AUDITOR'S REPORT AND FINANCIAL STATEMENTS

HONG KONG INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

THE HKICPA TRUST FUND

THE HKICPA CHARITABLE FUND

INDEPENDENT AUDITOR'S REPORT

PKF

26/F, Citicorp Centre
18 Whitefield Road
Causeway Bay
Hong Kong

To the members of Hong Kong Institute of Certified Public Accountants (Incorporated in Hong Kong under the Professional Accountants Ordinance)

Opinion

We have audited the financial statements of Hong Kong Institute of Certified Public Accountants (the "Institute") set out on pages 50 to 84, which comprise the statements of financial position of the Institute and its subsidiaries (collectively referred to as the "Group") and the Institute at 30 June 2019, and the statements of comprehensive income, the statements of changes in funds and reserve and the statements of cash flows of the Group and the Institute for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Institute at 30 June 2019, and of the financial performance and cash flows of the Group and of the Institute for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Institute and have been properly prepared in accordance with the Professional Accountants Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Institute. Our responsibilities under those standards are further described in the "*Auditor's Responsibilities for the Audit of the Financial Statements*" section of our report. We are independent of the Group in accordance with the Institute's Code of Ethics for Professional Accountants (the "Code"), and we have 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.

Other Information

The Council of the Institute is responsible for the other information. The other information comprises the information included in the Institute's 2019 annual report but does not include the financial statements of the Group and the Institute and our auditor's report thereon. The other information obtained at the date of this auditor's report is the financial statements of the Institute's subsidiaries, The HKICPA Trust Fund and The HKICPA Charitable Fund.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, 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 Council for the Financial Statements

The Council of the Institute is responsible for maintaining proper accounts and preparing annual financial statements pursuant to the Professional Accountants Ordinance that give a true and fair view in accordance with HKFRSs issued by the Institute, and for such internal control as the Council determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Council 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 Council either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with section 16 of the Professional Accountants Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the content of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs 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 these financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

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

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

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

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

The engagement director on the audit resulting in this independent auditor's report is Lam Kar Bo (Practising Certificate Number : P05453).

PKF Hong Kong Limited
Certified Public Accountants
Hong Kong
17 September 2019

STATEMENTS OF FINANCIAL POSITION

At 30 June 2019

		Group		Institute	
		2019	2018	**2019**	2018
	Note	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Non-current assets					
Fixed assets	*4*	**162,566**	155,668	**162,064**	154,481
Interests in subsidiaries	*5*	**-**	-	**-**	-
Deferred tax assets	*6*	**-**	70	**-**	70
Prepayments for purchase of fixed assets		**597**	1,430	**597**	1,430
		163,163	157,168	**162,661**	155,981
Current assets					
Inventories		**471**	699	**405**	625
Receivables	*7*	**4,457**	4,680	**4,374**	4,996
Deposits and prepayments		**7,726**	5,819	**7,675**	5,690
Tax recoverable		**200**	31	**165**	-
Time deposits with original maturities over three months	*21(a)*	**201,244**	368,327	**183,054**	343,151
Cash and cash equivalents	*8*	**122,593**	32,539	**111,418**	26,167
		336,691	412,095	**307,091**	380,629
Current liabilities					
Contract liabilities	*9*	**(68,547)**	(82,758)	**(68,547)**	(82,119)
Payables and accruals	*10*	**(45,292)**	(40,339)	**(43,932)**	(38,746)
Lease liabilities	*4*	**(1,658)**	(2,385)	**(1,152)**	(1,705)
Current tax liabilities		**-**	(1,044)	**-**	(1,044)
		(115,497)	(126,526)	**(113,631)**	(123,614)
Net current assets		**221,194**	285,569	**193,460**	275,015
Non-current liabilities					
Lease liabilities	*4*	**(698)**	(1,117)	**(698)**	(593)
Deferred tax liabilities	*6*	**(2,085)**	-	**(2,085)**	-
		(2,783)	(1,117)	**(2,783)**	(593)
		381,574	441,620	**353,338**	412,403
Funds and reserve					
General fund	*11*	**186,259**	247,714	**163,900**	224,395
Capital fund	*11*	**195,448**	194,018	**189,438**	188,008
Exchange reserve		**(133)**	(112)	**-**	-
		381,574	441,620	**353,338**	412,403

