together

CHARTERED ACCOUNTANTS
AUSTRALIA + NEW ZEALAND

FINANCIAL STATEMENTS 2015

financial report

for the year ended 30 June 2015

FINANCIAL COMMENTARY

Principal activities

In 2014–15, the principal activities of Chartered Accountants Australia and New Zealand (Entity) were the provision of education and training to members, provisional members and the broader business community, the influencing of business policy locally and internationally, provision of member services and the execution of the transformation plan to finalise the amalgamation of the Institute of Chartered Accountants in Australia (ICAA) and the New Zealand Institute of Chartered Accountants (NZICA).

During the financial year, the Institute of Chartered Accountants in Australia changed its name to Chartered Accountants Australia and New Zealand (Chartered Accountants ANZ).

Financial results and review of operations

The members of ICAA and NZICA voted in favour of creating one organisation, Chartered Accountants Australia and New Zealand, in November 2013. The transition of operations commenced thereafter whilst the legal amalgamation was sought and later formalised on 31 December 2014. The financial statements report Australian activities only for the period from 1 July 2014 to 31 December 2014, with combined Australian and New Zealand activities for the period 1 January 2015 to 30 June 2015.

The amalgamation reserve, recognised from 1 January 2015 represents the fair value of the net assets transferred from NZICA. Whilst overall revenue increased by $13.7 million, primarily as a result of the amalgamation, the lower membership subscription fee ($150 per full member fee) reduced revenues by $9.2 million for the year, with the introduction of provisional membership subscriptions in Australia increasing revenue by $3.6 million.

During the year, cost synergies of $14.1 million were realised as a result of reduced staffing levels, and non-staff related synergies delivered totalled $6.4 million for the year. Transition costs of $2.0 million were incurred and investments in new initiatives embarked upon totalled $2.1 million, including an additional investment in *Acuity* magazine of $0.7 million.

STATEMENT OF COMPREHENSIVE INCOME

The Entity generated a surplus of $6.2 million for the year (2014: $0.5 million surplus). Total revenue and other income rose by 14.1% to $110.8 million, while expenditure increased by 8.3% to $104.6 million.

REVENUE AND EXPENDITURE

The increase in revenue of $13.7 million over the 2014 result flowed from:

- an increase in membership revenue of $5.9 million due to an increase in member numbers of 31,325 (49%) primarily as a result of the amalgamation with NZICA from 1 January 2015, coupled with the introduction of provisional membership (20,102 provisional members) with effect from 1 July 2014, offset by a decrease in the full membership subscription fee of $150 per member in Australia and New Zealand (19%)
- an increase in education revenue of $7.7 million, mainly in training and development and the Chartered Accountants Program of which $7.4 million related to New Zealand activities.

The increase in expenditure of $8.0 million over the 2014 result was due to:

- information technology expenses increased by 18.2% ($1.7 million), primarily due to cost associated with supporting the New Zealand based offices
- other expenses increased by 43.9% (or $1.3 million), also primarily as a result of expenses incurred in servicing operations in New Zealand
- service expenses rose 19.2% ($3.9 million) due to the additional costs of delivering services to a higher number of members
- administration expenses decreased 0.3% (or $0.2 million), due to synergy savings realised offsetting the additional costs incurred in New Zealand
- the Entity embarked on a number of new initiatives during the year, with investment in these initiatives budgeted to continue into the next financial year. The initiatives include:
  - investment in new education and training programs of $0.4 million ($1.7 million budgeted in the 2015-16 financial year)
  - investment in developing and operating international offices in the United Kingdom, Singapore, Hong Kong and Malaysia, of $0.5 million ($1.0 million budgeted in the 2015-16 financial year)
  - investment in the development of the ***future*****[inc]** initiative of $0.5 million ($0.9 million budgeted in the 2015-16 financial year).

CAPITAL EXPENDITURE

Capital expenditure totalled $5.5 million, which was primarily due to the acquisition of plant and equipment upon amalgamation with NZICA ($4.1 million) and $1.4 million of software.

STATEMENT OF FINANCIAL POSITION

Net assets increased by $11.8 million, or 18%, as a result of the amalgamation with NZICA ($6.1 million amalgamation reserve), and the surplus generated in the year to 30 June 2015 ($6.2 million), offset by the foreign currency translation reserve (–$0.5 million).

ASSETS

Cash and cash equivalents increased from $46.3 million to $50.7 million, placing the Entity in a strong financial position to fund operations, projects and investments planned in the next financial year.

Trade receivables at balance date increased by $2.0 million due to higher sales following the amalgamation, coupled with slower payments received from debtors. Debts are expected to be recovered in the normal course of business, with adequate provision for any debts considered doubtful.

Intangible assets increased $3.3 million primarily due to assets taken over from NZICA and investment in new systems and software.

LIABILITIES

Fees in advance includes $36.1 million relating to subscriptions received from members as at 30 June 2015, for services that will be delivered in the financial year ending 30 June 2016. The amounts received are not expected to be refunded and will be recognised as revenue in the financial year ending 30 June 2016.

Provisions decreased by $2.4 million mainly due to lower employee entitlement provisions at balance date. This liability included a redundancy provision of $0.5 million. This is $2.4 million lower than last year, as redundancy payments were made during the period.

CASH FLOW AND LIQUIDITY

At balance date, the Entity had cash of $50.7 million. Receipts from the annual financial year 2016 membership subscriptions received in advance totalled $36.1 million. Payments for GST amounted to $5.6 million predominantly due to the GST for annual 2015 membership subscriptions paid in July 2015 and 2016 annual membership subscriptions paid in June 2015.

AMALGAMATION RESERVE

At balance date, the Entity had an amalgamation reserve of $6.1 million, which is the fair value of net assets transferred from NZICA on amalgamation date.

MEMBERS' FUNDS

The financial objective of the Entity is to ensure that it has sufficient reserves to provide the necessary services to its members and to meet its obligations as set out in the Entity's strategic and business plans. The Entity has set a target ratio of members' funds to operating expenditure of 45% to 55%. This ratio is currently being exceeded. Consistent with its Charter, the Entity does not distribute reserves to its members. In the event of the Entity being wound-up or dissolved, the amount that remains after such dissolution and the satisfaction of all debts and liabilities, shall be transferred to another entity which has similar objectives and which has rules prohibiting the distribution of assets and income to its members.

FIVE-YEAR SUMMARY

	2015 $'000	2014 $'000	2013 $'000	2012 $'000	2011 $'000
Total revenue and other income	110,831	97,129	96,097	91,639	91,408
Total expenses	(104,637)	(96,631)	(98,405)	(88,801)	(86,349)
Surplus/(deficit)	**6,194**	**498**	**(2,308)**	**2,838**	**5,059**
Current assets	62,713	52,737	51,910	46,709	37,659
Non-current assets	71,722	64,750	58,424	61,834	61,184
Current liabilities	(55,530)	(50,342)	(53,021)	(48,443)	(43,541)
Non-current liabilities	(2,608)	(2,656)	(2,332)	(1,621)	(1,511)
Total net assets	**76,297**	**64,489**	**54,981**	**58,479**	**53,791**
Amalgamation reserve	6,078	-	-	-	-
Foreign currency translation reserve	(464)	-	-	-	-
Revaluation reserves	16,397	16,397	7,387	8,577	6,727
Accumulated surpluses	54,286	48,092	47,594	49,902	47,064
Total members' funds	**76,297**	**64,489**	**54,981**	**58,479**	**53,791**

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2015

	Notes	2015 $'000	2014 $'000
Revenue		108,146	94,595
Other income		2,685	2,534
Total revenue and other income	4(A)	**110,831**	**97,129**
Service expenses		(24,020)	(20,156)
Occupancy expenses		(7,383)	(6,115)
Administration expenses		(57,860)	(58,023)
Information technology expenses		(10,954)	(9,266)
Other expenses		(4,420)	(3,071)
Total expenses		**(104,637)**	**(96,631)**
Surplus before tax		6,194	498
Income tax expense	5	-	-
Surplus after tax		**6,194**	**498**
OTHER COMPREHENSIVE INCOME Items that may be reclassified subsequently to surplus or deficit			
Amalgamation of Business	14 & 25	6,078	-
Exchange differences on translation of foreign operations	14	(464)	-
Fair value increment of freehold property	14	-	9,010
Total other comprehensive income		**5,614**	**9,010**
Total comprehensive income for the year, net of tax		**11,808**	**9,508**

The above *Statement of Profit or Loss and Other Comprehensive Income* should be read in conjunction with the accompanying notes.

STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

	Notes	2015 $'000	2014 $'000
Current assets			
Cash and cash equivalents	6	50,734	46,262
Trade and other receivables	7	11,979	6,475
Total current assets		**62,713**	**52,737**
Non-current assets			
Receivables	7	-	-
Property, plant and equipment	8	65,115	63,388
Intangible assets	9	4,690	1,362
Capital work-in-progress	10	1,917	-
Total non-current assets		**71,722**	**64,750**
Total assets		**134,435**	**117,487**
Current liabilities			
Fees in advance	11	44,605	36,064
Trade and other payables	12	6,352	7,434
Provisions	13	4,573	6,844
Total current liabilities		**55,530**	**50,342**
Non-current liabilities			
Trade and other payables	12	1,717	1,610
Provisions	13	891	1,046
Total non-current liabilities		**2,608**	**2,656**
Total liabilities		**58,138**	**52,998**
Net assets		**76,297**	**64,489**
Members' funds			
Amalgamation reserve	14	6,078	-
Foreign currency translation reserve	14	(464)	-
Revaluation reserve	14	16,397	16,397
Accumulated surpluses	14	54,286	48,092
Total members' funds		**76,297**	**64,489**

The above *Statement of Financial Position* should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2015

	Amalgamation reserve $'000	Foreign currency translation reserve $'000	Revaluation reserve $'000	Accumulated surpluses $'000	Total $'000
At 1 July 2014	-	-	16,397	48,092	64,489
Surplus after tax for the year	-	-	-	6,194	**6,194**
Other comprehensive income	6,078	(464)	-	-	**5,614**
Total comprehensive income	**6,078**	**(464)**	-	**6,194**	**11,808**
At 30 June 2015	**6,078**	**(464)**	**16,397**	**54,286**	**76,297**
At 1 July 2013	-	-	7,387	47,594	54,981
Surplus after tax for the year	-	-	-	498	**498**
Other comprehensive income	-	-	9,010	-	**9,010**
Total comprehensive income	-	-	**9,010**	**498**	**9,508**
At 30 June 2014	-	-	**16,397**	**48,092**	**64,489**

The above *Statement of Changes in Equity* should be read in conjunction with the accompanying notes.

STATEMENT OF CASH FLOWS

For the year ended 30 June 2015

	Notes	2015 $'000	2014 $'000
Cash flows from operating activities			
Receipts from members' subscriptions		62,132	47,652
Receipts from the Entity's activities		54,110	45,726
Payments to suppliers and employees		(113,027)	(92,677)
Net refund/(payment) for GST		(5,619)	525
Net cash flows from operating activities	6	**(2,404)**	**1,226**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		2	1
Payment for property, plant and equipment		(1,398)	(543)
Payments for intangibles		(3,464)	(611)
Payments for capital work-in-progress assets		(1,917)	-
Interest received		1,555	1,351
Transfer of cash on amalgamation	25	12,199	-
Net cash flows from investing activities		**6,977**	**198**
Net cash flows from financing activities		-	-
Effects of exchange rate on cash and cash equivalents		(101)	-
Net increase in cash and cash equivalents		4,573	1,424
Cash and cash equivalents at the beginning of the financial year		46,262	44,838
Cash and cash equivalents at the end of the financial year	6	**50,734**	**46,262**

The above *Statement of Cash Flows* should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

1. Corporate information

The financial statements of Chartered Accountants Australia and New Zealand (Entity) for the year ended 30 June 2015 were authorised for issue in accordance with a resolution of directors on 15 October 2015.

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

The registered office of the Entity is:

33 Erskine Street
Sydney NSW 2000
Australia

The Entity is a not-for-profit entity and its principal activities during the year were:

- delivering pre and post admission education and 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.

In October 2013, the members of both the Institute of Chartered Accountants in Australia and the New Zealand Institute of Chartered Accountants (NZICA) voted in favour of creating one new institute. On 31 December 2014 NZICA transferred its assets and liabilities to the Entity as part of the amalgamation. Refer to Note 25 for further information on the amalgamation.

2. Summary of significant accounting policies

(A) BASIS OF PREPARATION

This general purpose Financial Report was prepared in accordance with Australian Accounting Standards (AIFRS) and other authoritative pronouncements of the Australian Accounting Standards Board (AASB).

This Financial Report has been prepared on the basis of historical cost, except for freehold property, which has been measured at fair value (refer Note 2(E)).

The Financial Report is presented in Australian dollars (AUD) and all values are rounded to the nearest thousand dollars ($'000) unless otherwise stated.

(B) STATEMENT OF COMPLIANCE

The Financial Report complies with Australian Accounting Standards.

The Entity's principal objective is not the generation of profit. Consequently, where appropriate, the Entity has elected to apply options and exemptions within accounting standards that are applicable to not-for-profit entities. As a result this Financial Report does not comply with International Financial Reporting Standards (IFRS).

Changes in accounting policies and interpretations

The accounting policies adopted are consistent with those of the previous financial year except as follows:

- The Entity has adopted the following new and amended Australian Accounting Standards and AASB Interpretations as of 1 July 2014:
- AASB 10 *Consolidated Financial Statements* establishes a new control model that applies to all entities. The new control model broadens the situation where an entity is considered to be controlled by another entity and includes new guidance on how to apply the model. The Entity has applied AASB 10 retrospectively and has determined that the Entity controls Chartered Accountants Australia and New Zealand (Singapore) Private Limited, Chartered Accountants Australia and New Zealand (Hong Kong) Limited and the New Zealand Institute of Chartered Accountants. However during the course of 2014-15 and at 30 June 2015 the financial transactions and balances of these Entities were not significant.
- AASB 12 *Disclosure of Interests in Other Entities* introduces new disclosures about the judgments made by management to determine whether control exists, and summarises information about subsidiaries. The Entity has applied AASB 12 retrospectively.

New standards and interpretation not yet adopted

Certain Australian Accounting Standards and AASB interpretations have recently been issued or amended but were not yet effective and have not been adopted for the annual reporting period ended 30 June 2015. The standards relevant to the Entity are the following:

- AASB 9 *Financial Instruments* includes requirements for the classification and measurement of financial assets. The requirements improve and simplify the approach for classification and measurement for financial assets compared with the requirements of AASB 139. AASB 9 will become mandatory for the Entity's 30 June 2019 financial statements, and is not expected to have a material impact on the financial statements.
- AASB 15 *Revenue from Contracts with Customers* establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It will replace existing revenue recognition guidance including AASB 118 Revenue. AASB 15 will become mandatory for 30 June 2018 financial statements and the Entity is assessing the potential impact on its financial statements resulting from the application of this new standard.

There are no new interpretations which are expected to have any significant impact on the Entity's financial statements.

(C) CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the *Statement of Financial Position*, which comprise cash at bank, cash in hand and short-term deposits, are stated at their nominal amount.

