayment of lease liabilities	8	(2,297)	-
Net cash flows from / (used in) financing activities		**(2,297)**	**150**
Net increase in cash and cash equivalents		14,604	17,631
Effects of exchange rate movement on cash and cash equivalents		493	(324)
Cash and cash equivalents at the beginning of the financial year		61,442	44,135
Cash and cash equivalents at the end of the financial year	5	**76,539**	**61,442**

This *Consolidated Statement of Cash Flows* should be read in conjunction with the accompanying notes.

Results have been restated for the adoption of AASB 15 for prior year using the full retrospective method (note 2).

Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

1. CORPORATE INFORMATION

The consolidated financial statements of Chartered Accountants Australia and New Zealand and its subsidiaries (together the "Group") for the year ended 30 June 2019 were authorised for issue in accordance with a resolution of Directors on 26 September 2019.

Chartered Accountants Australia and New Zealand is an Australian registered body corporate that is governed by its Supplemental Royal Charter and By-Laws and is domiciled in Australia. Members of Chartered Accountants Australia and New Zealand are not liable for the debts and liabilities of the Group.

About Chartered Accountants Australia and New Zealand ("parent")

The registered office of Chartered Accountants Australia and New Zealand is:

33 Erskine Street
Sydney NSW 2000

Chartered Accountants Australia and New Zealand is a not-for-profit entity. Its principal activities during the year were:

- delivering the CA Program and post admission education and related services
- setting and maintaining high standards as they apply to members, to enhance their professional standing with the public and the business community
- continuing development of government relations and advocacy programmes in pursuit of legislative and regulatory objectives
- continuing development of a programme to enhance the market and personal value of the Chartered Accountant designation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

This General Purpose Financial Report is prepared in accordance with Australian Accounting Standards (AAS) and other authoritative pronouncements of the Australian Accounting Standards Board (AASB) to meet the needs of the reporting requirements under the By-Laws. It has been prepared based on historical cost, except for freehold property, which has been measured at *fair value* (see note 7).

Compliance with the Australian Accounting Standards may not result in compliance with International Financial Reporting Standards (IFRS), as the AAS include requirements and options available to not-for-profit organisations that are inconsistent with IFRS. Chartered Accountants Australia and New Zealand is considered to be not-for-profit and has adopted some accounting policies under the AAS that do not comply with IFRS.

Unless otherwise stated, the report is presented in Australian dollars (AUD) and all values are rounded to the nearest thousand dollars ($'000).

The consolidated Financial Report refers to the parent and its subsidiaries as if they formed a single entity. It is made up of:

- the Consolidated Statement of Profit or Loss and Other Comprehensive Income
- the Consolidated Statement of Financial Position
- the Consolidated Statement of Changes in Equity
- the Consolidated Statement of Cash Flows
- Notes to the Consolidated Financial Statements.

The parent controls a subsidiary if all three of the following elements are present:

- power over the investee
- exposure to variable returns from the investee
- the ability of the investor to use its power to affect those variable returns.

Inter-entity transactions and balances between the parent and subsidiaries are eliminated on consolidation. See note 16 for details of subsidiaries.

(b) Statement of compliance

This consolidated Financial Report complies with Australian Accounting Standards.

Changes in accounting policies and interpretations

The principal accounting policies adopted are consistent with those of the previous financial year except for the policies stated below:

The Group has adopted the following new and amended Australian Accounting Standards and AASB interpretations for the reporting period ended 30 June 2019:

- AASB 9 *Financial Instruments ('AASB 9')*: AASB 9 includes requirements for the classification and measurement of financial assets. The Group has mandatorily adopted AASB 9 from 1 July 2018 and has not restated the comparative information. The standard

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

introduced new classification and measurement models for financial assets and liabilities as well as introducing an "expected credit loss" model for impairment of financial assets. A financial asset shall be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and that are solely principal and interest. Following review and assessment of the Group's financial instruments, the adoption of this standard has not resulted in a change to the classification of its financial instruments. On transition date (1 July 2018), adoption of the new model for impairment resulted in a $42,000 decrease of the allowance for expected credit losses of the Group's financial assets (from $570,000 as reported in prior year to $528,000). Accumulated surpluses were increased by $42,000 to reflect the decrease of the allowance for expected credit losses.

- AASB 15 *Revenue from Contracts with Customers ('AASB 15'):* AASB 15 establishes a comprehensive five-step framework for recognising revenue. AASB 15 applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. Under AASB 15, revenue is recognised when a performance obligation has been satisfied at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer/member. The standard requires entities to exercise judgment, taking into consideration all the relevant facts and circumstances when applying each step of the model to contracts with their customers/members. The Group has elected to early adopt AASB 15 and to apply the full retrospective method. By electing the full retrospective approach, AASB 15 is applied to each prior reporting period presented in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*. Hence, any impact of AASB 15 is recognised against the Accumulated Surpluses on 1 July 2017 and the comparative period (financial year 2018) has been restated.

The Group applied the five-step model to the various revenue streams to assess the impacts of AASB 15.

The adoption has resulted in a change in the recognition of revenue associated with application fees, online/on-demand content and certain admission programs.

Application fees: To obtain full membership, applicants must satisfy the Group's requirements relating to examinations, practical work experience and character prerequisites and pay a non-refundable fee. The application fee is intended to compensate the Group for the administrative cost of reviewing, investigating and approving applications. This fee was recognised on application under AASB 118 Revenues. Under AASB 15 the application fee, as currently defined, is not considered a distinct service to the applicant, rather it is also considered to be an advance payment for future services with the primary performance obligation being the licence to use the professional designation to practice over the estimated average duration of membership. The average duration of membership is estimated to be 25 years. Refer Note 3 for more detail. Consequently, member subscriptions and fees revenue in FY19 is reduced by $1.0m (2018: $0.9m) and a transfer of $13.6m from Accumulated Surpluses to Fees in advance as at 1 July 2017:

Online/on-demand revenue: Under AASB 118, online/on-demand content revenue sold through the CA Education Store was recognised upon sale. Under AASB 15 these revenues will be recognised over the access period.

Admission Programs Revenue: The revenue of the CA Program, CA Study Masterclass and CA Foundations is recognised over the period the performance obligations are satisfied.

The following table summarises the impact on transition to AASB 15 on Accumulated Surpluses at 1 July 2017:

	Accumulated Surpluses $'000
As reported 30 June 2017	39,338
Online/on demand	(901)
Admission Programs	(200)
Application fees	(13,605)
Accumulated Surpluses under AASB 15 at 1 July 2017	**24,632**

The above table shows that on transition date the Accumulated Surpluses decreased by $14.7m with a related $14.7m increase in deferred income.