Approved by the Council on 17 September 2019

Law Fu Yuen, Patrick
President

Margaret W.S. Chan
Chief Executive and Registrar

STATEMENTS OF COMPREHENSIVE INCOME

For the year ended 30 June 2019

		Group		Institute	
		2019	2018	**2019**	2018
	Note	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Subscriptions and fees	*12*	**85,509**	148,637	**84,886**	147,282
Other revenue	*13*	**96,425**	104,256	**96,147**	103,562
Total revenue from contracts with customers		**181,934**	252,893	**181,033**	250,844
Other income	*14*	**34,118**	29,181	**34,312**	30,198
Expenses	*15*	**(275,345)**	(275,862)	**(273,685)**	(273,307)
(Deficit)/surplus before tax	*16*	**(59,293)**	6,212	**(58,340)**	7,735
Income tax charge	17	**(2,162)**	(1,187)	**(2,155)**	(1,166)
(Deficit)/surplus		**(61,455)**	5,025	**(60,495)**	6,569
Other comprehensive income					
Item that may be reclassified subsequently to surplus or deficit: Exchange (loss)/gain on translating the financial statements of HKICPA Beijing		**(21)**	10	**-**	-
Comprehensive income		**(61,476)**	5,035	**(60,495)**	6,569

Approved by the Council on 17 September 2019

Law Fu Yuen, Patrick
President

Margaret W.S. Chan
Chief Executive and Registrar

STATEMENTS OF CHANGES IN FUNDS AND RESERVE

For the year ended 30 June 2019

	2019						
	Group				**Institute**		
	General fund	**Capital fund**	**Exchange reserve**	**Total**	**General fund**	**Capital fund**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
At the beginning of the reporting period	**247,714**	**194,018**	**(112)**	**441,620**	**224,395**	**188,008**	**412,403**
Deficit	**(61,455)**	**-**	**-**	**(61,455)**	**(60,495)**	**-**	**(60,495)**
Other comprehensive income	**-**	**-**	**(21)**	**(21)**	**-**	**-**	**-**
Comprehensive income	**(61,455)**	**-**	**(21)**	**(61,476)**	**(60,495)**	**-**	**(60,495)**
Capital levy from members and students	**-**	**1,430**	**-**	**1,430**	**-**	**1,430**	**1,430**
At the end of the reporting period	**186,259**	**195,448**	**(133)**	**381,574**	**163,900**	**189,438**	**353,338**

	2018						
	Group				Institute		
	General fund	Capital fund	Exchange reserve	Total	General fund	Capital fund	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At the beginning of the reporting period	242,689	186,889	(122)	429,456	217,826	180,879	398,705
Surplus	5,025	-	-	5,025	6,569	-	6,569
Other comprehensive income	-	-	10	10	-	-	-
Comprehensive income	5,025	-	10	5,035	6,569	-	6,569
Capital levy from members and students	-	7,129	-	7,129	-	7,129	7,129
At the end of the reporting period	247,714	194,018	(112)	441,620	224,395	188,008	412,403

STATEMENTS OF CASH FLOWS

For the year ended 30 June 2019

	Group		Institute	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cash flows from operating activities				
(Deficit)/surplus before tax	**(59,293)**	6,212	**(58,340)**	7,735
Adjustments for:				
Allowance for obsolete inventories	**37**	41	**37**	41
Depreciation of fixed assets	**15,102**	13,790	**14,409**	13,049
Gain on disposal of fixed assets	**(11)**	-	**(11)**	-
Interest on lease liabilities	**117**	125	**70**	98
Impairment of receivables	**-**	17	**-**	17
Obsolete inventories written off	**11**	5	**11**	5
Uncollectible amounts written off	**7**	18	**7**	18
Operating cash flows before working capital changes	**(44,030)**	20,208	**(43,817)**	20,963
Decrease/(increase) in inventories	**180**	(64)	**172**	10
Decrease/(increase) in receivables	**216**	(2,312)	**615**	(2,201)
(Increase)/decrease in deposits and prepayments	**(1,903)**	1,064	**(1,985)**	1,073
Decrease/(increase) in time deposits with original maturities over three months	**167,083**	(47,010)	**160,097**	(49,516)
(Decrease)/increase in contract liabilities	**(14,211)**	2,173	**(13,572)**	2,273
(Decrease)/increase in payables and accruals	**(707)**	1,026	**(453)**	973
Cash generated from/(utilized in) operations	**106,628**	(24,915)	**101,057**	(26,425)
Net tax paid	**(1,220)**	(153)	**(1,209)**	(128)
Net cash generated from/(utilized in) operating activities	**105,408**	(25,068)	**99,848**	(26,553)
Cash flows from investing activities				
Purchase of fixed assets	**(13,351)**	(1,889)	**(13,306)**	(1,889)
Prepayments for purchase of fixed assets	**(597)**	(1,430)	**(597)**	(1,430)
Sale proceeds from disposal of fixed assets	**11**	-	**11**	-
Net cash utilized in investing activities	**(13,937)**	(3,319)	**(13,892)**	(3,319)
Cash flows from financing activities				
Lease payments (note 4)	**(2,844)**	(2,744)	**(2,135)**	(2,021)
Capital levy received	**1,430**	7,129	**1,430**	7,129
Net cash (utilized in)/generated from financing activities	**(1,414)**	4,385	**(705)**	5,108
Net increase/(decrease) in cash and cash equivalents	**90,057**	(24,002)	**85,251**	(24,764)
Cash and cash equivalents at the beginning of the reporting period	**32,539**	56,541	**26,167**	50,931
Exchange difference in respect of cash and cash equivalents	**(3)**	-	**-**	-
Cash and cash equivalents at the end of the reporting period (note 8)	**122,593**	32,539	**111,418**	26,167

