Consolidated financial report

for the year ended 30 June 2020

Financial commentary

Principal Activities

The principal activities of Chartered Accountants Australia and New Zealand (CA ANZ) are:

- to act as a membership body that represents and advocates for members globally in the legislative, regulatory and public policy arena;
- to serve as a registered high education provider that sets entry requirements to the profession through delivering the CA Program;
- to provide post admission education and related continuing professional development services to members and the broader business community including through delivering member events and conferences;
- to act as a conduct regulator in Australia and the regulator of the profession in New Zealand by setting a code of ethics and regulations for the standard of behaviour of the profession to maintain 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 for the period was $2.3m. Revenues and other income increased by $2.7m compared with 2019 and expenses increased by $0.6m.

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 that in prior years has seen consistent gains in value. In the current period, a property revaluation decrement of $9.1m ($6.4m after tax) has been recognised in *Other comprehensive income in the Consolidated Statement of Changes in Equity.*

Impact of COVID-19

CA ANZ generates the majority of its revenue and cash from member subscriptions and fees for services. These are collected at the beginning of the financial year so were not materially impacted by the economic impact of COVID-19. Revenue and cash inflows from the CA program and other member services take place throughout the year and were sustained during COVID-19 with CA ANZ pivoting to the delivery of its programs and events on-line.

A cost mitigation plan was put in place during the second half of the financial year to manage cash flow closely during COVID-19 including less travel, limited face to face events and meetings, reduced office running costs, recruitment and discretionary expenses with the executive team voluntarily relinquishing their eligibility to 2020 variable remuneration and the Directors voluntarily reduced their Q4 2020 fees by 20%. These mitigations were offset by some investment required to support our members in a holistic way through the delivery of the CA Program, learning and events online, establishing a COVID-19 member hub with new tools, support services and content, offering the quarterly subscriptions option and an extended period of working at home for CA ANZ employees.

Cash was closely monitored during the period and the combination of revenue and cost mitigation maintained CA ANZ's strong cash position.

Statement of Profit or Loss and Other Comprehensive Income

CA ANZ generated a surplus before tax of $2.3m for the year (2019: $0.1m). Total revenue and other income rose by 2.0% to $141.0m, while expenditure increased by 0.4% to $138.8m. *Other comprehensive deficit* of $5.9m includes the freehold property devaluation of $9.1m with offsetting tax impact of $2.7m, and an exchange difference on translation of foreign operations of $0.5m.

Revenue and Expenditure

The increase in revenue and other income of $2.7m compared with 2019 is attributable to:

- An increase in membership revenue of $3.9m with net member growth of 2.3% contributing $1.3m while an increase in annual membership subscription fees for the 2019-20 year generated an additional $2.6m.
- An increase in CA program revenues of $1.0m primarily due to a 26% increase in enrolments in Foundations generating a $0.6m increase, an increase in CA Study Masterclass enrolments contributing $0.4m with CA program revenues flat.
- A reduction in all other revenue and other income of $2.2m primarily due to the impact of COVID-19 on a reduced number of events during the last quarter and the prices charged for the events.

The increase in expenditure of $0.6m compared with 2019 is attributable to:

- An increase in employee costs of $5.6m due to general salary increases of $1.4m for the year, full year impact of prior year hires largely in member services and education of $3.4m and impact of current year hires of $0.8m. In response to the COVID-19 pandemic, the executive team voluntarily relinquished their eligibility to 2020 variable remuneration and the Directors voluntarily reduced their Q4 2020 fees by 20%.
- An increase of $1.1m in expected credit loss, of which $0.5m was allowed for the impact of COVID-19.
- An increase in other expenses of $1.4m.
- Offset by:
  - A decrease in member services and education related costs of $1.5m primarily related to COVID-19 restricting the delivery of events by the normal channels which required venue hire and catering.
  - A decrease in marketing and advertising of $2.5m primarily related to the branding campaign in Q4 2019 not being repeated in FY20.
  - A decrease in travel and accommodation services of $2.2m primarily related to COVID-19 travel restrictions in the latter half of 2020.
  - A net decrease of $1.3m in all other expenditure categories.

Statement of Financial Position

Net assets decreased by $2.6m over 2019 due to:

- Net revaluation reserve decreases on Erskine Street property of $6.4m (revaluation decrement of $9.1m offset by tax of $2.7m). This compares to a revaluation increment of $18.7m in 2019.
- Offset by:
  - Surplus for operating activities before tax of $2.3m.
  - Tax benefit of $1.0m.
  - Increase in foreign currency translation reserve of $0.5m due to the weakening of the New Zealand dollar.

Assets

Cash and cash equivalents increased from $76.5m to $84.3m during the year placing CA ANZ in a strong financial position to fund ongoing operations and projects planned for the coming years. Short term deposits due for roll over were paused in June 2020 whilst the cash impact of the new quarterly subscriptions payment option was being assessed.

The significant decrease in property, plant and equipment of $10.8m was driven by the revaluation of the Erskine Street property of $9.1m, depreciation of $2.3m offset by capital expenditure of $0.6m.

- The right-of-use asset decreased by $3.0m with $3.2m of depreciation on existing leases, foreign exchange of $0.2m offset by the addition of new office space in New Zealand of $0.4m.

Intangible assets and capital work-in-progress increased by $2.5m primarily from an increase of $3.9m for work in progress, largely driven by development of the CA Program of the future, offset by continued amortisation of $1.4m.