The following table summarises the impact of adopting AASB 15 on the *Consolidated Statement of Financial Position* as at 30 June 2018 and the *Consolidated Statement of Profit and Loss and Other Comprehensive Income* for the year ended 30 June 2018, for the affected line items:

Extract from Statement of Financial Position as at 30 June 2018

	Balances without adoption of AASB 15	Adjustments	As reported
	$'000	$'000	$'000
Fees in advance	59,996	15,876	75,872
Net deferred tax liability	5,244	(119)	5,125
Net Assets	87,907	(15,757)	72,150
Members' funds			
Accumulated surpluses	49,957	(15,757)	34,200
Total Members' funds	87,907	(15,757)	72,150

Extract from Statement of Profit and Loss and other Comprehensive income for year ended 30 June 2018

	Balances without adoption of AASB 15	Adjustments	As reported
	$'000	$'000	$'000
Revenue	132,004	(1,170)	130,834
Tax benefit	1,037	119	1,156
Surplus after tax	3,191	(1,051)	2,140
Total comprehensive surplus for the year	18,089	(1,051)	17,038

- AASB 16 *Leases ('AASB 16'):* The Group has elected to early adopt AASB 16. AASB 16 removes the current operating and finance lease distinction for lessees and requires entities to recognise all material leases on the *Consolidated Statement of Financial Position*. AASB 16 requires the recognition of a right-of-use asset and a corresponding lease liability at the commencement of all leases, except for short-term leases and leases of low value assets. The Group has elected to apply the modified retrospective method of adoption. At the date of initial application, 1 July 2018, the Group elected to measure the right-of-use asset as an amount equal to the lease liability, adjusted by the amount of any prior accrued lease payments relating to that lease recognised in the *Consolidated Statement of Financial Position* immediately before the date of initial application. The adoption of AASB 16 has resulted in:
  - The recognition of right-of-use assets of $23.9m after deduction of $1.4m opening lease liability
  - The recognition of lease liabilities of $25.3m
  - The recognition of deferred tax asset of $351,000 and a deferred tax liability of $310,000.
- AASB 1058 *Income of Not-for-Profit Entities ('AASB 1058'):* The Group elected to early adopt AASB 1058 that simplifies the income recognition requirements that apply to not-for-profit entities, in conjunction with AASB 15 *Revenue from Contracts with Customers*. AASB 1058 has been adopted from 1 July 2018. However, it did not materially impact the Group's financial statements.

There are no other new interpretations expected to have any significant impact on the Group's financial report that are issued and not yet applicable.

Significant accounting judgments, estimates and assumptions

In applying the Group's accounting policies, management continually evaluates judgments, estimates and assumptions based on experience and other factors, including expectations of future events that may have an impact on the Group.

All judgments, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to management. Actual results may differ under different conditions from when the judgments, estimates and assumptions were made. Significant judgments, estimates and assumptions made by management in the preparation of this financial report are described in the various notes:

- Fees received in advance – notes 3 and 10
- Depreciation and amortisation – notes 3, 7, 8 and 9
- Asset revaluations – note 7
- Asset impairments – notes 6, 7, 8 and 9
- Employee obligations – note 12
- Financial instruments – note 17
- Provisions – notes 6 and 12
- Leases – note 8

Other accounting policies are described in the notes.

3. REVENUE AND EXPENSES

	2019 $'000	2018 $'000
(a) Other income		
Rent	1,525	1,823
Royalties	250	197
Interest	1,089	762
Other revenue	31	-
Total	**2,895**	**2,782**
(b) Employee benefits and staff related costs		
Salaries, wages and on-costs	57,870	54,751
Superannuation	3,866	3,663
Director fees	627	618
Staff training	1,062	383
Other staff related costs	1,411	1,338
Total	**64,836**	**60,753**
(c) Member services and education related costs		
Venue hire and catering	8,349	7,339
Admission Programs authors, presenters and facilitator costs	5,203	4,939
Examinations, printing & materials costs	5,175	4,201
Acuity production and distribution costs	2,516	1,890
Lifelong Learning authors, presenters and facilitator costs	1,555	1,133
Practice Review reviewer costs	481	529
Professional Conduct consultant costs	505	411
Other costs	1,964	3,228
Total	**25,748**	**23,670**

3. REVENUE AND EXPENSES *(continued)*

	2019 $'000	2018 $'000
(d) Technology costs (excluding depreciation and amortisation)		
ICT maintenance and software agreement costs	6,483	6,518
Communication costs	881	1,197
Other technology costs	3,897	1,490
Total	**11,261**	**9,205**
(e) Depreciation and amortisation		
Depreciation of property, plant and equipment	2,596	3,239
Depreciation of right-of-use assets	3,135	-
Amortisation of software	2,327	4,595
Impairment of software	-	578
Total	**8,058**	**8,412**
(f) Finance costs		
Interest on lease liability	1,403	-
Total	**1,403**	-
(g) Professional Accountancy Bodies fees		
International Federation of Accountants (IFAC)	1,347	1,434
Accounting Professional & Ethical Standards Board (APESB)	492	483
Other	551	151
Total	**2,390**	**2,068**
(h) Other expenses		
Professional Standards Council fee	1,478	1,586
Merchant fees	1,299	1,295
Legal fees	1,835	1,266
Other	3,995	4,644
Total	**8,607**	**8,791**

3. REVENUE AND EXPENSES *(continued)*

(i) Disaggregation of revenue

2019	Member subscriptions & fees $'000	CA Program revenues $'000	Other member services revenue $'000	Other income $'000	Total $'000
Revenue from contracts with customers	76,606	39,907	18,516	281	135,310
Other revenue (not covered by AASB 15)	-	-	-	2,614	2,614
Total	**76,606**	**39,907**	**18,516**	**2,895**	**137,924**
Timing of revenue recognition					
Point in time	312	-	12,767	281	13,360
Over time	76,294	39,907	5,749	-	121,950
Other	-	-	-	2,614	2,614
Total	**76,606**	**39,907**	**18,516**	**2,895**	**137,924**

2018 (Restated)	Member subscriptions & fees $'000	CA Program revenues $'000	Other member services revenue $'000	Other income $'000	Total $'000
Revenue from contracts with customers	71,433	36,664	19,955	197	128,249
Other revenue (not covered by AASB 15)	-	-	-	2,585	2,585
Total	**71,433**	**36,664**	**19,955**	**2,782**	**130,834**
Timing of revenue recognition					
Point in time	377	-	13,718	197	14,292
Over time	71,056	36,664	6,237	-	113,957
Other	-	-	-	2,585	2,585
Total	**71,433**	**36,664**	**19,955**	**2,782**	**130,834**

3. REVENUE AND EXPENSES *(continued)*

Accounting Policies

Revenues are recognised when the following steps have been satisfied:

1. Identify contract with the customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to each performance obligation
5. Recognise revenue when (or as) performance obligations are satisfied.

(I) Member subscriptions & fees

The Group's membership subscription year is 1 July to 30 June, with fees payable annually in advance. Only those member fee receipts that are attributable to the current financial year are recognised as revenue.

Fee receipts for periods beyond the current financial year are shown, (excluding any applicable taxes), in the *Consolidated Statement of Financial Position*, under the heading of *Current liabilities* as *Fees in advance*.

Application fees

The Group receives fees from applicants wishing to obtain full membership which is deferred and recognised over the average duration of membership. The application fee, as currently defined, is not considered a distinct service but rather it is also considered to be an advance payment for future services with the primary performance obligation being the licence to use the professional designation to practice. The Group has determined the average duration of membership to be 25 years based on the profile of members who have exited over the past few years.

The Group recognises the amortisation of the previously deferred revenue during the period, as well as any residual deferred revenue relating to a member that exits during the period.

Application fees beyond the current financial year are shown, (excluding any applicable taxes), in the *Consolidated Statement of Financial Position*, under the headings of Current liabilities and Non-current liabilities as *Fees in advance*.

(II) Other revenue-generating activities

The Group undertakes certain activities which are accounted for when the performance obligation is satisfied, including:

- CA Program modules
- Training and development courses
- Practice Review program
- *Acuity* magazine
- Conferences
- Student activities
- Other Admissions programs.