For the purposes of the *Statement of Cash Flows*, cash and cash equivalents consist of cash and cash equivalents as defined above and include deposits at call which are readily convertible to cash in hand.

(D) TRADE AND OTHER RECEIVABLES

Trade receivables are recognised and carried at original invoice amount less an allowance for impairment. Collectability of trade receivables is reviewed on an ongoing basis. An impairment provision is recognised when there is objective evidence that the Entity will not be able to collect the receivable. Individual debts that are known to be uncollectible are written off when identified.

(E) PROPERTY, PLANT AND EQUIPMENT

Freehold property is measured at fair value, less accumulated depreciation on buildings and building plant, less any impairment losses recognised after the date of revaluation.

The fair value of freehold property is a directors' valuation and has taken into account an impairment test, prior year's McGees Property (NSW) Pty Ltd (McGees) valuation and updated market conditions. An external valuer is appointed to perform an independent valuation every three years. The valuation is categorised as Level 3 in the fair value hierarchy. Refer to Note 8 for further information.

All plant and equipment are stated at historical cost less accumulated depreciation or amortisation and any accumulated impairment losses. Depreciation of property, plant and equipment, other than land, is calculated on a straight-line basis at rates which take account of the remaining useful life of the relevant assets and their estimated residual values. The cost of fixtures and fittings on leasehold premises is amortised over their estimated useful lives or the remainder of the lease period, dependent on whichever period is shorter.

Major depreciation periods 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		3 years

The assets' residual values, useful lives, depreciation and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end. There were no changes to the residual values, useful lives or depreciation and amortisation methods in the current or previous financial year.

(i) Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Impairment losses are recognised as expenditure in the *Statement of Profit or Loss and Other Comprehensive Income*. Freehold property is measured at revalued amounts, and therefore impairment losses on freehold property are treated as a revaluation decrement.

(ii) Revaluations

Following initial recognition at cost, freehold property is carried at a revalued amount, which is the fair value at the date of revaluation less any subsequent accumulated depreciation on buildings and any subsequent accumulated impairment losses. Revaluations are carried out with sufficient regularity so as to ensure that the carrying amount represents fair value. Currently this is once every three years..

Any revaluation increment is credited to the property revaluation reserve included in the members' funds section of the *Statement of Financial Position*, except to the extent that it reverses a revaluation decrement for the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss.

Any revaluation decrement is recognised in profit or loss, except to the extent that it offsets a previous revaluation increment for the same asset, in which case the decrement is debited directly to the property revaluation reserve to the extent of the credit balance existing in the revaluation reserve for that asset.

(iii) Disposal

An item of property, plant and equipment is written off when no further future economic benefits are expected from its use or it is disposed of.

Any gain or loss arising on disposal of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the *Statement of Profit or Loss and Other Comprehensive Income* in the year the asset is disposed of.

(F) INTANGIBLES

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 the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense 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 as follows:

Computer software	3 years

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

The Entity has no intangible assets assessed having an indefinite life.

(G) FEES IN ADVANCE

Fees in advance are carried at original invoice amount in respect of goods and services to be provided subsequent to balance date. *Fees in advance* includes membership fees, Chartered Accountants Program enrolment fees, and training and development course fees.

The *Fees in advance* balance primarily relates to payments received from members and provisional members as at 30 June 2015, for services that will be delivered in the financial year ending 30 June 2016. The amounts received are not expected to be refunded and will be recognised as revenue in the financial year ending 30 June 2016.

(H) TRADE AND OTHER PAYABLES

Trade payables are carried at amortised cost. They represent liabilities for goods and services provided to the Entity prior to the end of the financial year that are unpaid and arise when the Entity becomes obliged to make future payments in respect of the purchase of these goods and services. Trade payables are non-interest bearing and are normally settled on a 30-day term.

(I) EMPLOYEE BENEFITS

(i) Wages, salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits, and annual leave expected to be settled within 12 months of the reporting date, are recognised in other payables in respect of employees' services up to the reporting date. 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.

(ii) Long service leave

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

(iii) Termination benefits

Liabilities for termination benefits are recognised in the provision for employee benefits when the Entity is demonstrably committed to terminate the employee or where an offer is made in order to encourage voluntary redundancy.

Employee termination benefits are measured at the amounts expected to be paid when the liabilities are to be settled within 12 months. Where the termination benefits are expected to be due more than 12 months after reporting date, the amounts are discounted using market yields on Australian Corporate Bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

(iv) Superannuation

Liabilities for superannuation are recognised in the provision for employee benefits. The Entity provides superannuation in accordance with the relevant government legislation.

(v) Workers' compensation

The Entity maintains Workers' Compensation cover in accordance with the relevant local requirements.

(J) REVENUE AND EXPENSE RECOGNITION

Revenues and expenses are recognised to the extent that it is probable that their respective economic benefits will flow to, or be lost, or be consumed by the Entity and that the revenues and expenses can be reliably measured. The following specific recognition criteria must also be met before revenues or expenses are recognised.

(i) Member fees

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

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

(ii) Other revenue-generating activities

The Entity undertakes certain activities which are accounted for on a work-in-progress basis, including Chartered Accountants Program modules, training and development courses, quality reviews, *Acuity* magazines, conferences and student activities. The Entity's policy of accrual accounting with respect to the recognition of revenues and expenses on such activities is as follows:

- For activities which are completed on or before balance date, any surplus or deficit is incorporated into the year's results.
- For activities which take place wholly after the end of the financial year, any revenue received and expense incurred on such activities prior to balance date is deferred and carried forward in the *Statement of Financial Position* within fees in advance and prepayments respectively.
- For activities to be delivered after balance date, a proportion of the final projected net surplus is recognised in the financial year on the percentage of completion basis.

Revenue in regard to certain activities is deferred in cases where it is anticipated that refunds will be made in regard to discontinuation by attendees. The deferred amount is carried forward in the *Statement of Financial Position* within *Fees in advance*.

For activities to be completed after balance date, the methods adopted to determine the percentage of completion basis are as follows:

- For Chartered Accountants Program modules, the percentage of completion is apportioned according to the time span between the commencement of the module and the completion of the examination.
- For other courses and activities that are delivered in a series of events, the percentage of completion is apportioned according to the number of events delivered at balance date compared to the total number of events in the series.

Rental income from leased premises is recognised on an emerging basis.

(iii) Sale of goods

The Entity recognises revenue from the sale of goods when physical control of the goods passes to the purchaser pursuant to an enforceable sales contract and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Risks and rewards of ownership are considered passed to the buyer at the time of delivery of the goods to the customer.

(iv) Member benefits revenue

The Entity receives revenue in the form of either a fixed monthly fee or in the form of trailing or upfront commissions on member generated activity through its member offers programme. Income is accounted on an accrual basis.

(v) Interest income and expense

Interest income on bank bills and deposits is recognised on an accrual basis (using the effective interest method, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the investment) where the Entity attains control of a right to receive consideration for an investment.

There was no interest on borrowings incurred during the year.

(K) INCOME TAX AND OTHER TAXES

(i) Income tax

The Entity prepares its income tax returns by reference to the application of the principle of mutuality to the revenue and expenses, and the relevant tax jurisdiction. The principle of mutuality is a common law principle arising from the premise that individuals cannot profit from themselves. Accordingly, membership receipts from members are deemed to be mutual income and not subject to income tax, and expenses in connection 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.

The Entity is liable for other taxes including goods and services tax and fringe benefits tax.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax losses and unused tax credits, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax losses and unused tax credits can be utilised. The exception is when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor the taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred tax assets are reassessed at each balance date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered and the Entity passes either the continuity of ownership test or the same business test.

Deferred tax assets are measured at the tax rates that are expected to apply to the year when the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted at balance date.