Trade and other receivables increased by $4.5m due to the balance outstanding for members taking up the quarterly option to pay their 2021 annual subscriptions, offset by the increased expected credit loss.

Liabilities

Contract Liability – fees in advance of $93.0m includes Members' subscription fees, Membership application fees and course fees. $63.6m relates to subscriptions received from members as at 30 June 2020 for services that will be delivered in the 2020-21 financial year. The amounts received are not expected to be refunded and will be recognised as revenue in the financial year ending 30 June 2021. The increase of $8.7m from 2019 relates to net member growth of 2.3% and 11% more members renewing by 30 June 2020. Application fees that are recognised over 25 years increased by $1.0m due to AASB 15 *Revenue from Contracts with Customers*.

Trade payables remained relatively static and increased by $0.3m, due to reduced spend as a result of COVID-19.

Lease liabilities decreased by $2.4m year on year due to lease payments of $3.9m, foreign exchange on translation $0.2m partially offset by interest of $1.3m and the addition of a new lease in New Zealand, under AASB 16 Leases, increasing the lease liabilities by $0.4m as at 30 June 2020.

The net deferred tax liability has decreased by $3.8m due to the property revaluation decrement and the tax benefit for the year.

Cash Flow and Liquidity

At balance date cash and cash equivalents were $84.3m. Total Current Assets exceeded total Current Liabilities by $7.0m as at balance date.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2020

	Notes	2020 $'000	2019 $'000
Member subscriptions and fees	3	80,851	76,972
CA Programs revenue	3	40,936	39,907
Other member services revenue	3	16,617	18,516
Other revenue	3	306	281
Other income	4(a)	2,323	2,614
Total revenue and other income		**141,033**	**138,290**
Employee benefits and staff related costs	4(b)	(70,412)	(64,836)
Member services and education related costs	4(c)	(24,759)	(26,293)
Technology costs (excluding depreciation and amortisation)	4(d)	(11,474)	(11,261)
Depreciation and amortisation	4(e)	(6,931)	(8,058)
Finance costs	4(f)	(1,292)	(1,403)
Travel and accommodation		(2,863)	(5,045)
Rental and outgoings		(1,949)	(2,004)
Marketing and advertising		(3,573)	(6,083)
Professional accountancy bodies fees	4(g)	(2,406)	(2,390)
Office related expenses		(1,452)	(1,252)
Impairment of intangibles and work-in-progress	10	(15)	(156)
Consultants		(768)	(1,004)
Expected credit loss		(1,336)	(276)
Other expenses	4(h)	(9,538)	(8,152)
Total expenses		**(138,768)**	**(138,213)**
Surplus before tax		**2,265**	**77**
Tax benefit	5(a)(b)	1,040	484
Surplus after tax		**3,305**	**561**
Other comprehensive income			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		469	(431)
Items that will not be reclassified to profit or loss			
Fair value (decrement)/increment of freehold property		(9,086)	19,460
Tax expense relating to this item	5(c)	2,726	(5,838)
Total other comprehensive (expense)/income		**(5,891)**	**13,191**
Total comprehensive (deficit)/surplus for the year, net of tax		**(2,586)**	**13,752**

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Notes	2020 $'000	2019 $'000
Current assets			
Cash and cash equivalents	6	84,292	76,539
Trade and other receivables	7	19,819	15,342
Prepayments		6,326	5,604
Total current assets		**110,437**	**97,485**
Non-current assets			
Prepayments		-	2
Property, plant and equipment	8	95,703	106,533
Right-of-use asset	9	18,197	21,157
Intangible assets	10	4,867	2,368
Total non-current assets		**118,767**	**130,060**
Total assets		**229,204**	**227,545**
Current liabilities			
Contract liability – fees in advance	11	77,581	69,851
Trade and other payables	12	17,461	17,162
Provisions	13	5,677	4,854
Lease liabilities	9	2,693	2,510
Total current liabilities		**103,412**	**94,377**
Non-current liabilities			
Lease liabilities	9	18,368	20,920
Contract liability – fees in advance	11	15,461	14,528
Provisions	13	1,892	1,297
Net deferred tax liability	5(d)	6,713	10,479
Total non-current liabilities		**42,434**	**47,224**
Total liabilities		**145,846**	**141,601**
Net assets		**83,358**	**85,944**
Members' funds			
Amalgamation reserve	24(b)	6,078	6,078
Foreign currency translation reserve	24(b)	(77)	(546)
Revaluation reserve	24(b)	39,249	45,609
Accumulated surpluses		38,108	34,803
Total members' funds		**83,358**	**85,944**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2020

	Amalgamation reserve	Foreign currency translation reserve	Revaluation reserve	Accumulated surpluses	Total
	$'000	$'000	$'000	$'000	$'000
At 1 July 2019	**6,078**	**(546)**	**45,609**	**34,803**	**85,944**
Surplus after tax for the year	-	-	-	3,305	3,305
Other comprehensive income	-	469	(6,360)	-	(5,891)
Total comprehensive surplus/(deficit)	**-**	**469**	**(6,360)**	**3,305**	**(2,586)**
At 30 June 2020	**6,078**	**(77)**	**39,249**	**38,108**	**83,358**
At 1 July 2018	6,078	(115)	31,987	34,242	72,192
Surplus after tax for the year	-	-	-	561	561
Other comprehensive income	-	(431)	13,622	-	13,191
Total comprehensive surplus/(deficit)	**-**	**(431)**	**13,622**	**561**	**13,752**
At 30 June 2019	**6,078**	**(546)**	**45,609**	**34,803**	**85,944**