How we recognise revenue for these activities depends on when the performance obligation is satisfied:

- **Over a period of time –** if the performance obligation is satisfied over a period of time, revenue will be recognised by being spread over this period.
- **At a point in time –** if the performance obligation is satisfied at a point in time, for example, events are delivered, or goods are transferred to customers, revenue is recognised at this point.

(III) Sale of goods

The Group recognises revenue from the sale of goods when physical control of the goods passes to the purchaser pursuant to an enforceable sales contract as it is at this point the performance obligation has been satisfied.

(IV) Member benefits revenue

The Group receives revenue from member-generated activity through its member offers program. This revenue is recognised over the respective period of service.

(V) Interest income

Interest income on deposits is recognised on an accruals basis.

(VI) Expenses

Unless otherwise identified, expenses are brought to account when goods or services have been received on an accruals basis. Policies relating to major categories of expenditure are:

- **Employment benefit expenses**
  See note 12 for employee benefit expenses.
- **Depreciation**
  See notes 7 & 8 for depreciation expenses.
- **Amortisation**
  See note 9 for amortisation expenses.
- **Impairment**
  See notes 6, 7, 8 & 9 for impairment expenses.

4. INCOME TAX

	2019 $'000	2018 Restated $'000
(a) Income tax expense / (benefit)		
The major components of income tax are:		
Current income tax expense/(benefit)	-	-
Deferred tax benefit	(484)	(1,156)
Aggregate income tax benefit	**(484)**	**(1,156)**
(b) Numerical reconciliation between tax expense/(benefit) recognised in the *Consolidated Statement of Profit or Loss and Other Comprehensive Income* and prima facie income tax		
Surplus before tax	77	984
Prima facie tax expense at the rate of 30% (2018: 30%)	23	295
Adjustments for current income tax of previous years	(13)	875
Restatement in respect of deferred taxes (change in mutuality %)	456	-
Entertainment, non-deductible donations, other permanent differences	26	23
Effect of tax rate in foreign jurisdictions	68	66
Mutual activities (adjusted for specifically deductible expenses)	(855)	(2,765)
Tax losses not recognised	-	270
Movement in timing differences not recognised	(108)	80
Utilisation of previously unrecognised losses	(81)	-
Income tax benefit	**(484)**	**(1,156)**
(c) Income tax expense recognised in other comprehensive income		
Deferred tax expense arising from fair value measurement of freehold property	**5,838**	**6,281**

4. INCOME TAX *(continued)*

	2019 $'000	2018 Restated $'000
(d) Movement in deferred tax (liabilities)/assets relate to the following:		
Assets		
Deferred tax on losses	8,500	7,780
Provisions and other liabilities	246	295
Lease liabilities	351	-
Intangible assets	82	228
Property, plant and equipment	56	135
Other assets	143	146
	9,378	**8,584**
Liabilities		
Revaluation of freehold property to fair value	(19,547)	(13,709)
Right of use assets	(310)	-
Net deferred tax liabilities	**(10,479)**	**(5,125)**
Reconciliation of deferred tax liabilities (net)		
Carrying amount at start of financial year	(5,125)	-
Tax benefit during the period recognised in profit and loss	484	1,156
Tax expense during the period recognised in other comprehensive income	(5,838)	(6,281)
Carrying amount at end of financial year	**(10,479)**	**(5,125)**

Accounting Policies

Income tax

The Group prepares its income tax returns using the *principle of mutuality* to the revenue and expenses and the relevant tax jurisdiction. The principle of mutuality is a common law principle based on the premise that individuals cannot profit from themselves.

As such:

- receipts from members are deemed to be mutual income and not subject to income tax
- expenses connected with mutual activities are therefore not deductible for taxation purposes.

All other receipts and payments are classified in accordance with taxation legislation in the relevant tax jurisdiction.

Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be covered.

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities related to income taxes levied by the same taxation authority on the same taxable entity. As at 30 June 2019 the Group has recognised a net deferred tax liability of $10,479,000 (2018: $5,125,000).

At balance date, additional accumulated revenue tax losses of $3,178,475 (2018: $3,473,863) existed for unused tax losses and unused tax credits generated by the New Zealand operations that are not available for offset against the Australian operations.

5. CASH AND CASH EQUIVALENTS

	2019 $'000	2018 Restated $'000
Cash at bank and on hand	45,489	32,780
Short-term deposits	31,050	28,662
	76,539	**61,442**

Cash and cash equivalents

Cash and cash equivalents in the *Consolidated Statement of Financial Position* and *Consolidated Statement of Cash Flows* include cash at bank, cash in hand and short-term deposits, and are stated at their nominal value.

Reconciliation of surplus/(deficit) after tax to cash flows from operating activities

		2019	2018
Surplus after tax		561	2,140
Adjustments:			
Depreciation of property, plant and equipment	7	2,596	3,239
Amortisation of intangible assets	9	2,327	4,595
Impairment of intangibles and capital work-in-progress	9	156	1,746
Depreciation of right-of-use asset	8	3,135	-
Interest received		(1,111)	(743)
Income tax	4	(484)	(1,156)
		6,619	**7,681**
Changes in working capital:			
Increase in net receivables and prepayments		(3,094)	(603)
Increase in trade and other payables		4,436	2,175
(Decrease)/increase in provisions		(772)	867
Increase in fees in advance		8,507	4,613
Net foreign currency revaluation		310	813
		9,387	**7,865**
Net cash flows from operating activities		**16,567**	**17,686**

6. TRADE AND OTHER RECEIVABLES

	2019 $'000	2018 $'000
Current		
Trade receivables (note 2)	15,803	13,021
Allowance for expected credit loss (note 2)	(846)	-
Allowance for impairment loss	-	(570)
	14,957	**12,451**
Non-trade receivables / prepayments		
Other receivables	385	182
Prepayments	5,604	5,153
Total trade and other receivables	**20,946**	**17,786**
(a) At 30 June, the ageing analysis of trade receivables is as follows:		
Neither past due nor impaired	11,233	10,518
Past due but not impaired:		
31 – 60 days	1,928	1,355
61 – 90 days	102	147
› 90 days	1,694	431
	3,724	**1,933**
Past due and impaired		
Current	-	-
31 – 60 days	-	-
61 – 90 days	-	-
› 90 days	846	570
	846	**570**
Total	**15,803**	**13,021**

Accounting Policies

Trade receivables are recognised and carried at the original invoice amount less an allowance for expected credit loss ('ECL').

For trade receivables, the Group applies a simplified approach in calculating ECLs. The Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Trade receivables are non-interest bearing and are generally on 30-day terms. A provision for expected credit loss of $846,000 has been raised to cover expected uncollectible debtors. The Group does not hold any collateral over these balances. The provision has been calculated in line with AASB 9.

The Group has no receivables with renegotiated credit terms that would have been past due under the original terms and conditions.

Current non-trade receivables are generally non-interest bearing and are normally payable at call. There are no non-trade receivables that are past due at the reporting date.

7. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold property – at fair value	Furniture and equipment – at cost	Computer equipment – at cost	Fixture and fittings on freehold premises – at cost	Fixture and fittings on leasehold premises – at cost	Motor vehicles – at cost	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cost or valuation							
At 1 July 2018	82,250	5,164	6,059	9,537	10,597	145	113,752
Additions	–	92	137	–	–	–	229
Disposals	–	(1,364)	(3,853)	–	(1,434)	–	(6,651)
Revaluation increment	19,460	–	–		–	–	19,460
Net foreign currency revaluation	–	–	48	–	69	–	117
At 30 June 2019	**101,710**	**3,892**	**2,391**	**9,537**	**9,232**	**145**	**126,907**
Depreciation and impairment							
At 1 July 2018	–	(4,521)	(5,466)	(8,962)	(5,388)	(92)	(24,429)
Depreciation charge for year	(810)	(146)	(456)	(183)	(986)	(15)	(2,596)
Disposals	–	1,364	3,853	–	1,434	–	6,651
Revaluation	–	–	–	–	–	–	–
At 30 June 2019	**(810)**	**(3,303)**	**(2,069)**	**(9,145)**	**(4,940)**	**(107)**	**(20,374)**
Net Book Value as at 30 June 2019	**100,900**	**589**	**322**	**392**	**4,292**	**38**	**106,533**
Cost or valuation							
At 1 July 2017	62,125	5,117	5,714	9,537	10,682	148	93,323
Additions	–	49	362	–	–	–	411
Revaluation increment	20,935	–	–	–	–	–	20,935
Net foreign currency revaluation	–	(2)	(17)	–	(85)	(3)	(107)
At 30 June 2018	**83,060**	**5,164**	**6,059**	**9,537**	**10,597**	**145**	**114,562**
Depreciation and impairment							
At 1 July 2017	–	(4,285)	(4,726)	(8,519)	(4,393)	(77)	(22,000)
Depreciation charge for year	(810)	(236)	(740)	(443)	(995)	(15)	(3,239)
At 30 June 2018	**(810)**	**(4,521)**	**(5,466)**	**(8,962)**	**(5,388)**	**(92)**	**(25,239)**
Net Book Value as at 30 June 2018	**82,250**	**643**	**593**	**575**	**5,209**	**53**	**89,323**

Accounting Policies

Determining depreciation

Depreciation of property, plant and equipment, other than land which is not depreciated, is calculated on a straight-line basis.

The depreciation rates applied reflects an asset's remaining useful life and estimated residual value.

The cost of fixtures and fittings on leasehold premises is amortised over their estimated useful lives, or the remainder of the lease term, whichever is shorter.

Useful lives are:

Freehold property:	
Building	50 years
Building plant	25 years
Furniture	10 years
Office equipment	5 years
Computer equipment	3 years
Fixtures and fittings on freehold premises	10 years
Fixtures and fittings on leasehold premises	Lease term
Motor vehicles	6 years

Each financial year, the Group reviews our assets' residual values, useful lives and depreciation methods, and adjusts them if appropriate. There have been no adjustments made in the current year.

(I) Impairment

We review the carrying values of plant and equipment for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. Impairment losses are recognised as expenditure in the *Consolidated Statement of Profit or Loss and Other Comprehensive Income*.

Freehold property is measured at revalued amounts. As such, impairment losses on freehold property are treated as a revaluation decrement, although only up to the amount of existing revaluation surpluses.

(II) Revaluations

Following initial recognition at cost, freehold property is carried at fair value.

To ensure the carrying amount represents fair value, we revalue freehold property assets annually. External valuations are conducted once every three years unless it is evident there has been a sufficiently significant movement on Sydney CBD property values which was the case at 30 June 2019. As a result, we appointed an external valuer, Preston Rowe Paterson, to perform an independent valuation as at 30 June 2019. Fair value is determined by the Directors after considering the most recent external valuation and current market conditions and estimates.

Generally, revaluation increments are credited to the revaluation reserve included in the Members' funds section of the *Consolidated Statement of Financial Position*. The exception is where it reverses a revaluation decrement for the same asset that was previously recognised in profit or loss. In this case, the increase will be recognised in profit or loss.

Conversely, devaluation decrements are recognised in profit or loss, except where they offset a previous revaluation increment for the same asset. In these cases, a decrement is debited directly to the property revaluation reserve, up to the credit balance in the revaluation reserve for that asset.

7. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Valuation techniques, inputs and processes

This table shows the valuation technique and inputs used to measure the freehold property's fair value:

Valuation technique	Key inputs
Market approach: Freehold property is valued based on: • rental income potential, • market capitalisation rates, and • comparable property sales transactions.	• Comparable property sale values, • net lettable floor space, • market rentals, • market capitalisation rates, and • allowance for location, topography, condition and size.

The highest and best use of the freehold property is considered to be its current use.

Fair value hierarchy

The entire freehold property amount is categorised as Level 3 in the fair value hierarchy. That is because significant adjustments need to be made to the observable data of comparable properties and require the Directors to exercise judgment.

Level 3 inputs are defined as unobservable inputs for an asset or liability.

Reconciliation of Level 3 fair value measurements

There were no transfers between the different levels of the fair value hierarchy during the current or previous financial year.

Sensitivity analysis on unobservable inputs

Unobservable inputs	Sensitivity of fair value measurement to changes in unobservable inputs
Allowances for location, topography, condition, and size as determined by the Directors. Variations in the market capitalisation rates will create a higher or lower fair value measurement.	Significant increases/(decreases) in these adjustments would result in a higher/(lower) fair value of freehold property.

(III) Disposal

An item of property, plant and equipment will be written off when:

- no further future economic benefits are expected from its use, or
- it is disposed of.

Any gain or loss that arises from the disposal of an asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the *Consolidated Statement of Profit or Loss and Other Comprehensive Income* in the year the asset is disposed of. During the year a periodic review of fully depreciated assets was undertaken to determine if there was any further future economic benefit expected from its use, with those assets that are fully depreciated and no longer in use being written off.

8. LEASES

The Group leases several assets including office space and office equipment.

	2019 $'000	2018 $'000
a) Right-of-use asset		
Non-current		
Right-of-use assets	**21,157**	**-**

Reconciliation of right-of-use assets

2019	Office Space $'000	Office Equipment $'000	Total $'000
At 1 July 2018	23,428	465	23,893
Depreciation	(2,991)	(144)	(3,135)
Effects on foreign currency	390	9	399
30 June 2019	**20,827**	**330**	**21,157**

	2019 $'000	2018 $'000
b) Lease liabilities		
Current		
Lease liabilities	2,510	-
Non-current		
Lease liabilities	20,920	-
Total	**23,430**	**-**

Reconciliation of lease liabilities

2019	Office Space $'000	Office Equipment $'000	Total $'000
At 1 July 2018	24,852	465	25,317
Interest Expense	1,382	21	1,403
Lease payments	(3,617)	(83)	(3,700)
Net movement during year	(2,235)	(62)	(2,297)
Effects on foreign currency	401	9	410
30 June 2019	**23,018**	**412**	**23,430**

8. LEASES *(continued)*

Accounting Policies including significant accounting judgements, estimates and assumptions

A lease is a contract, or part of a contract, that conveys the right to use an asset for a period of time in exchange for consideration.

At inception of a contract, it is assessed to determine whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. If the terms and conditions of a contract are changed, it is reassessed to once again determine if the contract is still, or now contains, a lease.

The term of a lease is determined as the non-cancellable period of the lease, together with the periods covered by an option to extend the lease where there is reasonable certainty that the option will be exercised, and periods covered by an option to terminate the lease if there is reasonable certainty that the option will not be exercised.

The assessment of the reasonable certainty of the exercising of options to extend the lease, or not exercising of options to terminate the lease, is reassessed upon the occurrence of either a significant event or a significant change in circumstances that is within the Group's control and it affects the reasonable certainty assumptions.