Where assets are revalued, no provision for potential capital gains tax is made because of the long-term nature of the asset and the existence of accumulated tax losses.

(ii) 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 which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable
- for 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 *Statement of Financial Position*.

In respect of all fees in advance that are subject to GST, a liability for GST payable is raised except for fees in advance that have a settlement date in respect of the GST liability that occurs prior to balance date at which stage the liability will have already been settled.

Cash flows are included in the *Statement of Cash Flows* on a gross basis, and 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

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

(L) OPERATING LEASES

Operating lease payments are recognised as an expense in the *Statement of Profit or Loss and Other Comprehensive Income* on a straight-line basis over the lease term. Lease incentives are recognised in the *Statement of Profit or Loss and Other Comprehensive Income* as an integral part of the total lease expense.

(M) PROVISIONS

(i) Provisions

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.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost. The rate used is with reference to the applicable Australian Corporate Bond rate.

(ii) Provision for make good

Provisions for make good are recognised when there is a present legal obligation on leases that require the Entity to restore the leased premises to a required level of condition. As provisions for make good are long term and payable on the expiry of the lease, the provision for make good is discounted using the applicable pre-tax rate that reflects the risk and duration of the future liability. The effect of the time value of money from discounting is recognised as *Finance expense* in the *Statement of Profit and Loss and Other Comprehensive Income*.

(N) BORROWING COSTS

Borrowing costs are recognised as an expense when incurred.

(O) IMPAIRMENT OF ASSETS OTHER THAN GOODWILL

The carrying values of the Entity's assets are reviewed for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable.

For an asset that does not generate largely independent cash inflow, the recoverable amount is determined for the cash generating unit to which the asset belongs.

If any such indication exists, and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of the asset is the greater of fair value less costs to sell and value in use.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

An impairment loss and/or reversal is recognised in the *Statement of Profit or Loss and Other Comprehensive Income* immediately.

(P) SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

In applying the Entity'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 Entity.

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 these financial statements are outlined below.

(i) Significant accounting judgments

Impairment of non-financial assets

The Entity assesses impairment of all assets at each reporting date by evaluating conditions specific to the Entity and to the particular asset that may lead to impairment. These include the asset's use and performance, future expectations, economic and political environments and the assessment of the asset's carrying value.
If an impairment trigger exists, the recoverable amount of the asset is determined. This involves value-in-use calculations, which incorporate a number of key estimates and assumptions.

Provision for make good
Due to the long-term nature of the provision for make good, the greatest uncertainty is estimating the costs that will ultimately be incurred.

(ii) Significant accounting estimates and assumptions

Carrying amount of land and buildings
The Entity's freehold property is recorded at fair value as outlined in Note 2(E)(ii) and Note 8.

Long service leave provision
As disclosed in Note 2(I)(ii), the liability for long service leave is recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at balance date. In determining the present value of the liability, future estimates of attrition rates, pay increases through promotion and inflation have been taken into account.

Allowance for impairment loss on trade receivables
Where receivables are outstanding beyond normal trading terms, the likelihood of recovery of these receivables is assessed by management on an individual account basis. The impairment loss is outlined in Note 7.

Estimation of useful lives of assets
The estimation of the useful lives of assets has been based on historical experience as well as future expectations on use, lease terms (for leased equipment), and turnover policies (for motor vehicles). In addition, the condition of the assets is assessed at least annually and considered against their remaining useful life. Adjustments to useful lives are made when considered necessary. Depreciation and/or amortisation charges are included in Notes 8 and 9.

(Q) AMALGAMATION

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate consideration transferred, measured at acquisition date. Acquisition-related costs are expensed as incurred and are included in other expenses in the *Statement of Profit or Loss and Other Comprehensive Income*.

When the Entity acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

(R) FOREIGN CURRENCY TRANSLATION

On amalgamation, the assets and liabilities of foreign operations are translated into Australian dollars and differences are recognised in the *Other Comprehensive Income* and accumulated in the *Foreign currency translation reserve*. Refer to Note 14 for details on the foreign currency translation reserve.

Post amalgamation, the assets and liabilities of foreign operations are translated at 30 June into Australian dollars at the rate of exchange prevailing at reporting date, with impacts on the *Statement of profit or loss* translated at the average monthly exchange rate prevailing at dates of the transactions entered during the course of the year. These exchange differences are recognised in *Other Comprehensive Income* and accumulated in the *Foreign currency translation reserve*.

3. Financial risk management objectives and policies

The Entity's principal financial instruments are comprised of cash and receivables.

The Entity manages its exposure to key financial risks in accordance with its financial risk management policy. The objective of the policy is to support the delivery of the Entity's financial targets while protecting future financial security.

The main risks arising from the Entity's financial instruments are
- market risk
- credit risk
- liquidity risk.

The Entity uses different methods to measure and manage the risks to which it is exposed. These include:
- monitoring levels of exposure to interest rates
- monitoring assessments of market forecasts for interest rates
- ageing analysis and monitoring of specific credit balances to manage credit risk
- liquidity risk monitored through the development of future rolling cash flow forecasts.

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

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 Entity are interest rate risk and currency risk.

Interest rate risk refers to the risk that movements in variable interest rates will affect financial performance by increasing interest expenses or reducing interest income.

Interest rate risk arises from financial assets and liabilities that are subject to floating interest rates. The Entity's exposure to market interest rates relates primarily to cash and cash equivalents.

Currency risk refers to the risk that the fair value or future cash flow of a financial instrument will fluctuate because of changes in exchange rates.

The Entity is exposed to currency risk as it has foreign operations in New Zealand. The Entity manages currency risk by a natural hedge through having adequate receipts and cash reserves in New Zealand dollars to pay New Zealand dollar payments. In addition, currency risk is managed by forecasting expected purchases denominated in a foreign currency and monitoring exchange rates and foreign cash balances.

The Entity is exposed to currency risk as it has foreign operations in United Kingdom, Hong Kong and Singapore. However, at 30 June 2015, these activities were immaterial and the risk was not significant.

The freehold Erskine St property is exposed to fluctuations in the Sydney commercial property market. Refer to Note 8 for details of the valuation.

At balance date, the Entity had the following exposure to interest rates:

	Principal subject to floating interest rate	Principal subject to fixed interest rate	Non-interest bearing	Total
	$'000	$'000	$'000	$'000
2015				
Financial assets				
Cash and cash equivalents	33,981	16,753	–	50,734
Trade receivables	–	–	4,859	4,859
Other receivables	–	–	4,123	4,123
Total financial assets	**33,981**	**16,753**	**8,982**	**59,716**
Financial liabilities				
Trade and other payables	–	–	(8,069)	(8,069)
Total financial liabilities	**–**	**–**	**(8,069)**	**(8,069)**
2014				
Financial assets				
Cash and cash equivalents	22,867	23,395	–	46,262
Trade receivables	–	–	3,483	3,483
Other receivables	–	–	318	318
Total financial assets	**22,867**	**23,395**	**3,801**	**50,063**
Financial liabilities				
Trade and other payables	–	–	(9,044)	(9,044)
Total financial liabilities	**–**	**–**	**(9,044)**	**(9,044)**

SENSITIVITY ANALYSIS

The following sensitivity is based on interest rate risk exposures in existence at balance date.

A sensitivity of 50 basis points shift in a full year has been selected as this is considered reasonable given the current level of short-term Australian interest rates.