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 2020

	Notes	2020 $'000	2019 $'000
Cash flows from operating activities			
Receipts from members and customers		155,862	154,907
Payments to suppliers and employees		(135,020)	(132,076)
Net payment of GST		(5,227)	(4,861)
Interest on leases	9	(1,292)	(1,403)
Net cash flows from operating activities	6	**14,323**	**16,567**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		5	31
Payments for Intangible assets and capital work-in-progress	10	(3,969)	(579)
Payments for property, plant and equipment	8	(629)	(229)
Interest received		924	1,111
Net cash flows (used in) / from investing activities		**(3,669)**	**334**
Cash flows from financing activities			
Repayment of lease liabilities	9	(2,536)	(2,297)
Net cash flows used in financing activities		**(2,536)**	**(2,297)**
Net increase in cash and cash equivalents		8,118	14,604
Effects of exchange rate movement on cash and cash equivalents		(365)	493
Cash and cash equivalents at the beginning of the financial year		76,539	61,442
Cash and cash equivalents at the end of the financial year	6	**84,292**	**76,539**

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

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 2020 were authorised for issue in accordance with a resolution of Directors on 21 September 2020.

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:

- to act as a membership body that represents and advocates for members globally in the legislative, regulatory and public policy arena;
- to serve as a registered high education provider that sets entry requirements to the profession through delivering the CA Program;
- to provide post admission education and related continuing professional development services to members and the broader business community including through delivering member events and conferences;
- to act as a conduct regulator in Australia and the regulator of the profession in New Zealand by setting a code of ethics and regulations for the standard of behaviour of the profession to maintain 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.

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 8).

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.

A parent entity is an entity that controls one or more entities (subsidiaries). An investor controls another entity, and therefore is a parent entity, where the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power of the investee.

Inter-entity transactions and balances between the parent and subsidiaries are eliminated on consolidation. See note 17 for details of subsidiaries.

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

(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.

There are no new or amended Australian Accounting Standards and AASB 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 judgements, 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, including the impacts of COVID-19 on expected credit loss (note 7), made by management in the preparation of this financial report are described in the various notes:

- Contract Liability – fees received in advance – notes 3 and 11
- Depreciation and amortisation – notes 4, 8, 9 and 10
- Asset revaluations – note 8
- Asset impairments – notes 7, 8, 9 and 10
- Employee obligations – note 13
- Provisions – notes 7 and 13
- Leases – note 9

Other accounting policies are described in the notes.

3. REVENUE FROM CONTRACTS WITH CUSTOMERS

AASB 15 *Revenue from Contracts with Customers* ('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. The Group has adopted AASB 1058 *Income of Not-for-Profit Entities* that simplifies the income recognition requirements that apply to not-for-profit entities, in conjunction with AASB 15. This does not materially impact the presentation in the Group's financial statements.

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.

3. REVENUE FROM CONTRACTS WITH CUSTOMERS *(continued)*

Disaggregation of Revenue

2020	Member subscriptions & fees	CA Program revenues	Other member services revenue	Other income	Total
	$'000	$'000	$'000	$'000	$'000
Revenue from contracts with customers	80,851	40,936	16,617	306	138,710
Total	**80,851**	**40,936**	**16,617**	**306**	**138,710**
Timing of revenue recognition					
Point in time	589	-	12,534	306	13,429
Over time	80,262	40,936	4,083	-	125,281
Total	**80,851**	**40,936**	**16,617**	**306**	**138,710**

2019	Member subscriptions & fees	CA Program revenues	Other member services revenue	Other income	Total
	$'000	$'000	$'000	$'000	$'000
Revenue from contracts with customers	76,972	39,907	18,516	281	135,676
Total	**76,972**	**39,907**	**18,516**	**281**	**135,676**
Timing of revenue recognition					
Point in time	312	-	12,767	281	13,360
Over time	76,660	39,907	5,749	-	122,316
Total	**76,972**	**39,907**	**18,516**	**281**	**135,676**

3. REVENUE FROM CONTRACTS WITH CUSTOMERS *(continued)*

Accounting Policies

(I) Member subscriptions & fees

The Group's membership subscription year is 1 July to 30 June, with fees payable annually. Where membership services are provided throughout the financial year, those member fee receipts that are attributable to the current financial year are recognised as revenue over time.

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 Contract liabilities – fees in advance*.

Application fees

The Group receives non-refundable 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.

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 *Contract liabilities – fees in advance*.

(II) CA Program revenues

The group receives fees for enrolments in CA Program modules throughout the year. The CA Program is the professional qualification provisional members are required to complete (along with mentored practical experience) to make them eligible to apply to become a full member. Modules are offered over three terms and CA Program revenue is recognised over the duration of the terms in line with the delivery of the performance obligations for this revenue stream.

CA Study Masterclass is a complementary study programme to assist candidates who are completing the CA Program. Revenue is recognised over time in line with the delivery of the performance obligations for this revenue stream.

CA Foundations provides potential CA Program candidates the opportunity to undertake study in one or more of the prerequisite competency areas to be eligible to enrol in the CA Program. Revenue is recognised over time in line with the delivery of the performance obligations for this revenue stream.

CA Program revenues beyond the current financial year are shown, (excluding any applicable taxes), in the *Consolidated Statement of Financial Position*, under the headings of Current liabilities as *Contract liabilities – fees in advance*.