The assessment of the lease term is revised if there is a change in the non-cancellable lease period.

At inception, a right-of-use asset and a lease liability is recognised. Right-of-use assets are included in the *Consolidated Statement of Financial Position* within a classification relevant to the underlying asset.

Right-of-use assets are initially measured at cost, comprising the following:

- the amount of the initial measurement of the lease liability
- any lease payments made at or before the commencement date, less any lease incentives received
- any initial direct costs incurred
- an estimate of costs to be incurred in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The obligation for those costs are incurred either at the commencement date or as a consequence of having used the underlying asset during a particular period.

Subsequently, right-of-use assets are measured using the cost model.

At the commencement date of the lease, the lease liability is initially recognised for the present value of non-cancellable lease payments discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

The tenor of a lease includes any renewal period where the lessee is reasonably certain that they will exercise the option to renew. The Group has reviewed all its leases and included any extensions where the Group assessed it is reasonably certain the lease agreement will be renewed.

The lease payment used in the calculation of the lease liabilities should include variable payments when they relate to an index or rate. Where leases contain variable lease payments based on an index or rate at a future point in time, the Group has used the incremental uplift contained in the lease or the respective Reserve Bank forward-looking CPI target for CPI-related increases. In the absence of any floor or cap clauses in the lease agreements, the Group measures the rent for the year under market review at an amount equal to the rent of the year preceding the market review increased by a fixed rate.

The Group does not recognise leases that have a lease term of 12 months or less or are of low value as a right of use asset or lease liability. The lease payments associated with these leases are recognised as an expense in the *Consolidated Statement of Profit or Loss and Other Comprehensive Income* on a straight-line basis over the lease term.

The right-of-use asset is depreciated to the earlier of the useful life of the asset or the lease term using the straight-line method and is recognised in the *Consolidated Statement of Profit or Loss and Other Comprehensive Income* in "Depreciation and amortisation". The unwind of the financial charge on the lease liabilities is recognised in the *Consolidated Statement of Profit or Loss and Other Comprehensive Income* in "Finance costs" based on the Group's incremental borrowing rate.

The Group tests for impairment where there is an indication that a right-of-use asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of a right-of-use asset is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount. The resulting impairment loss is recognised immediately in surplus or deficit, except where the decrease reverses a previously recognised revaluation increase for the same asset. The resulting decrease is recognised in other comprehensive income to that extent and reduces the amount accumulated in equity under revaluation surplus, and future depreciation charges are adjusted in future periods to allocate the revised carrying amount, less its residual value, on a systematic basis over its remaining useful life.

8. LEASES *(continued)*

The lease liability is initially measured at the present value of the lease payments that are not yet paid at the commencement date. Lease payments are discounted using the relevant Group's incremental borrowing rate. The incremental borrowing rate used for this calculation is dictated by the tenor of the lease and the location of the asset. The incremental borrowing rate is the rate the Group would be charged on borrowings, provided by our banking partners. The weighted average incremental borrowing rate is 5.80%. The following lease payments are included where they are not paid at the commencement date:

- fixed payments, less any lease incentives receivable.

Subsequently, the lease liability is measured by:

- increasing the carrying amount to reflect interest on the lease liability
- reducing the carrying amount to reflect the lease payments made
- remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments.

Lease Commitments

	2019 $'000	2018 $'000
Operating leases – office space and equipment		
Less than 12 months	3,794	4,034
More than 12 months and less than five years	15,537	14,180
More than five years	9,847	3,731
	29,178	**21,945**
Low value leases		
Less than 12 months	507	-
More than 12 months and less than five years	540	-
More than five years	-	-
	1,047	**-**

Reconciliation of lease liabilities at 1 July 2018

	Office Space $'000	Office Equipment $'000	Total $'000
Lease commitments as at 30 June 2018	21,945	-	21,945
Future lease incentives now in scope	(2,900)	-	(2,900)
Office equipment obligations now in scope	-	523	523
Relief for short term leases	(3)	-	(3)
Extension options reasonably certain to be exercised	13,387	-	13,387
Gross lease liabilities as at 1 July 2018	32,429	523	32,952
Discounting	(7,577)	(58)	(7,635)
Lease liabilities as a result of the initial application of AASB 16 as at 1 July 2018	**24,852**	**465**	**25,317**

9. INTANGIBLE ASSETS AND CAPITAL WORK-IN-PROGRESS

Group	Computer Software $'000	Capital work-in-progress $'000	Total $'000
Cost or valuation			
At 1 July 2018	19,761	506	20,267
Additions	-	579	579
Impairment	-	(156)	(156)
Transfers	873	(873)	-
Disposals	(10,175)	-	(10,175)
Net foreign currency revaluation	77	18	95
At 30 June 2019	**10,536**	**74**	**10,610**
Amortisation and impairment			
At 1 July 2018	(16,090)	-	(16,090)
Amortisation charge for year	(2,327)	-	(2,327)
Disposals	10,175	-	10,175
At 30 June 2019	**(8,242)**	**-**	**(8,242)**
Net Book Value as at 30 June 2019	**2,294**	**74**	**2,368**
Cost or valuation			
At 1 July 2017	19,870	1,744	21,614
Additions	-	773	773
Capitalised to computer equipment	-	(236)	(236)
Transfers	577	(577)	-
Impairment	(578)	(1,168)	(1,746)
Net foreign currency revaluation	(108)	(30)	(138)
At 30 June 2018	**19,761**	**506**	**20,267**
Depreciation and impairment			
At 1 July 2017	(11,495)	-	(11,495)
Amortisation	(4,595)	-	(4,595)
At 30 June 2018	**(16,090)**	**-**	**(16,090)**
Net Book Value as at 30 June 2018	**3,671**	**506**	**4,177**

9. INTANGIBLE ASSETS AND CAPITAL WORK-IN-PROGRESS *(continued)*

Accounting Policies

Intangible assets

Intangible assets are initially measured at cost. Following initial recognition, intangible assets are carried at cost less:

- any accumulated amortisation, and
- any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over their useful life and assessed for impairment whenever there is an indication that they may be impaired. The amortisation period and method for an intangible asset with a finite useful life is reviewed at least every financial year end.

Changes in the asset's expected useful life, or the expected pattern of consumption of the asset's future economic benefits, are accounted for by changing the amortisation period or method. The amortisation expense on intangible assets with finite lives is recognised in *profit or loss* in the expense category, consistent with the function of the intangible asset.

Intangibles are amortised over their useful lives as follows:

Computer software	3 – 5 years

Gains or losses arising from a disposal of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset. They are recognised in *profit or loss* when the asset is disposed of.

The Group has no intangible assets assessed as having an indefinite life.

At the end of each financial year, we review our intangible's residual values, useful lives and amortisation methods, and adjust them if appropriate. A review of intangible assets took place during the year, with those assets that are fully depreciated and no longer in use being written off.

Capital work-in-progress

Capital work-in-progress are assets undergoing development that are expected to be completed in the next financial year and are recorded at cost less any known impairment.

10. FEES IN ADVANCE

	2019	2018 Restated Note 2
	$'000	$'000
Current liabilities		
Members' subscription fees	57,569	51,110
Members' application fees	933	888
CA Program, training course fees and other	11,316	10,297
Early payment incentive liability	33	-
	69,851	**62,295**
Non-current liabilities		
Members' application fees	14,528	13,577
	14,528	**13,577**

Accounting Policies

Fees in advance are carried at the original invoice amount for goods and services to be provided after the year end. It includes membership fees, Chartered Accountants Program enrolment fees, application fees, and training and development course fees.