Non-cash transactions (financing or investing activities):
During the current year, the Group and the Institute acquired fixed assets of HK$1,617,000 (*2018: HK$3,314,000*) and HK$1,617,000 (*2018: HK$2,158,000*) respectively by means of leases. At 30 June 2019, HK$5,639,000 (*2018: HK$1,567,000*) for additions of owned assets was included in "Payables and accruals" for the Group and the Institute.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

1. Principal activities and registered office

The Group refers to Hong Kong Institute of Certified Public Accountants (the "Institute") and its subsidiaries: HKICPA (Beijing) Consulting Co., Ltd. ("HKICPA Beijing"), The HKICPA Trust Fund, The HKICPA Charitable Fund and Hong Kong Institute of Accredited Accounting Technicians Limited ("HKIAAT") and its subsidiary, The HKIAAT Trust Fund (collectively referred to as the "HKIAAT Group").

The Institute is a body corporate incorporated in Hong Kong on 1 January 1973 under the Professional Accountants Ordinance with its registered office located at 37th floor, Wu Chung House, 213 Queen's Road East, Wanchai, Hong Kong. Its principal activities include, *inter alia*, the registration of certified public accountants, firms of certified public accountants and corporate practices and the issuance of practising certificates; the development and promulgation of financial reporting, auditing and assurance, and ethical standards and guidelines; the regulation of the practice of the accountancy profession; the operation and promotion of the Institute's qualification programme and professional examinations; representing the views of the profession; providing membership and student support services and preserving the profession's integrity and status.

HKICPA Beijing is incorporated as a foreign enterprise in Mainland China. Its principal activities are the promotion of the Institute's qualification programme and provision of services to members in Mainland China.

The HKICPA Trust Fund was formed under a trust deed dated 21 January 1998. The fund was set up for the relief of poverty of members of the Institute. Its trustees are the president, the immediate past president, a vice president and a past president of the Institute. The power to appoint and remove trustees is vested with the Institute.

The HKICPA Charitable Fund was formed under a trust deed dated 2 December 2001 for general charitable purposes. Its trustees are the president, the immediate past president and the chief executive of the Institute. The power to appoint and remove trustees is vested with the Institute.

HKIAAT is incorporated in Hong Kong under the Hong Kong Companies Ordinance as a company limited by guarantee. Its principal activities are the award of the "Accredited Accounting Technician" qualification through conducting professional examinations, offering quality services to members and students, accrediting relevant sub-degree qualifications and promoting the study of accountancy among sub-degree holders and secondary school students. HKIAAT has three voting members who are the president and the two vice presidents of the Institute. The power to appoint and remove members of the Board of HKIAAT is vested with the Institute. In recent years, the HKIAAT has confronted enormous challenges due to changes in the educational landscape and manpower needs. To pave the way for the transformation, the Institute and HKIAAT have conducted a project to enhance the Certified Public Accountant qualifying process through the development of the Qualification Programme ("QP"). The current examinations held by HKIAAT will be restructured under the Institute as the Associate Level of the new QP. The HKIAAT will cease to hold examinations after 31 December 2019 and will maintain the register for Accredited Accounting Technician members until December 2029.

The HKIAAT Trust Fund was formed under a trust deed dated 21 June 1999 for educational purposes and in particular for the provision of scholarships to persons studying for the examinations held by HKIAAT. Its trustees are the president, the immediate past president and a vice president of HKIAAT. The power to appoint and remove trustees is vested with HKIAAT.

2. Principal accounting policies

a. Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which include all individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Institute, accounting principles generally accepted in Hong Kong and the requirements of the Professional Accountants Ordinance. These financial statements have been prepared under the historical cost convention. All amounts are rounded to the nearest thousand except where otherwise indicated.