(III) Other revenue generating activities

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

Activity	Revenue recognised
Training and development courses	Over time and Point in time
Practice Review program	Over time
Acuity magazine	Point in time
Conferences	Point in time
Student activities	Over time
Other Admissions programs	Over time

(IV) 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 at the point in time the performance obligation has been satisfied.

(V) 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.

4. OTHER INCOME AND EXPENSE ITEMS

(I) Income

	2020 $'000	2019 $'000
(a) Other income		
Rent	1,404	1,525
Interest	919	1,089
Total	**2,323**	**2,614**

(II) Expenses

	2020 $'000	2019 $'000
(b) Employee benefits and staff related costs		
Salaries, wages and on-costs	67,944	61,736
Director fees[1]	748	627
Staff training	428	1,062
Other staff related costs	1,292	1,411
Total	**70,412**	**64,836**
(c) Member services and education related costs		
Venue hire and catering	7,153	8,349
Admission Programs authors, presenters and facilitator costs	5,239	5,203
Examinations, printing & materials costs	4,920	5,175
Acuity production and distribution costs	2,650	2,516
Lifelong Learning authors, presenters and facilitator costs	1,117	1,555
Practice Review reviewer costs	753	1,026
Professional Conduct costs	680	505
Other costs	2,247	1,964
Total	**24,759**	**26,293**

1 The director's fees for FY20 includes the Vice Presidents fees to reflect their participation in the board for this period.

4. OTHER INCOME AND EXPENSE ITEMS *(continued)*

	2020 $'000	2019 $'000
(d) Technology costs (excluding depreciation and amortisation)		
Technology maintenance and software agreement costs	6,829	6,483
Communication costs	974	881
Other technology costs	3,671	3,897
Total	**11,474**	**11,261**
(e) Depreciation and amortisation		
Depreciation of property, plant and equipment	2,331	2,596
Depreciation of right-of-use assets	3,159	3,135
Amortisation of software	1,441	2,327
Total	**6,931**	**8,058**
(f) Finance costs		
Interest on lease liability	1,292	1,403
Total	**1,292**	1,403
(g) Professional Accountancy Bodies fees		
International Federation of Accountants (IFAC)	1,344	1,347
Accounting Professional & Ethical Standards Board (APESB)	513	492
Other	549	551
Total	**2,406**	**2,390**
(h) Other expenses		
Professional Standards Council fee	1,605	1,478
Merchant fees	1,193	1,299
Legal fees	1,737	1,835
Other[1]	5,003	3,540
Total	**9,538**	**8,152**

1 Includes external services, accounting and audit fees, subscriptions, insurances and foreign currency gains/losses.

4. OTHER INCOME AND EXPENSE ITEMS *(continued)*

(III) Interest income

Interest income on deposits is recognised on an accruals basis.

(IV) 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 13 for employee benefit expenses.
- **Depreciation**
  See notes 8 & 9 for depreciation expenses.
- **Amortisation**
  See note 10 for amortisation expenses.
- **Impairment**
  See notes 7, 8, 9 & 10 for impairment expenses.

5. INCOME TAX

	2020 $'000	2019 $'000
(a) Income tax expense / (benefit)		
The major components of income tax are:		
Current income tax benefit	-	-
Deferred tax	(1,040)	(484)
Aggregate income tax benefit	**(1,040)**	**(484)**
(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	2,265	77
Prima Facie tax expense at the rate of 30% (2019: 30%)	680	23
Adjustments in respect of current income tax of previous years	(841)	(13)
Restatement in respect of Deferred taxes (change in Mutuality %)	152	456
Entertainment, non-deductible donations, other permanent differences	19	26
Effect of tax rate in foreign jurisdiction	13	68
Effect of mutual activities (adjusted for specifically assessable/deductible items)	(2,370)	(855)
Timing differences for NZ Branch not recognised	1,307	(108)
Utilisation of previously unrecognised losses	-	(81)
Income tax benefit	**(1,040)**	**(484)**

5. INCOME TAX *(continued)*

	2020 $'000	2019 $'000
(c) Income tax expense recognised in other comprehensive income		
Deferred tax expense arising from fair value measurement of freehold property	**(2,726)**	**5,838**
(d) Movement in deferred tax (liabilities)/assets relate to the following:		
Assets		
Deferred tax on losses	9,261	8,500
Provisions and other liabilities	666	246
Lease liabilities	244	351
Intangible assets	61	82
Property, plant and equipment	40	56
Other assets	40	143
	10,312	**9,378**
Liabilities		
Revaluation of freehold property to fair value	(16,821)	(19,547)
Right of use assets	(204)	(310)
Net deferred tax liabilities	**(6,713)**	**(10,479)**
Reconciliation of deferred tax liabilities (net)		
Carrying amount at start of financial year	(10,479)	(5,125)
Tax benefit during the period recognised in profit and loss	1,040	484
Tax expense during the period recognised in other comprehensive income	2,726	(5,838)
Carrying amount at end of financial year	**(6,713)**	**(10,479)**

5. INCOME TAX *(continued)*

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 2020 the Group has recognised a net deferred tax liability of $6,713,000 (2019: $10,479,000).

At balance date, unrecognised additional accumulated revenue tax losses of $4,233,297 (2019: $3,178,475) 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.