The Fees in advance related to annual members' subscriptions are for services that will be delivered in the financial year ending 30 June 2020. The amounts received are not expected to be refunded and will be recognised as revenue in the financial year ending 30 June 2020.

Application fees are fees paid by applicants to obtain full membership. These revenues are deferred and recognised over the estimated average duration of membership.

The Early Payment Incentive was provided to members who renewed their membership to CA ANZ during the incentive period. This was deemed a separate performance obligation to the membership fees received in advance and has been disclosed separately as a liability.

11. TRADE AND OTHER PAYABLES

	2019 $'000	2018 $'000
Current		
Trade payables	10,035	5,113
Other payables and lease liabilities (a)	7,127	6,265
	17,162	**11,378**
Non-current		
Lease liabilities (a)	-	1,348
	-	**1,348**

Accounting Policies

Trade payables are carried at cost. They represent liabilities for goods and services provided to the Group before the end of the financial year that are unpaid and arise when the Group becomes obliged to make payment for these goods and services in the future. Trade payables are non-interest bearing and are normally settled on no longer than a 30-day term.

Other payables are recognised for amounts to be paid in the future for goods or services received, regardless of whether they are billed to the Group. Payables are normally settled on 30-day terms and incur no interest.

(a) Lease liabilities

Lease liability amounts in note 11 relate to amounts payable under AASB 117 *Leases* and is relevant for the year ended 30 June 2018 comparatives. For the year ended 30 June 2019, AASB 16 *Leases* has been adopted. Refer note 8 for further details.

12. PROVISIONS

	2019 $'000	2018 $'000
Current		
Employee entitlements (a)&(b)	4,854	4,507
Provision for termination benefits (c)	-	871
Provision for onerous contracts (d)	-	500
	4,854	**5,878**
Non-current		
Employee entitlements (b)	868	644
Leasehold make good provision	429	401
	1,297	**1,045**

Accounting Policies

Provisions are recognised when:

- there is a present obligation (legal or constructive) as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

(a) Annual Leave

Liabilities for annual leave expected to be settled within 12 months of the reporting date, are recognised in the provision for employee benefits in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Any annual leave expected to be settled beyond 12 months of the reporting date is measured at the present value of expected future payments.

(b) Long service leave

The liability for long service leave is recognised in the provision for employee benefits. It is measured as the present value of expected future payments for services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date based on Australian Corporate Bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

(c) Termination benefits

Liabilities for termination benefits are recognised in the provision for employee benefits when:

- the Group is demonstrably committed to terminate the employee, or
- where an offer is made to encourage voluntary redundancy.

Liabilities for termination benefits are recognised when the entity is demonstrably committed to terminate the employee or where an offer is made in order to encourage voluntary redundancy. The provision is the amount we expect to pay at settlement date.

(d) Onerous Contracts

The provision for onerous contracts relates to an event where the unavoidable costs are expected to outweigh the economic benefits to be received.

Reconciliation of movement of provisions

2019	Termination benefits $'000	Onerous Contracts $'000	Make Good $'000
At 1 July 2018	871	500	401
Expensed/arising during the period	-	-	28
Used/utilised during the period	(871)	(500)	-
At 30 June 2019	**-**	**-**	**429**

13. COMMITMENTS

	2019 $'000	2018 $'000
Expenditure commitments		
Less than 12 months	5,978	1,490
More than 12 months and less than five years	6,213	883
More than five years	-	-
	12,191	**2,373**

Expenditure commitments mainly relate to the Group's IT strategic supply agreements, IT software licence fees, software development costs and contributions to professional accountancy body Accounting Professional & Ethical Standards Board Limited (APESB).

14. CONTINGENT LIABILITIES

	2019 $'000	2018 $'000
Indemnities for bank guarantees to the lessors of premises occupied under operating leases	**945**	**945**

15. AUDITOR'S REMUNERATION

	2019 $	2018 $
Audit services from EY Australia	394,740	317,240
Audit services from other EY global entities	31,110	27,109
Total audit fee	**425,850**	**344,349**

Other services		
Advisory and other costs	**1,424**	**37,778**

The auditor also provided audit services to the Chartered Accountants Benevolent Foundation Limited on a complimentary basis.

The auditor charged $5,500 (2018: $5,500) to each of the Chartered Accountants Scholarship Fund and the Chartered Accountants Necessitous Circumstances Fund for audit services and donated back $5,500 (2018: $5,500) to each fund.

16. UNLISTED SHARES IN OTHER ENTITIES

The parent has an interest in the following corporations:

Name of corporation	Country of incorporation	Percentage of ownership	
		2019	2018
Chartered Accountants Benevolent Foundation Limited	Australia	100%	100%
Chartered Accountants Australia and New Zealand (Singapore) Private Limited	Singapore	100%	100%
Chartered Accountants Australia and New Zealand (Hong Kong) Limited	Hong Kong	100%	100%
CA ANZ (UK) Limited	United Kingdom	100%	100%
CA ANZ (Malaysia) Sdn Bhd	Malaysia	100%	100%
Chartered Professional Accountants Pty Ltd	Australia	100%	100%

Chartered Accountants Australia and New Zealand has control of:

- Chartered Accountants Australia and New Zealand (Singapore) Private Limited,
- Chartered Accountants Australia and New Zealand (Hong Kong) Limited,
- CAANZ (UK) Limited,
- CA ANZ (Malaysia) Sdn Bhd, and
- Chartered Professional Accountants Pty Ltd.

These entities' results have been consolidated into this Consolidated Financial Report at 30 June 2019.

The parent's results are materially consistent with the consolidated financial results, therefore separate parent disclosures are not included.

Chartered Accountants Benevolent Foundation Limited is the Trustee for Chartered Accountants Scholarship Fund and Chartered Accountants Necessitous Circumstances Fund. The purpose of these funds is to provide scholarships and financial assistance to people in financial hardship.

Chartered Accountants Benevolent Foundation Limited, Chartered Accountants Scholarship Fund and Chartered Accountants Necessitous Circumstances Fund have not been consolidated as the parent does not have the ability to use its power to affect the amount of return from these entities.

The parent's results includes the regulatory operations of the New Zealand Institute of Chartered Accountants, as per the New Zealand Institute of Chartered Accountants Act 1996.

The parent has 1/3 voting rights in Accounting Professional & Ethical Standards Board Limited ("APESB") but does not have right to any distributions from APESB. Chartered Accountants Australia and New Zealand has committed to the on-going financial support of APESB of $504,050 in the next financial year.

Chartered Accountants Australia and New Zealand has a $1 interest in Association of Accounting Technicians (AAT). The Group, in conjunction with CPA Australia and the Institute of Public Accountants, has previously lent funds to the AAT.

17. FINANCIAL INSTRUMENTS

Fair values

Financial instruments are recognised initially when the company becomes a party to the contractual provisions of the instruments. Financial instruments are initially measured at fair value including transaction costs.