At 30 June 2015, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post-tax surplus and members' funds would have been affected as follows:

Judgment of reasonably possible movements	Post tax surplus and Members' Funds increase/(decrease)	
	2015 $'000	2014 $'000
If there was 50 basis points higher in interest rates with all other variables held constant	254	231
If there was 50 basis points lower in interest rates with all other variables held constant	(254)	(231)

As the Entity manages currency risk by a natural hedge through having adequate receipts and cash reserves in New Zealand dollars to pay New Zealand dollar payments, the expected currency risk is not significant. However for the purpose of disclosing sensitivity analysis, a reasonably possible strengthening or weakening of the AUD against the NZD of 5% at 30 June 2015 with all other variables held constant, would affect the foreign currency translation reserve by the amounts shown below:

New Zealand Dollar (NZD) denominated financial assets and liabilities	2015 NZD $'000	2014 NZD $'000
Cash and cash equivalents	9,586	-
Trade and other receivables	3,708	-
Trade and other payables	(2,303)	-
Net financial assets	**10,991**	**-**

Judgment of reasonably possible movements	Equity increase/(decrease)	
	2015 $'000	2014 $'000
If there was 5% revaluation in AUD against the NZD with all other variables held constant	(892)	-
If there was 5% devaluation AUD against the NZD with all other variables held constant	1,090	-

CREDIT RISK

Credit risk refers to the loss that the Entity would incur if a debtor or other counterparty defaults under its contractual obligations.

Credit risk would arise from the financial assets of the Entity, which include cash at bank, short-term deposits and trade and other receivables. The Entity's exposure to credit risk in relation to cash at bank and short-term deposits is limited due to the practice of only depositing funds with Westpac, ANZ, HSBC or Natwest. The Entity's exposure to credit risk in relation to trade and other receivables is limited as there are a large number of low value individual debtors located in multiple geographical areas. Receivable balances are monitored on a regular basis, with the result that the Entity's exposure to bad debts is not significant.

Management believes that the Entity does not have a concentration of credit risk. The Entity's maximum exposure to credit risk is equal to the carrying value of the cash at bank, short-term deposits and receivables held.

LIQUIDITY RISK

Liquidity risk includes the risk that, as a result of the Entity's operational liquidity requirements, the Entity:

- 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.

To help reduce these risks, the Entity has a liquidity policy which targets a minimum and average level of cash and cash equivalents to be maintained.

The Entity 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.

The following table details the Entity's remaining contractual maturity for its financial liabilities. The table has been prepared based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Entity can be required to pay.

	Less than 6 months $'000	6 to 12 months $'000	1 to 5 years $'000	Total $'000
2015				
Financial liabilities				
Trade and other payables	(6,204)	(148)	(1,717)	**(8,069)**
	(6,204)	(148)	(1,717)	**(8,069)**
2014				
Financial liabilities				
Trade and other payables	(7,362)	(72)	(1,610)	**(9,044)**
	(7,362)	(72)	(1,610)	**(9,044)**

4. Revenue and expenses

(A) REVENUE

	2015 $'000	2014 $'000
Subscriptions and related revenue	56,792	50,927
Education and other services	51,354	43,668
Total revenue	**108,146**	**94,595**
Other income		
Rent	866	754
Royalties	533	321
Interest	1,295	1,462
Other revenue/(losses)	(9)	(3)
Total other income	**2,685**	**2,534**
Total revenue and other income	**110,831**	**97,129**

(B) EXPENSES

	2015 $'000	2014 $'000
Depreciation and amortisation of non-current assets		
Building and plant	813	810
Furniture and equipment	488	498
Computer equipment	639	317
Fixtures and fittings on freehold premises	878	832
Fixtures and fittings on leasehold premises	652	437
Motor vehicles	4	7
Depreciation of property, plant and equipment	**3,474**	**2,901**
Amortisation of computer software	1,481	933
Depreciation and amortisation of total property, plant and equipment and computer software	**4,955**	**3,834**
Employee benefits expense		
Wages, salaries and termination costs	40,880	41,827
Superannuation	2,929	3,081
	43,809	**44,908**
Bad debts written off	55	30

5. Income tax

(A) INCOME TAX EXPENSE

The major components of income tax are:

	2015 $'000	2014 $'000
Current income tax (benefit)	(1,662)	(159)
Adjustments in respect of current income tax of previous years	15	12
Tax losses carried forward to future years	1,647	147
Aggregate income tax expense	-	-

(B) NUMERICAL RECONCILIATION between tax benefit recognised in the *Statement of Profit or Loss and Other Comprehensive Income* and prima facie income tax

	2015 $'000	2014 $'000
Surplus after tax	6,194	498
Prima facie tax expense at the rate of 30% (2014: 30%)	1,858	149
Adjustments in respect of current income tax of previous years	15	12
Entertainment	9	93
New premises rent holiday	(2)	-
Effect of tax rate in foreign jurisdiction	12	-
Mutual activities	(3,539)	(401)
Tax losses carried forward to future years	1,647	147
Aggregate income tax expense	-	-

At balance date, accumulated revenue tax losses of $28,983,000 (2014: $23,493,000) existed, giving rise to a potential future tax benefit. The potential deferred tax asset attributable to the revenue tax losses are not recognised, as realisation is not probable. The deferred tax asset for revenue tax losses, which will offset future non-mutual income, will only be utilised if:

- future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised
- the conditions for deductibility imposed by tax legislation continue to be complied with, and
- no changes in tax legislation adversely affect the Entity in realising the benefit.

Net deferred tax liabilities not recognised in respect of temporary differences amount to $2,849,000 (2014: $2,205,000).

6. Cash and cash equivalents

	2015 $'000	2014 $'000
Cash at bank and on hand	33,981	22,867
Short-term deposits	16,753	23,395
	50,734	**46,262**

Cash and cash equivalents comprise cash on hand and cash at bank which is at call and which earned interest at floating rates and short-term deposits which earned interest at fixed rates.

At 30 June 2015, the Entity had no available borrowing facilities.

RECONCILIATION OF SURPLUS AFTER TAX TO CASH FLOWS FROM OPERATIONS

	2015 $'000	2014 $'000
Surplus after tax	6,194	498
Adjustment:		
Depreciation and amortisation of property, plant and equipment	3,474	2,901
Other losses	9	3
Amortisation of intangible assets	1,481	933
Interest received	(1,555)	(1,351)
	3,409	**2,486**
Changes in working capital:		
(Increase) of net working capital liabilities gained through amalgamation (refer to Note 25)	(11,643)	-
(Decrease)/increase in receivables	(5,504)	597
(Decrease)/increase in trade and other payables	(975)	2,720
(Decrease)/increase in provisions	(2,426)	3,141
Increase/(decrease) in fees in advance	8,541	(8,216)
	(12,007)	**(1,758)**
Net cash flows from operating activities	(2,404)	1,226

7. Trade and other receivables

	2015 $'000	2014 $'000
Current		
Trade receivables (a)	5,491	3,516
Allowance for impairment loss	(632)	(33)
	4,859	**3,483**
Non-trade receivables (b)		
Other receivables	4,123	318
Prepayments	2,997	2,674
Total trade and other receivables	**11,979**	**6,475**
Non-current		
Non-trade receivables (c)		
Loan receivable	350	350
Provision for impairment	(350)	(350)
Net loan receivable	-	-

(a) Trade receivables are non-interest bearing and are generally on 30-day terms. A provision for impairment loss has been made for estimated irrecoverable trade receivables determined by assessment made by management when there is objective evidence that an individual trade receivable is impaired. A net impairment charge of $220,000 (2014: $36,000) has been recognised by the Entity in the current year. These amounts are included in the *Other expenses* line item in the *Statement of Profit or Loss and Other Comprehensive Income*.
Included in the Entity's trade receivables are debtors with a carrying amount of $2,514,000 (2014: $1,395,000) which were past due at the reporting date but not considered impaired as there has not been a significant change in credit quality and the Entity considers the amounts are still recoverable. The Entity does not hold any collateral over these balances.
All other balances within trade and other receivables do not contain impaired assets and are not past due. Based on the credit quality of these other receivables, it is expected that those amounts will be received when due.
The Entity has no receivables with renegotiated credit terms that would have been past due under the original terms and conditions.