6. CASH AND CASH EQUIVALENTS

	2020 $'000	2019 $'000
Cash at bank and on hand	84,292	45,489
Short-term deposits	-	31,050
	84,292	**76,539**

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.

6. CASH AND CASH EQUIVALENTS *(continued)*

Reconciliation of surplus after tax to cash flows from operating activities

		2020	2019
		$'000	$'000
Surplus after tax		3,305	561
Adjustments:			
Depreciation of property, plant and equipment	8	2,331	2,596
Amortisation of intangible assets	10	1,441	2,327
Impairment of intangibles and capital work-in-progress	10	15	156
Depreciation of right-of-use asset	9	3,159	3,135
Interest receivable		(924)	(1,111)
Income tax	5	(1,040)	(484)
Net foreign currency revaluation		853	310
		5, 835	**6,929**
Changes in working capital:			
(Decrease)/increase in net receivables and prepayments	7	(5,197)	(3,094)
Increase in trade and other payables	12	299	4,436
(Decrease)/increase in provisions	13	1,418	(772)
Increase in fees in advance	11	8,663	8,507
		5,183	**9,077**
Net cash flows from operating activities		**14,323**	**16,567**

7. TRADE AND OTHER RECEIVABLES

	2020 $'000	2019 $'000
Current		
Trade receivables	21,632	15,803
Allowance for expected credit loss	(2,182)	(846)
	19,450	**14,957**
Non-trade receivables / prepayments		
Other receivables	369	385
Total trade and other receivables	**19,819**	**15,342**

The loss allowance as at 30 June 2020 and 30 June 2019 was determined as follows for both trade receivables and contract assets (in $'000):

30 June 2020	**Current (not past due)**	**30 to 90 days past due**	**91 to 180 days past due**	**181 to 270 days past due**	**271 to 365 days past due**	**More than 365 days past due**	**Total**
Expected loss rate	0.1%	3.9%	15.6%	26.6%	55.2%	83.6%	
Gross carrying amount – trade receivables	16,738	1,192	544	412	1,303	1,443	21,632
Loss allowance	14	47	85	110	719	1,207	2,182

30 June 2019	**Current (not past due)**	**30 to 90 days past due**	**91 to 180 days past due**	**181 to 270 days past due**	**271 to 365 days past due**	**More than 365 days past due**	**Total**
Expected loss rate	0.0%	0.8%	2.9%	16.6%	30.9%	53.5%	
Gross carrying amount – trade receivables	11,233	2,030	520	544	294	1,182	15,803
Loss allowance	0	17	15	91	91	632	846

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. COVID-19 has negatively impacted the expected collectability of trade receivables, $0.5m has been reflected in the forward-looking factors.

Trade receivables are non-interest bearing and are generally on 30-day terms.

A provision for expected credit loss of $2,182,000 (2019: $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 Financial Instruments*.

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.

The Group has receivables relating to the 2021 annual membership subscription renewal, where members have chosen a quarterly instalment payment option that was not offered in the prior year.

8. 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 2019	100,900	3,892	2,391	9,537	9,232	145	126,097
Additions	-	137	348	144	-	-	629
Disposals	(9)	(453)	-	(31)	-	-	(493)
Revaluation decrement	(9,891)	-	-	-	-	-	(9,891)
Net foreign currency revaluation	–	(1)	(1)	(2)	(29)	(1)	(34)
At 30 June 2020	**91,000**	**3,575**	**2,738**	**9,648**	**9,203**	**144**	**116,308**
Depreciation and impairment							
At 1 July 2019	-	(3,303)	(2,069)	(9,145)	(4,940)	(107)	(19,564)
Depreciation charge	(809)	(166)	(252)	(203)	(886)	(15)	(2,331)
Disposals	4	452	-	29	-	-	485
Revaluation	805	-	-	-	-	-	805
At 30 June 2020	**0**	**(3,017)**	**(2,321)**	**(9,319)**	**(5,826)**	**(122)**	**(20,605)**
Net Book Value as at 30 June 2020	**91,000**	**558**	**417**	**329**	**3,377**	**22**	**95,703**
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	(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**

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

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 considers 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 2020. As a result, we appointed an external valuer CBRE Valuations Pty Limited to perform an independent valuation as at 30 June 2020. Fair value is determined by the Directors based on independent advice from the external valuer.

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.

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.

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

Accounting Policies *(continued)*

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

COVID-19 has caused uncertainty in the commercial property market impacting income and investment performance. The valuation of the freehold property is based on the information available at the date of valuation.

The property has been pledged as security for the Group's banking facilities.

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 their use, with those assets that are fully depreciated and no longer in use being written off.

9. LEASES

Reconciliation of right-of-use assets

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

	2020 $'000	2019 $'000
a) Right-of-use asset		
Non-current		
Right-of-use assets	**18,197**	**21,157**

2020	Office Space $'000	Office Equipment $'000	Total $'000
At 1 July 2019	20,827	330	21,157
Depreciation	(3,016)	(143)	(3,159)
Additions	357	-	357
Effects on foreign currency	(157)	(1)	(158)
30 June 2020	**18,011**	**186**	**18,197**
2019			
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**

b) Lease liabilities		
Current		
Lease liabilities	2,693	2,510
Non- current		
Lease liabilities	18,368	20,920
Total	**21,061**	**23,430**

9. LEASES *(continued)*

Reconciliation of lease liabilities

2020	Office Space $'000	Office Equipment $'000	Total $'000
At 1 July 2019	23,018	412	23,430
Interest expense	1,278	14	1,292
Lease payments	(3,659)	(169)	(3,828)
Additions	357	-	357
Net movement during year	(2,024)	(155)	(2,179)
Effects on foreign currency	(187)	(3)	(190)
30 June 2020	**20,807**	**254**	**21,061**
2019			
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**

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.