After initial recognition, financial assets are measured at amortised cost.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire or when it is transferred, and the transfer qualifies for derecognition.:

Financial assets and liabilities by categories:

	Notes	Total $'000	Financial assets measured at amortised cost $'000	Financial liabilities measured at amortised cost $'000
2019				
Current financial assets				
Cash and cash equivalents	5	76,539	76,539	-
Trade receivables	6	14,957	14,957	-
Other receivables	6	385	385	-
Total current financial assets		**91,881**	**91,881**	**-**
Total financial assets		**91,881**	**91,881**	**-**
Current financial liabilities				
Trade and other payables	11	(17,162)	-	(17,162)
Lease liabilities	8	(2,510)	-	(2,510)
Total current financial liabilities		**(19,672)**	**-**	**(19,672)**
Non-current financial liabilities				
Lease liabilities	8	(20,920)	-	(20,920)
Total financial liabilities		**(40,592)**	**-**	**(40,592)**
Net financial assets/(liabilities)		**51,289**	**91,881**	**(40,592)**

17. FINANCIAL INSTRUMENTS *(continued)*

	Notes	Total $'000	Financial assets measured at amortised cost $'000	Financial liabilities measured at amortised cost $'000
2018				
Current financial assets				
Cash and cash equivalents	5	61,442	61,442	-
Trade receivables	6	12,451	12,451	-
Other receivables	6	182	182	-
Total current financial assets		**74,075**	**74,075**	**-**
Total financial assets		**74,075**	**74,075**	**-**
Current financial liabilities				
Trade and other payables	11	(11,378)	-	(11,378)
Non-current financial liabilities				
Lease liabilities	11	(1,348)	-	(1,348)
Total financial liabilities		**(12,726)**	**-**	**(12,726)**
Net financial assets/(liabilities)		**61,349**	**74,075**	**(12,726)**

Expected Credit Loss

The Group assessed at the end of each reporting period whether there was any objective evidence that a financial asset or group of financial assets was impaired. If any such evidence existed, the extent of the impairment was determined.

Allowance for expected credit loss in financial assets carried at amortised cost were recognised in the surplus. AASB 9 requires an expected credit loss model to be used in impairing financial assets. This model requires the Group to account for expected credit losses and changes thereto at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. It is no longer necessary for a credit loss event to have occurred before impairments are recognised.

The Group has elected to apply the simplified approach for measuring the loss allowance at an amount equal to the lifetime expected credit loss for trade receivables, contract assets and lease receivables.

Refer to note 6 for further detail.

18. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments are comprised of cash, receivables and payables.

The Group manages its exposure to key financial risks in accordance with its policies, the objective of which is to support the delivery of the Group's financial targets while protecting future financial security.

The main risks arising from the Group's financial instruments are market risk, interest rate risk, currency risk, credit risk and liquidity risk.

We use different methods to measure and manage these risks, including:

- monitoring levels of exposure to interest rates,
- conducting ageing analysis and monitoring specific credit balances to manage credit risk, or
- monitoring liquidity risk through the development of future rolling cash flow forecasts.

The Board reviews and agrees on policies for managing each of these risks.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The main components of market risk to the Group are interest rate risk and currency risk.

Interest rate risk

This is the risk that movements in variable interest rates will affect financial performance by increasing interest expenses or reducing interest income. The Group is exposed to floating interest rates on its cash and fixed interest rates on its term deposits. The effect of a reasonably possible change in interest rates will result in an immaterial amount of change to interest revenue.

Currency risk

This is the risk that the fair value or future cash flow of a financial instrument will fluctuate because of changes in exchange rates. We manage currency risk of our New Zealand operations by regularly monitoring the liquidity requirements and forecasting expected foreign currency cashflows.

We are also exposed to currency risk from our foreign operations in Hong Kong, Malaysia, Singapore and United Kingdom. However, at 30 June 2019, these activities were immaterial and the risk is minimal.

Credit risk

Management believes that the Group does not have a concentration of credit risk. The Group's exposure to credit risk is equal to the carrying value of the cash at bank and short-term deposits which are held with financial institutions with a credit rating of AA- or better and receivables which are generally high volume and low individual amount.

Liquidity risk

This is the risk that, due to our operational liquidity requirements, the Group:

- will not have sufficient funds to settle a transaction on the due date
- will be forced to sell financial assets at a value less than what they are worth, or
- may be unable to settle or recover a financial asset at all.

The Group receives a substantial part of its cash inflows at the beginning and end of the financial year, and manages its expenditure within these cash inflows and approved funding arrangements.

Most of the Group's financial liabilities, such as payables and accruals to suppliers and employees, are due within 30 days (other than annual or long-service leave provisions and make good provision).

To help reduce liquidity risk, we have a liquidity policy which sets targets for the minimum and average level of cash and cash equivalents to be maintained.

19. RELATED PARTY TRANSACTIONS

The Group made related party payments to, and earned related party receipts from, certain parties, including partners or employees of Director-related entities. Payments included:

- gifts and fees to guest speakers at training and development events,
- author, group leader, reviewer, exam setting and exam marking fees for the Chartered Accountants Program modules,
- reviewer fees for the Quality Review Program, and
- consulting services.

Receipts include:

- member subscriptions and CA Program fees, and
- training courses and events.

All payments and receipts to all parties were made on arm's length commercial terms and conditions.

Chartered Accountants Australia and New Zealand incurred $8,257 (2018: $8,301) of legal and consulting expenses on behalf of Chartered Accountants Benevolent Foundation Limited.

The Group also provides complimentary accounting and administration services for the Chartered Accountants Benevolent Foundation Limited, Chartered Accountants Scholarship Fund and the Chartered Accountants Necessitous Circumstances Fund.

20. DIRECTOR, VICE PRESIDENT AND EXECUTIVE DISCLOSURES

Details of key management personnel

(I) President and Vice Presidents

Presidents	
S Walker FCA	Appointed 1 January 2019
J Stanton FCA	Term Completed 31 December 2018

Vice Presidents	
P Rupp FCA	
N Botica Redmayne FCA	Appointed 1 January 2019
S Walker FCA	Term completed on taking up role as President

(II) Directors

Chairman	
M Jack FCA	Resigned 31 July 2019
A Harrington FCA	Appointed 1 August 2019

Board Members	
C Hayman	
M Long FCA	
R McDonald FCA	
J Palermo FCA	
P Stragalinos FCA	
C Townend FCA	
D Williams	
A Harrington FCA	Appointed 1 March 2019, commenced role as Chairman 1 August 2019
M Blake FCA	Term completed 31 December 2018

20. DIRECTOR, VICE PRESIDENT AND EXECUTIVE DISCLOSURES *(continued)*

(III) Executives

W (Rick) Ellis	Chief Executive Officer	
D Breust	Chief Marketing Officer	
S Grant FCA	Group Executive Advocacy, Professional Standing and International	
J Paterson CA	Chief Financial Officer	Resigned 16 August 2019
M Rice	Group Executive, Member Engagement	
P Vial FCA	Group Executive, Advocacy, Professional Standing and the Pacific	
L Whitney	Group Executive, Account Management	
S Bala	Group Executive, General Counsel	Appointed 8 February 2019
S Hann	Group Executive, Education and Learning	Appointed 13 August 2018
J Quinn	Group Executive, Public Affairs	Appointed 8 February 2019
S Tarrant	Group Executive, People & Culture	Appointed 15 October 2018
C Crooks	Head of People & Culture	Resigned 12 July 2018

Executives are classified as the Chief Executive Officer (CEO) and the Executive Team who are the authorised key decision makers for the organisation.