(b) 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.

(c) The Entity, in conjunction with CPA Australia and the Institute of Public Accountants, has lent funds to the Association of Accounting Technicians (AAT) as agreed under a Memorandum of Understanding. The non-current loan to AAT is $350,000 before interest, which is charged monthly based on the 90-day bank bill rate plus 0.5%. Management has assessed the AAT loan, and an impairment provision was created for the entire amount. The first repayment instalment is due on 30 June 2016.

At 30 June, the ageing analysis of trade receivables is as follows:

	2015 $'000	2014 $'000
Neither past due nor impaired	**2,345**	**2,088**
Past due but not impaired:		
31 – 60 days	1,134	841
61 – 90 days	726	359
› 90 days	654	195
	2,514	**1,395**
Past due and impaired		
Current	21	-
31 – 60 days	-	-
61 – 90 days	-	-
› 90 days	611	33
	632	**33**
Total	**5,491**	**3,516**
Movements in the provision for impairment loss were as follows:		
Balance at beginning of financial year	33	27
Increase in provision due to amalgamation	434	-
Net charge for the year	220	36
Amounts written off	(55)	(30)
Balance at end of financial year	**632**	**33**

8. Property, plant and equipment

	2015 $'000	2014 $'000
Freehold property – at fair value	**55,387**	**56,200**
Furniture and equipment – at cost	4,905	5,210
Less accumulated depreciation	(3,638)	(3,573)
	1,267	**1,637**
Computer equipment – at cost	4,551	3,503
Less accumulated depreciation	(3,379)	(3,324)
	1,172	**179**
Fixtures and fittings on freehold premises – at cost	8,726	8,645
Less accumulated depreciation	(6,198)	(5,320)
	2,528	**3,325**
Fixtures and fittings on leasehold premises – at cost	7,570	4,222
Less accumulated amortisation	(2,815)	(2,175)
	4,755	**2,047**
Motor vehicles – at cost	104	94
Less accumulated depreciation	(98)	(94)
	6	**-**
Total property, plant and equipment	**65,115**	**63,388**

RECONCILIATIONS

Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:

	2015 $'000	2014 $'000
Freehold property		
Carrying amount at beginning of the financial year	56,200	48,000
Increment	–	9,010
Depreciation expense	(813)	(810)
	55,387	**56,200**
Furniture and equipment		
Carrying amount at beginning of the financial year	1,637	2,076
Acquired due to amalgamation	35	–
Additions	94	61
Disposals	(11)	(2)
Depreciation expense	(488)	(498)
Foreign exchange revaluation	–	–
	1,267	**1,637**
Computer equipment		
Carrying amount at beginning of the financial year	179	456
Acquired due to amalgamation	656	–
Additions	1,032	41
Disposals	–	(1)
Depreciation expense	(639)	(317)
Foreign exchange revaluation	(56)	–
	1,172	**179**
Fixtures and fittings on freehold premises		
Carrying amount at beginning of the financial year	3,325	3,726
Additions	81	431
Depreciation expense	(878)	(832)
	2,528	**3,325**
Fixtures and fittings on leasehold premises		
Carrying amount at beginning of the financial year	2,047	2,475
Acquired due to amalgamation	3,385	–
Additions	191	10
Disposals	–	(1)
Depreciation expense	(652)	(437)
Foreign exchange revaluation	(216)	–
	4,755	**2,047**
Motor vehicles		
Carrying amount at beginning of the financial year	–	7
Acquired due to amalgamation	11	–
Depreciation expense	(4)	(7)
Foreign exchange revaluation	(1)	–
	6	**–**

RECONCILIATIONS (CONTINUED)

Total		
Carrying amount at beginning of the financial year	63,388	56,740
Acquired due to amalgamation (refer to Note 25)	4,087	–
Additions	1,398	543
Increment in freehold property	–	9,010
Disposals	(11)	(4)
Depreciation expense	(3,474)	(2,901)
Foreign exchange revaluation	(273)	–
Carrying amount at end of the financial year	**65,115**	**63,388**

(A) MOTOR VEHICLES

Motor vehicles are either provided to certain senior staff in accordance with approved employment arrangements or purchased for marketing purposes.

(B) VALUATION TECHNIQUES, INPUTS AND PROCESSES

The fair value of freehold property is a directors' valuation and has taken into account an impairment test, prior year's McGees Property (NSW) Pty Ltd's valuation and updated market conditions.

The valuation technique for freehold property and the inputs used in fair value measurement are disclosed in the table below:

Valuation technique	Key inputs
Market approach – Land is valued based on comparable property sales transactions from McGees' prior year valuation report and management's updated assessment of valuation parameters. **Depreciated replacement cost (DRC)** – Building is valued based on a DRC. DRC is the current replacement cost of an asset less accumulated depreciation calculated on the basis of such cost to reflect the already consumed or expired economic benefit, or obsolescence of the asset.	• Comparable property sales values • Allowance for location, topography, construction, age, condition and size • Observation of relevant market conditions during the year and as at the time of valuation

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

(C) FAIR VALUE HIERARCHY

The entire freehold property amount is categorised as Level 3 in the fair value hierarchy, as the adjustments made to the observable data of comparable properties are considered significant and require judgment to be exercised by the directors.

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

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total fair value $'000
2015				
Freehold property	–	–	55,387	55,387
	–	–	55,387	55,387
2014				
Freehold property	–	–	56,200	56,200
	–	–	56,200	56,200

(D) RECONCILIATION OF LEVEL 3 FAIR VALUE MEASUREMENTS

The entire freehold property amount is categorised as Level 3 in the fair value hierarchy. There were no transfers between the different levels of the fair value hierarchy during the current or previous financial year.

(E) SENSITIVITY ANALYSIS ON UNOBSERVABLE INPUTS

Unobservable inputs	Sensitivity of fair value measurement to changes in unobservable inputs
Positive and negative adjustments for location, topography, construction, age, condition, and size. These adjustments are made by the directors. The cumulative net impact of these adjustments are -11.4% to 10.0% of the total value of the freehold property.	Significant increases in the positive adjustments or decreases in the negative adjustments would result in a higher fair value of freehold property. Significant decreases in the positive adjustments or increases in the negative adjustment would result in a lower value of freehold property.

9. Intangibles

	2015 $'000	2014 $'000
Computer software	10,555	5,763
Less accumulated amortisation	(5,865)	(4,401)
	4,690	**1,362**
Reconciliation of Intangibles		
Carrying amount at beginning of the financial year	1,362	1,684
Acquired due to amalgamation	1,435	–
Additions	3,464	611
Disposals	–	–
Amortisation	(1,481)	(933)
Foreign exchange revaluation	(90)	–
Carrying amount at end of the financial year	**4,690**	**1,362**

10. Capital work-in-progress

	2015 $'000	2014 $'000
Capital work-in-progress	1,917	–

Capital work-in-progress includes software undergoing development and uncompleted building works. The amounts are expected to be ready for completion in the next financial year.

11. Fees in advance

	2015 $'000	2014 $'000
Members' fees	36,119	27,946
Chartered Accountants Program and training course fees	8,063	7,463
Other	423	655
	44,605	**36,064**

12. Trade and other payables

	2015 $'000	2014 $'000
Current		
Trade payables	4,715	4,759
Other payables	1,340	2,531
Lease liabilities	297	144
	6,352	**7,434**
Non-current		
Lease liabilities	1,717	1,610
	1,717	**1,610**

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed to the Entity. Payables are normally settled on 30-day terms and no interest is incurred on these payables.