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

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 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.

9. LEASES *(continued)*

Accounting Policies including significant accounting judgements, estimates and assumptions *(continued)*

The Group applies the exemption for low value assets and as such 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.

Low value assets consist of IT equipment (such as laptops and monitors).

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 *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 *Statement of Profit or Loss and Other Comprehensive Income* in "Finance costs" based on the Group's incremental borrowing rate.

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 5.78%. 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 Maturity:

Contractual Maturities of lease liabilities	Less than 6 months $'000	6-12 months $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Total contractual cash flows $'000	Carrying amount $'000
As at 30 June 2020							
Lease Liabilities	1,903	1,938	7,879	10,146	3,717	25,583	21,061
Total Lease Liabilities	**1,903**	**1,938**	**7,879**	**10,146**	**3,717**	**25,583**	**21,061**

Contractual Maturities of lease liabilities							
As at 30 June 2019							
Lease Liabilities	1,899	1,927	7,851	11,699	6,235	29,611	23,430
Total Lease Liabilities	**1,899**	**1,927**	**7,851**	**11,699**	**6,235**	**29,611**	**23,430**

10. INTANGIBLE ASSETS

Group	Computer Software	Work-in-progress	Total
	$'000	$'000	$'000
Cost or valuation			
At 1 July 2019	10,536	74	10,610
Additions	-	3,969	3,969
Impairment	-	(15)	(15)
Transfers	184	(184)	-
Capitalised to furniture and equipment	-	(4)	(4)
Disposals	(1,529)	-	(1,529)
Net foreign currency revaluation	(10)	-	(10)
At 30 June 2020	**9,181**	**3,840**	**13,021**
Amortisation and impairment			
At 1 July 2019	(8,242)	-	(8,242)
Amortisation charge for year	(1,441)	-	(1,441)
Disposals	1,529	-	1,529
At 30 June 2020	**(8,154)**	**-**	**(8,154)**
Net Book Value as at 30 June 2020	**1,027**	**3,840**	**4,867**
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**

10. INTANGIBLE ASSETS *(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 the *Consolidated Statement of Profit or Loss and Other Comprehensive Income* 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 the *Consolidated Statement of Profit or Loss and Other Comprehensive Income* when the asset is disposed.

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.

Work-in-progress

Work-in-progress are intangible assets undergoing development that are not ready for use and are expected to be completed in future financial years. They are recorded at cost less any known impairment.

We review the carrying values of work-in-progress for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. External factors and internal sources of information are used to assess whether the recoverable amount exceeds the carrying value with any excess taken as an impairment. Impairment losses are recognised as expenditure in the *Consolidated Statement of Profit or Loss and Other Comprehensive Income.*

11. CONTRACT LIABILITY – FEES IN ADVANCE

	2020 $'000	2019 $'000
Current liabilities		
Members' subscription fees	63,565	57,569
Members' application fees	996	933
CA Program, training course fees and other	13,020	11,316
Early payment incentive liability	-	33
	77,581	**69,851**
Non-current liabilities		
Members' application fees	15,461	14,528
	15,461	**14,528**

Accounting Policies

Contract liability – 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 2021. The amounts received are not expected to be refunded and will be recognised as revenue in the financial year ending 30 June 2021.

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 in the financial year ending 30 June 2019, 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. No Early Payment Incentive was offered in the year ending 30 June 2020.

12. TRADE AND OTHER PAYABLES

	2020 $'000	2019 $'000
Current		
Trade payables	8,150	10,035
Other payables	9,311	7,127
	17,461	**17,162**

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.

13. PROVISIONS

	2020 $'000	2019 $'000
Current		
Employee entitlements (a)&(b)	5,677	4,854
	5,677	**4,854**
Non-current		
Employee entitlements (b)	1,434	868
Leasehold make good provision	458	429
	1,892	**1,297**

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.

13. PROVISIONS *(continued)*

Accounting Policies *(continued)*

(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 high-quality corporate bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

Reconciliation of movement of provisions

	Make Good
	$'000
At 1 July 2019	429
Expensed/arising during the period	29
Used/utilised during the period	-
At 30 June 2020	**458**

14. COMMITMENTS

	2020	2019
	$'000	$'000
Expenditure commitments		
Less than 12 months	6,546	5,978
More than 12 months and less than five years	7,711	6,213
More than five years	-	-
	14,257	**12,191**

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).

15. CONTINGENT LIABILITIES

	2020 $'000	2019 $'000
Indemnities for bank guarantees to the lessors of premises occupied under leases	**1,086**	**945**

16. AUDITOR'S REMUNERATION

Group Auditor[1]	2020 $	2019 $
Auditing of financial reports – Australia	235,000	394,740
Auditing of financial reports – Overseas subsidiaries	30,000	31,110
Total audit fee	**265,000**	**425,850**
Other services		
Preparation of overseas subsidiary financial statements[1]	**5,517**	**1,424**
Other Auditor[2]		
Auditing of financial reports – Overseas subsidiaries	28,087	-
Total audit fee	**28,087**	**-**
Other services		
Payroll and advisory services	**7,984**	**10,103**

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

The group auditor charged $5,500 (2019: $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 (2019: $5,500) to each fund.

