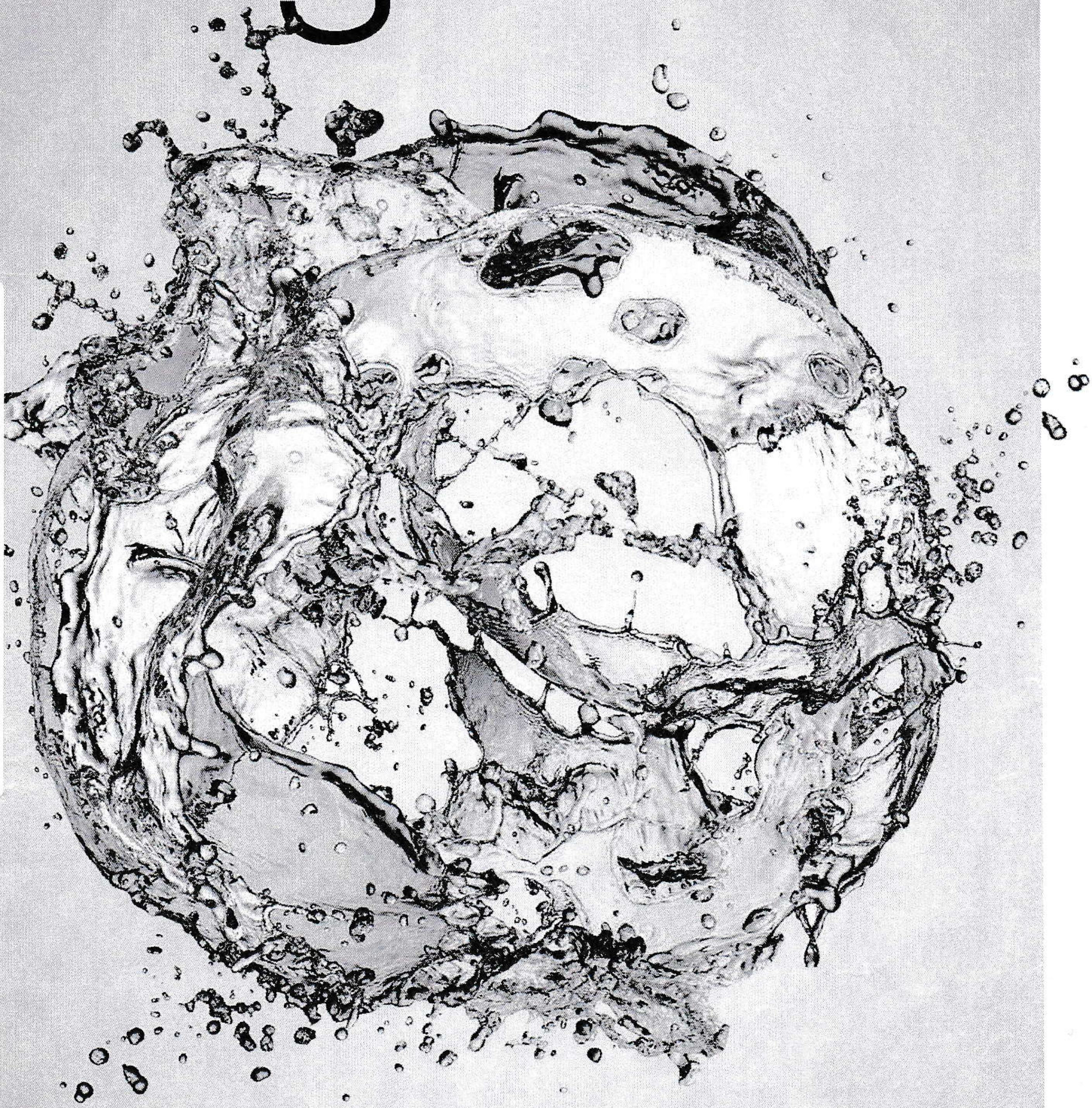
CA ANZ, 2015

together



CHARTERED ACCOUNTANTS
AUSTRALIA + NEW ZEALAND

FINANCIAL STATEMENTS 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.

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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 Standards (including the 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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