13. Provisions

	2015 $'000	2014 $'000
Current		
Employee entitlements	4,573	6,844
	4,573	**6,844**
Non-current		
Employee entitlements	405	593
Leasehold make good provision	486	453
	891	**1,046**

14. Reserves and accumulated surpluses

NATURE AND PURPOSE OF RESERVES

The property revaluation reserve is used to record increments and decrements in the value of the property. The reserves are not distributable to members under the terms of the Supplemental Royal Charter of the Entity.

Movements in reserves:

	2015 $'000	2014 $'000
Amalgamation reserve		
Balance at beginning of the financial year	–	–
Increase due to amalgamation (refer Note 25)	6,078	–
Balance at end of the financial year	**6,078**	**-**
Foreign currency translation reserve		
Balance at beginning of the financial year	–	–
(Decrement) on foreign currency translation of foreign operations	(464)	
Balance at end of the financial year	**(464)**	**-**
Property revaluation reserve		
Balance at beginning of the financial year	16,397	7,387
Increment on revaluation of property (refer Note 8)	–	9,010
Balance at end of the financial year	**16,397**	**16,397**
Movements in accumulated surpluses:		
Balance at beginning of the financial year	48,092	47,594
Surplus after tax	6,194	498
Balance at end of the financial year	**54,286**	**48,092**

15. Commitments

	2015 $'000	2014 $'000
Operating leases – New Zealand and state branch office space		
Within one year	3,985	2,597
After one year but not later than five years	9,903	7,579
More than five years	713	1,356
	14,601	**11,532**
The leases are all non-cancellable operating leases.		
Expenditure commitments		
Within one year	892	1,325
After one year but not later than five years	1,263	2,469
More than five years	–	294
	2,155	**4,088**

Expenditure commitments relate to the Entity's IT software licence fees, subscriptions and contributions to universities for research.

ACCOUNTING PROFESSIONAL & ETHICAL STANDARDS BOARD (APESB)

The Entity, in conjunction with CPA Australia and the Institute of Public Accountants, contributes funds to the APESB as agreed under a Memorandum of Agreement. The Entity expects to contribute an amount of $463,150 (2015: $461,260) during the 2016 financial year.

16. Contingent liabilities

	2015 $'000	2014 $'000
Indemnities for bank guarantees to the lessors of premises occupied under operating leases	1,056	1,033

17. Auditor's remuneration

	2015 $	2014 $
Audit of financial statements	275,000	175,831
Other services:		
Consulting costs	132,528	315,365
Other services	400	567
	132,928	**315,932**

The auditor also provided audit services to the Chartered Accountants Benevolent Foundation Limited, Chartered Accountants Scholarship Fund and the Chartered Accountants Necessitous Circumstances Fund on an honorary basis.

18. Unlisted shares in other entities

The Entity has an interest in the following corporations:

Name of corporation	Country of incorporation	Percentage of ownership 2015	2014
ICAA Nominees Pty Limited	Australia	100%	100%
Chartered Accountants Benevolent Foundation Limited	Australia	100%	100%
Chartered Accountants Australia and New Zealand (Singapore) Private Limited	Singapore	100%	–
Chartered Accountants Australia and New Zealand (Hong Kong) Limited	Hong Kong	100%	–
CAANZ (UK) Limited	United Kingdom	100%	

ICAA Nominees Pty Limited was deregistered on 10 August 2014 and was previously a dormant entity.

The Entity controls New Zealand Institute of Chartered Accountants as it has ability to use its power to affect the amount of return from this Entity.

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

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

Chartered Accountants Australia and New Zealand (Singapore) Private Limited, Chartered Accountants Australia and New Zealand (Hong Kong) Limited, CAANZ (UK) Limited and New Zealand Institute of Chartered Accountants have not been consolidated as they are immaterial to the Entity's results.

Refer to Note 25 for details of the amalgamation between NZICA and the Entity.

19. Employee entitlements and superannuation arrangements

The aggregate employment liability is comprised of:

	2015 $'000	2014 $'000
Accrued wages, salaries and on-costs	977	1,469
Provisions (current)	4,573	6,844
Provisions (non-current)	405	593
	5,955	8,906

20. Financial instruments

FAIR VALUES

The estimated net fair values of financial assets and liabilities held at balance date are represented by their carrying amounts. The net fair value of a financial asset or liability is the amount at which the asset could be exchanged or the liability settled in a current transaction between willing parties after allowing for transaction costs.

Financial assets and liabilities by categories:

	Notes	Total $'000	Loans and receivables measured at amortised cost $'000	Financial liabilities measured at amortised cost $'000
2015				
Current financial assets				
Cash and cash equivalents	6	50,734	50,734	–
Trade receivables	7	4,859	4,859	–
Other receivables	7	4,123	4,123	–
Total current financial assets		**59,716**	**59,716**	**–**
Total financial assets		**59,716**	**59,716**	–
Current financial liabilities				
Trade and other payables	12	(6,352)	–	(6,352)
Non-current financial liabilities				
Trade and other payables	12	(1,717)	–	(1,717)
Total financial liabilities		**(8,069)**	–	**(8,069)**
Net financial assets/(liabilities)		**51,647**	**59,716**	**(8,069)**
2014				
Current financial assets				
Cash and cash equivalents	6	46,262	46,262	–
Trade receivables	7	3,483	3,483	–
Other receivables	7	318	318	–
Total current financial assets		**50,063**	**50,063**	**–**
Total financial assets		**50,063**	**50,063**	–
Current financial liabilities				
Trade and other payables	12	(7,434)	–	(7,434)
Non-current financial liabilities				
Trade and other payables	12	(1,610)	–	(1,610)
Total financial liabilities		**(9,044)**	–	**(9,044)**
Net financial assets/(liabilities)		**41,019**	**50,063**	**(9,044)**

21. Related party transactions

The Entity made payments of a nature detailed below to certain parties, including partners or employees of director-related entities. The payments were made to all parties on the same terms and conditions:

- gifts and fees to guest speakers at Training & Development events
- author, group leader, reviewer, exam setting and exam marking fees in respect of the Chartered Accountants Program modules
- reviewer fees in respect of the Quality and Practice Review Programme.

The Entity also received fees from certain parties, including director-related entities. The fees were received from all parties under the same terms and conditions. The fees include registration fees for attendance at training and development events, fees in respect of enrolment of students in Chartered Accountants Program modules, the Quality and Practice Review Programme, fees in respect of attendances at networking functions and membership subscriptions.

The following table provides the total amount of transactions that were entered into with director-related entities for the relevant financial year.

All the following transactions were carried out on normal terms and conditions during the year:

Director	Director-related entity	Transaction detail and terms	2015	2014
			$'000	$'000
M Jack FCA	Deloitte Touche Tohmatsu	Professional services and consulting	166	9
M Waldron FCA	PricewaterhouseCoopers	Presentation of educational courses, contributions and consultancy fees	94	154
D Scammell FCA	KPMG	Consulting, presentation of educational courses and exam supervision fees	33	3
B Miels FCA	Edwards Marshall Pty Ltd	Consulting	2	-
P Green FCA	University of QLD	Sponsorship and donation	8	-
L McCann FCA	Grant Thornton	Internal audit services and presentation of education courses	52	67
D McKay FCA	Genesis Energy NZ	Electricity	8	-

The Entity 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.