1 Audit services for the 2019 financial year were provided by EY. Grant Thornton were appointed auditors to the Group at the Annual General Meeting for the 2020 financial year.

2 McMillan & Co LLP are the auditors for the United Kingdom entity.

17. UNLISTED SHARES IN OTHER ENTITIES

The parent has an interest in the following corporations:

Name of corporation	Country of incorporation	Percentage of ownership	
		2020	2019
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%
CAANZ (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 2020.

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 nor is it entitled to returns from these entities.

The parent's results include 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 33.3% 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 $447,000 in the next financial year.

18. 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
2020				
Current financial assets				
Cash and cash equivalents	6	84,292	84,292	-
Trade receivables	7	19,450	19,450	-
Other receivables	7	369	369	-
Total current financial assets		**104,111**	**104,111**	**-**
Total financial assets		**104,111**	**104,111**	**-**
Current financial liabilities				
Trade and other payables	12	(17,461)	-	(17,461)
Lease liabilities	9	(2,693)	-	(2,693)
Total current financial liabilities		**(20,154)**	**-**	**(20,154)**
Non-current financial liabilities				
Lease liabilities	9	(18,368)	-	(18,368)
Total financial liabilities		**(18,368)**	**-**	**(18,368)**
Net financial assets/(liabilities)		**65,589**	**104,111**	**(38,522)**

18. FINANCIAL INSTRUMENTS *(continued)*

Financial assets and liabilities by categories *(continued)*

	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	6	76,539	76,539	-
Trade receivables	7	14,957	14,957	-
Other receivables	7	385	385	-
Total current financial assets		**91,881**	**91,881**	**-**
Total financial assets		**91,881**	**91,881**	**-**
Current financial liabilities				
Trade and other payables	12	(17,162)	-	(17,162)
Lease liabilities	9	(2,510)	-	(2,510)
Total current financial liabilities		**(19,672)**	**-**	**(19,672)**
Non-current financial liabilities				
Lease liabilities	9	(20,920)	-	(20,920)
Total financial liabilities		**(40,592)**	**-**	**(40,592)**
Net financial assets/(liabilities)		**51,289**	**91,881**	**(40,592)**

Expected credit loss

Allowance for expected credit loss in financial assets carried at amortised cost were recognised in surplus or deficit. 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 7 for further detail.

19. 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, 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 the United Kingdom. However, as at 30 June 2020, 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. Consideration has been given to the impact of COVID-19 on the credit risk on receivables (refer note 7).

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.

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.

20. RELATED PARTY TRANSACTIONS

The Group made related party payments to certain parties including partners or employees of director-related entities. These included payments to members and member firms for services including training, support for the Chartered Accountants Program, reviewer fees for the Quality Review Program and consulting services. These payments were made on arm's length commercial terms and conditions.

Chartered Accountants Australia and New Zealand incurred no external expenses (2019: $8,257) 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.

The following transactions occurred with director-related parties:

		2020	2019
Consulting	KPMG (NSW)[1]	103,277	386,132
Venue Hire	KPMG (Melbourne)[1]	1,364	-
Sponsorship	Committee for Economic Development of Australia[2]	8,194	7,864
Royalties on Event Materials	KPMG (NSW)[1]	22,638	3,391
Membership	Committee for Economic Development of Australia[2]	16,322	-

1 Penny Stragalinos is a partner of KPMG

2 Ming Long is a non-executive director of the Committee for Economic Development of Australia (CEDA)

21. DIRECTOR, VICE PRESIDENT AND EXECUTIVE DISCLOSURES

Details of key management personnel

(I) President and Vice Presidents

Presidents	
P Rupp FCA	Appointed 1 January 2020
S Walker FCA	Term Completed 31 December 2019

Vice Presidents	
N Botica Redmayne FCA	
P O'Regan FCA	Appointed 1 January 2020
P Rupp FCA	Term completed on taking up role as President on 1 January 2020

(II) Directors

Chair	
M Jack FCA	Resigned 31 July 2019
A Harrington FCA	Appointed 1 August 2019 Resigned 28 February 2020
J Palermo FCA	Appointed Interim Chair 13 December 2019 Appointed Chair 22 April 2020

Board Members	
C Hayman	
M Long FCA	
R McDonald FCA	
J Palermo FCA	Appointed Chair 22 April 2020
P Stragalinos FCA	
C Townend FCA	
D Williams	
A Harrington FCA	Commenced role as Chair 1 August 2019 Resigned 28 February 2020
S Petersen CA	Appointed 1 January 2020

(III) Executives

A van Onselen	Chief Executive Officer	Commenced 18 May 2020
W (Rick) Ellis	Chief Executive Officer	Resigned 15 April 2020
S Hann	Interim Chief Executive Officer / Group Executive, Education and Learning	Appointed Interim Chief Executive Officer 31 March 2020-22 May 2020
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
C Ng CA	Chief Financial Officer	Appointed 4 November 2019
M Rice	Group Executive, Member Engagement	
S Bala	Group Executive, General Counsel & Corporate Assurance	
P Vial FCA	Group Executive, Advocacy, Professional Standing New Zealand and the Pacific	
J Quinn	Group Executive, Public Affairs	
S Tarrant	Group Executive, People & Culture	
L Whitney	Group Executive – Account Management & Strategic Planning	

Executives are classified as the Chief Executive Officer (CEO) and the Executive Team who are the authorised key decision makers for the organisation. Except for the CEO and CFO who joined during the year all other members of the Executive Team were key management personnel for the full year.