(IV) Compensation policy

Remuneration of the Directors is approved by the Council based on recommendations from the Nominations and Governance Committee as per the criteria noted below. The CEO's and the Executive Team's remuneration is considered by the Executive Remuneration Committee with a recommendation put forward for Board approval. This Committee also reviews the allocation of the remuneration pool for all employees. The Executive Remuneration Committee is a Committee of the Board and comprises three members which during the year comprised Rob McDonald (Chair), Murray Jack and Penny Stragalinos. The Board confirms the membership of the Committee and appoints the Chair annually. The Chair of the Board is not eligible to be the Chair of the Executive Remuneration Committee.

To ensure equity in our remuneration decisions, we use salary bands to establish remuneration ranges for jobs of similar value. The Group benchmarks jobs for job sizing using a well-established methodology that provides remuneration ranges for salary bands based on job size. In structuring remuneration ranges, we aim to remain competitive and positioned appropriately for the scope and size of our operations. The CEO is entitled to a base remuneration plus an 'at risk' component based on achieving approved KPI's. The Executive Team were awarded a discretionary bonus based on achievement of targets relating to values, the enterprise risk and compliance framework and performance.

To determine fees for Directors and Office bearers, external market benchmark data from Egan Associates Pty Ltd was reviewed and levels are approved by the Chartered Accountants Australia and New Zealand Council. These fees are at the same level as those paid in previous year.

(V) Compensation of Directors, Vice Presidents and executives for the year

	2019 $'000	2018 $'000
Compensation of Directors, Vice Presidents and Executives		
Short-term benefits	4,943	4,015
Other long-term benefits	-	-
Termination benefits	-	286
	4,943	**4,301**

The compensation table above includes an accrual for the CEO's 'at risk' component and the Executive Team's discretionary bonus at 30 June 2019. More detailed information about amounts paid to directors and to executives is included in the governance section of the annual report.

(VI) Loans to key management personnel

There are no loans between key management personnel and the Group.

(VII) Other transactions with key management personnel and their related parties

There are no other transactions conducted between the Group and key management personnel or their related parties, apart from those disclosed above relating to compensation or that were conducted other than in accordance with normal employee relationship on terms no more favourable than those reasonably expected under arm's length dealings with unrelated persons.

21. INDEMNIFICATION OF DIRECTORS AND OFFICERS

The parent's By-Laws provide that each Director and Officer will be indemnified against any losses or expenses that they incur or become liable to pay by, reason of any act or deed done by the Director or Officer in discharging their duties, unless the act or deed arises from the Director's or Officer's own wilful default. Furthermore, Directors and Officers are not liable for:

- the acts of any person,
- joining in any receipt or document,
- any act of conformity, or
- any loss or expense happening to the Group

unless it arises from the Director's or Officer's own wilful default.

22. MEMBERS AND MEMBERS' LIABILITY

Total membership increased to 125,802 as of 30 June 2019 (2018: 121,418).

In terms of the Group's Charter and By-Laws:

- members are not entitled to receive a dividend from the Group, and
- former members remain liable for all amounts they owed the Group at the time they ceased to be a member. Other than this, members have no liability for any matters related to the Group.

23. SUMMARY OF OTHER ACCOUNTING POLICIES

(a) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except:

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

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the *Consolidated Statement of Financial Position*.

For all *fees in advance* that are subject to GST, a liability for GST payable is raised. The exception is for *fees in advance* that have a settlement date, for the GST liability, that occurs before the balance date (at which stage the liability will have already been settled).

Cash flows are included in the *Consolidated Statement of Cash Flows* on a gross basis. The GST component of cash flows arising from investing and financing activities (which is recoverable from, or payable to, the taxation authority) is classified as part of operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(b) Reserves

Other components of equity include the following:

Amalgamation reserve
Represents the fair value of net assets transferred from NZICA on amalgamation, 1 January 2015.

Revaluation reserve
Comprises gains and losses from the revaluation of property (see Note 7).

Accumulated Surpluses
Includes all current and prior period retained profits.

Foreign currency translation
The assets and liabilities of foreign operations are translated into Australian dollars at 30 June, at the rate of exchange at reporting date. These exchange differences are recognised in *Other Comprehensive Income* and accumulated in the foreign currency translation reserve.

24. EVENTS AFTER THE REPORTING PERIOD

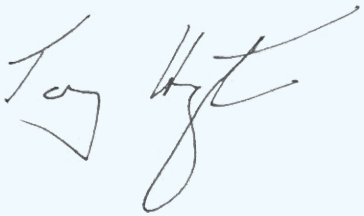
Between the end of the financial year and the date of this Financial Report there has been no item, transaction or material or unusual event that is likely, in the opinion of the Directors, to affect significantly the operations of the Group, or the Group's state of affairs in future financial years.

Directors' Declaration

The Directors of Chartered Accountants Australia and New Zealand declare that the consolidated financial statements and notes set out on pages 61 to 98, which have been prepared as required under the By-Laws:

- Comply with Australian Accounting Standards and other mandatory professional reporting requirements, and
- Present fairly the financial position of the Group as at 30 June 2019 and the results of its operations and its cash flows for the year ended on that date.

In the opinion of the Directors, there are reasonable grounds to believe that the parent will be able to pay its debts as and when they become due and payable.



A Harrington FCA

Director

Sydney, 26 September 2019

J Palermo FCA

Director

Building a better working world

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Independent Auditor's Report to the Members of Chartered Accountants Australia and New Zealand

Opinion

We have audited the financial report of Chartered Accountants Australia and New Zealand ("CA ANZ") and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report presents fairly, in all material respects, the consolidated financial position of the Group as at 30 June 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Australian Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

Building a better working world

Valuation of the Erskine Street, Sydney property

Why significant	How our audit addressed the key audit matter
The carrying value of the Erskine Street, Sydney property at the reporting date is $100.9 million and constitutes 44% of total assets of the Group. As detailed in Note 7 to the financial statements this property is carried at fair value based upon a Directors' valuation each year. The valuation was supported by an independent external valuation obtained by the Directors. This was considered a key audit matter due to the value of the asset and the judgments applied in determining the fair value.	We assessed the qualifications, competence and objectivity of the external valuer. Our real estate valuation specialists assessed the methodology adopted by the external valuer in their valuation and the assumptions applied within, which included the consideration of external market data.

Revenue recognition – Impact of the adoption of AASB15 *Revenue from Contracts with Customers* on the accounting for member application fees

Why significant	How our audit addressed the key audit matter
The Group elected to early adopt AASB15 using the full retrospective approach. Note 2 to the financial statements describes the change of accounting policies in relation to application fees as a result of the adoption of AASB15. This change resulted in a reduction of the Members' Funds of $13.6m on 1 July 2017 (transition date). The calculation of that adjustment required significant judgments and estimates, in particular relating to the average duration of membership andthe value of application fees paid in previous years This was considered a key audit matter due to the value of the transition adjustment and the judgments exercise by the Group in its determination.	We considered the Group's assessment of the impact of the adoption of AASB 5 on member applications fees, and assessed whether it was in accordance with the requirements of AASB 15. A key consideration we considered was whether any distinct services were provided or transferred to members on application and the implications of this on when the associated revenue should be recognised We assessed the Group's estimates regarding the average duration of membership and the value of application fees paid in previous years. We considered the associated disclosures in the financial report.

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information obtained at the date of this auditor's report is the financial commentary included in the financial report but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon. In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the CA ANZ are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and for such internal control as the directors determine is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ernst & Young

Ernst & Young

Michael Wright
Partner
Sydney
26 September 2019

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