22. Director and executive disclosures

(A) DETAILS OF KEY MANAGEMENT PERSONNEL

(i) Directors

M Jack FCA	Appointed 15 December 2014
F Hutchings FCA	Appointed 15 December 2014
A Waters FCA	
M Blake FCA	
M Forde FCA	
M Waldron FCA	
N Paviour-Smith FCA	Appointed 15 December 2014
D McKay	Appointed 15 December 2014
L McCann	Appointed 15 December 2014
M Ashton FCA	Retired 15 December 2014
D Scammell FCA	Retired 15 December 2014
D Robjent FCA	Retired 15 December 2014
P Green FCA	Retired 15 December 2014
B Miels FCA	Retired 30 June 2015

(ii) Executives*

L White FCA	Chief Executive Officer	
K Picard FCA	Chief Financial Officer	
R Ward FCA	Head of Leadership and Advocacy	
J Dale FCA	Head of Education	
S Grant FCA	Head of Members	
L Morta	Chief Information Officer	
J Abbott	Head of People and Culture	
K Patterson	New Zealand Country Head	Appointed 1 January 2015

*Executives are classified as the Chief Executive Officer and their Strategic Leadership Team (SLT) who are the authorised decision makers for the organisation.

(B) COMPENSATION OF KEY MANAGEMENT PERSONNEL

(i) Compensation policy

Remuneration of the directors and Senior Leadership Team is determined and approved by the Executive Remuneration Committee, which assists the Board. The Executive Remuneration Committee also reviews remuneration levels for all employees. The Committee is appointed by the Board and comprises three members of the Board (currently Michael Forde (Chair), Murray Jack and Mary Waldron). 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 Committee.

To ensure equity in our remuneration decisions the Entity uses salary bands to establish remuneration ranges for jobs of similar value. The Entity 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 the Entity aims to remain competitive and positioned appropriately for the scope and size of its operations.

The approach to determining the fee for directors and office bearers uses external market data and the benchmarks approved by the Chartered Accountants Australia and New Zealand Council as follows:

- Director: Benchmark data to be utilised.
- Audit and Risk Chair: Benchmark data to be utilised.
- Chair: Benchmark set at two times director fees.
- President: Benchmark set at 1.2 times Chair's fee.

(ii) Compensation of directors and executives for the year

	2015 $'000	2014 $'000
Compensation by category		
Short-term benefits	3,792	2,503
Other long-term benefits	-	-
Termination benefits	-	-
	3,792	**2,503**

The number of directors whose remuneration falls within the following bands is:	2015 number	2014 number
$0 – $29,999	5	1
$30,000 – $59,999	6	7
$60,000 – $89,999	2	2
$90,000 – $99,999	1	-
$100,000 – $119,999	-	1
$120,000 – $149,999	-	-
$150,000 – $159,999	-	1

The number of executives whose remuneration falls within the following bands is:	2015 number	2014 number
$0–$99,999	-	1
$100,000–$149,999	-	2
$150,000–$199,999	1	2
$200,000–$249,999	1	-
$250,000–$299,999	-	-
$300,000–$349,999	1	1
$350,000–$399,999	1	-
$400,000 - $449,999	3	-
$450,000 - $749,999	-	-
$750,000 - $799,999	-	1
$800,000 - $849,999	1	-

(iii) Loans to key management personnel

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

(iv) Other transactions with key management personnel and their personally related entities

There are no other transactions with key management personnel or their personally related entities.

23. Indemnification of directors and officers

The By-laws of the Entity indemnify the directors and officers, and provide that each director and officer:

- shall be indemnified against any losses or expenses that such a director or officer incurs or becomes liable to pay by reason of any act or deed done by the director or officer in the discharge of that director's or officer's duties, except to the extent that such act or deed arises from the director's or officer's own wilful default
- shall not be liable for the acts of any person or for joining in any receipt or document or for any act of conformity or for any loss or expense happening to the Entity unless it arises from the director's or officer's own wilful default.

24. Members and members' liability

Total membership increased to 95,008 as of 30 June 2015 (2014: 63,683), predominantly due to the amalgamation with NZICA on 31 December 2014 and organic net membership growth in Australia and New Zealand.

In terms of the Entity's Charter and By-laws:

- members are not entitled to receive a dividend from the Entity
- members who cease to be members remain liable to the Entity for all monies which at the time of ceasing to be a member were due by that member to the Entity.

25. Amalgamation

On 31 December 2014 NZICA transferred all its assets and liabilities to the Entity as part of the amalgamation, which both entities' members voted in favour of. The amalgamation enables the Entity to achieve greater scale, increased member services, accelerated member growth, and a greater global recognition and influence.

The fair value of the identifiable assets and liabilities of NZICA as at the date of acquisition were:

	Fair value on acquisition date $'000
Cash and cash equivalents	12,199
Receivables and other assets	2,996
Property plant and equipment	4,087
Intangible assets	1,435
Total assets	**20,717**
Fees in advance	10,928
Payables and other liabilities	2,632
Provisions	1,079
Total liabilities	**14,639**
Total identifiable net assets at fair value	**6,078**

The fair value amounts represent the price that would be received to sell an asset or paid to transfer the liability in an orderly transaction in the principal market at the acquisition date.

The gross amount of trade receivables is $1,779,000. The fair value of trade receivables amounted to $1,345,000, which is the amount expected to be collected and within the $2,996,000 receivables and other assets amount shown above. The difference between the gross amount of trade receivables and fair value of trade receivables represents the expected doubtful debts..

The valuation technique used for plant and equipment was market comparison – where the value of plant and equipment was considered against prices for similar items in similar age and condition.

Intangible assets represent software and licences. The valuation technique used for intangible assets was market comparison and the value of the intangible asset was considered against prices for similar intangible assets with similar functionality and useful lives.

There was no consideration paid or payable to NZICA or the members of NZICA in respect of the amalgamation. Instead, members of NZICA were provided equal membership rights in the Entity on acquisition date. As both the Entity and NZICA are not-for-profit organisations and members do not have rights to distribution of profits, the value of the Entity's membership rights are deemed to be equivalent value of the fair value of net assets received on acquisition date. Hence, there was no goodwill or gain on amalgamation.

26. Events after the reporting period

On 6 August 2015 Justice Dobson released his judgement on a case regarding alleged defamation from NZICA against CPA Australia and found that the claims of defamation could not be substantiated as there was no evidence to show pecuniary loss by CPA Australia.

Apart from the above mentioned event, there has not arisen in the interval between the end of the financial year and the date of this *Financial Report* any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Entity, to affect significantly the operations of the Entity or the state of affairs of the Entity in future financial years.

Directors' declaration

The directors of Chartered Accountants Australia and New Zealand declare that the financial statements and notes set out on pages 83 to 116, which have been prepared as required under the By-laws of the Entity:

(a) comply with Australian Accounting Standards and other mandatory professional reporting requirements
(b) present fairly the financial position of the Entity as at 30 June 2015 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 Entity will be able to pay its debts as and when they become due and payable.

M Jack FCA
Director

M Blake FCA
Director

Sydney, 15 October 2015

EY
Building a better working world

Independent auditor's report to the members of Chartered Accountants Australia and New Zealand

We have audited the accompanying financial report of Chartered Accountants Australia and New Zealand ("CA ANZ"), which comprises the consolidated statement of financial position as at 30 June 2015, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

Independence

In conducting our audit we have complied with the independence requirements of the Australian professional accounting bodies.

Opinion

In our opinion:

(a) the financial report presents fairly, in all material respects, the consolidated financial position of Chartered Accountants Australia and New Zealand as of 30 June 2015 and of its consolidated financial performance and consolidated cash flows for the year then ended in accordance with Australian Accounting Interpretations; and

(b) the financial report also complies with Australian Accounting Standards (including the Australian Accounting Interpretations) as issued by the Australian Accounting Standards Board.

Ernst & Young

Ernst & Young

Meredith Scott

Meredith Scott FCA
Partner

Sydney, 15 October 2015

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thank you!

Thanks for being part of our success this year.
If you have any feedback on this report, please get in touch.

annualreport@charteredaccountantsanz.com

CHARTERED ACCOUNTANTS
AUSTRALIA + NEW ZEALAND