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

(IV) Compensation policy

Remuneration of the Directors is approved by the Council based on recommendations from the Nominations and Governance Committee using external market benchmark data. A total remuneration pool for Directors is then approved by members at an AGM and was last approved at the 2019 AGM in respect of 2020 to 2022. In response to the COVID-19 pandemic, the executive team voluntarily relinquished their eligibility to 2020 variable remuneration and the Directors also voluntarily reduced their Q4 2020 fees by 20%. The directors' fees for FY20 includes the Vice Presidents fees to reflect their participation in the board meetings for this period. The remuneration of the CEO and the Executive Team is considered by the People and Remuneration Committee with a recommendation put forward for Board approval. Further information on the People and Remuneration Committee is set out in our 2020 Corporate Governance Statement which forms part of this annual report.

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.

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

	2020 $'000	2019 $'000
Compensation of Directors, Vice Presidents and Executives		
Short-term benefits	4,864	4,945
Other long-term benefits	-	-
Termination benefits	230	-
	5,094	**4,945**

(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.

22. 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. Further, 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.

23. MEMBERS AND MEMBERS' LIABILITY

Total membership increased to 128,683 as of 30 June 2020 (2019: 125,802).

Under the terms of the Group's Supplemental Royal 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.

24. 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 *Contract liability – fees in advance* that are subject to GST, a liability for GST payable is raised. The exception is for *Contract liability – 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 8).

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.

25. EVENTS AFTER THE REPORTING PERIOD

As discussed in the financial commentary, the COVID-19 pandemic has impacted the Group during the period. Subsequent to the end of the financial year, the pandemic and its impact has continued to evolve with further outbreaks resulting in lockdown restrictions in Victoria, Australia and Auckland, New Zealand, additional border closures between Australian states, new stimulus measures and many other items. It is therefore not practical to estimate the potential impact, positive or negative, after reporting date.

Other than the above, 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 4 to 38, which have been prepared as required under the By-Laws:

(a) Comply with Australian Accounting Standards and other mandatory professional reporting requirements, and

(b) Present fairly the financial position of the Group as at 30 June 2020 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.

J Palermo FCA

Director and Board Chair

Sydney, 21 September 2020

C Townend FCA

Director

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Independent Auditor's Report

To the Members of Chartered Accountants Australia and New Zealand

Report on the audit of the financial report

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 2020, 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, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of Chartered Accountants Australia and New Zealand presents fairly, in all material respects, the Group's financial position as at 30 June 2020 and of its performance and 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 judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Key audit matter	How our audit addressed the key audit matter
Revenue recognition - Note 3	
Revenue has a recorded value for the year ended 30 June 2020 of $138,710,000, made up of member subscriptions & fees of $80,851,000, CA Program revenues of $40,936,000, other member services revenue of $16,617,000 and other revenue of $306,000. $125,281,000 of revenue has been recognised over time with $13,429,000 recognised at a point in time. The process to measure the amount of revenue to recognise in the financial statements, including the determination of the appropriate timing of recognition, involves significant management judgement. This area is a key audit matter given the management judgement involved in developing and applying appropriate accounting policies that comply with accounting standards and in determining the timing of amounts to be recognised as revenue.	Our procedures included, amongst others: • Evaluating the design and operating effectiveness of management's internal controls related to revenue recognition across different revenue streams (member subscriptions, member services & CA program revenue); • Reviewing revenue recognition policies for appropriateness and compliance with AASB 15 *Revenue from Contracts with Customers* / AASB 1058 *Income of Not-for-Profit Entities*; • Considering whether any distinct services were provided or transferred to members on initial application and the implications, if any, on when the associated revenue should be recognised in relation to application fees; • Reviewing management's estimate in relation to the average duration of membership in order to assess the timing of recognition of application fee revenue; • Performing analytical procedures using active student data and standard cost per unit of study in order to assess CA Program revenue; • Performing analytical procedures on revenue figures to identify large or unusual movements, and reviewing industry trends; • Performing substantive procedures whereby we selected a sample of revenue transactions and inspected student enrolment documentation, the course fee structure, cash received and agreed the recognition of revenue in accordance with the AASB 15 / AASB 1058; and • Assessing the adequacy of disclosures for compliance in accordance with Australian Accounting Standards.
Property revaluation - Note 8	
The carrying value of the Erskine Street, Sydney property at the reporting date is $91 million and constitutes 40% of total assets of the Group. 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, in particular in the context of the impact of the COVID-19 pandemic on CBD property values. .	Our procedures included amongst others: • Obtaining an understanding of management's process for assessing the fair value of the freehold property; • Assessing the qualifications, competence and objectivity of the independent external valuer and scope of their work; • Assessing the appropriateness of the valuation methodology employed by the external expert and evaluating the key assumptions used in determining the fair value; and • Assessing the appropriateness of the disclosures in Note 8 to the financial statements.

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Information other than the financial report and auditor's report thereon

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2020, 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 management and those charged with governance for the financial report

Management is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards. This responsibility also includes such internal control as management determines is necessary to enable the preparation of the financial report to be free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/auditors_responsibilities/ar5.pdf. This description forms part of our auditor's report.

Grant Thornton Audit Pty Ltd
Chartered Accountants

M A Adam-Smith FCA
Partner – Audit & Assurance

Sydney, 21 September 2020