The preparation of financial statements in conformity with HKFRSs requires the use of accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The estimates and associated assumptions are based on experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The critical accounting estimates and assumptions are summarized below:

Depreciation

The residual values, useful lives and depreciation method applied in the recognition of depreciation are reviewed, and adjusted if appropriate, at least at the end of each reporting period. In arriving at the depreciation charges, management has applied estimates to the residual values and useful life of each class of assets. Depreciation is provided on a straight-line basis over the useful life of each class of assets.

Impairment of financial assets

The impairment provisions for financial assets are based on assumptions about risk of default. The Group uses judgement in making these assumptions based on the Group's past history, existing market conditions as well as forward looking estimates at the end of the reporting period. For details, see note 21b.

These financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2018 financial statements, except for the early adoption of new/revised HKFRSs as explained in note 2b.

Early adoption of HKFRSs

New/revised HKFRSs issued on or before 30 June 2018 had been early adopted by the Group in prior years. The following new HKFRS, which is applicable to the Group but is not yet effective for the current year, has been early adopted in prior years:

HKFRS 16	"Leases"

b. New/revised HKFRSs that were issued during the current year and after 30 June 2019

The Institute has issued certain new/revised HKFRSs during the current year that are available for early adoption. The Group has early adopted these new/revised HKFRSs, which have no significant impact on the results and the financial positions.

The Institute has not issued any new/revised HKFRSs after 30 June 2019 and up to the date of approval of these financial statements.

c. Basis of consolidation and subsidiaries

The consolidated financial statements include the financial statements of the Institute and its subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting period as that of the Institute using consistent accounting policies. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

A subsidiary is an entity over which the Institute has control. The Institute controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In the Institute's statement of financial position, the interests in subsidiaries are stated at cost less impairment charges.

d. Financial instruments

Financial assets and financial liabilities are recognized in the statements of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities within the scope of HKFRS 9 are initially measured at fair value and transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

The Group's financial assets, including deposits, receivables, time deposits and cas h and cash equivalents, are subsequently measured at amortized cost using the effective interest method, less identified impairment charges (see note 2e) as the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows and the contractual terms of the financial assets give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial liabilities include lease liabilities, payables and accruals. All financial liabilities are subsequently measured at amortized cost using the effective interest method, except for lease liabilities as stated in note 2i.

e. Impairment of financial assets

The Group recognizes loss allowances for expected credit loss on the financial instruments that are not measured at fair value through surplus or deficit. The Group considers the probability of default upon initial recognition of financial assets and assesses whether there has been a significant increase in credit risk on an ongoing basis.

The Group considers the credit risk on a financial instrument is low if the financial instrument has a low risk of default, the debtor has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the debtor to fulfill its contractual cash flow obligations.

The carrying amount of the receivables is reduced through the use of the receivable impairment charges account. Changes in the carrying amount of the receivable impairment charges account are recognized in surplus or deficit. The receivable is written off against the receivable impairment charges account when the Group has no reasonable expectations of recovering the receivable.

If, in a subsequent period, the amount of expected credit losses decreases, the reversal would be adjusted to the receivable impairment charges account at the reporting date. The amount of any reversal is recognized in surplus or deficit.

f. Derecognition of financial assets and financial liabilities

Financial assets are derecognized when the contractual rights to receive the cash flows of the financial assets expire; or where the Group transfers the financial assets and either (i) it has transferred substantially all the risks and rewards of ownership of the financial assets; or (ii) it has neither transferred nor retained substantially all the risks and rewards of ownership of the financial assets but has not retained control of the financial assets.

Financial liabilities are derecognized when they are extinguished, i.e. when the obligation is discharged, cancelled or expires.

g. Impairment of non-financial assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that assets may be impaired or an impairment charge previously recognized no longer exists or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount of an asset is the higher of its fair value less costs of disposal and value in use. An impairment charge is recognized in surplus or deficit whenever the carrying amount of an asset exceeds its recoverable amount.

An impairment charge is reversed if there has been a change in the estimates used to determine the recoverable amount and which results in an increase in the recoverable amount. A reversal of impairment charges is limited to the asset's carrying amount that would have been determined had no impairment charge been recognized in prior periods. Reversals of impairment charges are credited to surplus or deficit in the period in which the reversals are recognized.

h. Fixed assets

Fixed assets are stated at cost less accumulated depreciation and impairment charges. The cost of an item of fixed assets comprises its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, and any cost directly attributable to bringing the item of fixed assets to the location and condition necessary for it to be capable of operating in the manner intended by management. It also includes the initial estimate of any cost of dismantling and removing the item and restoring the site on which it is located. Expenditure incurred after the item of fixed assets has been put into operation, such as repairs and maintenance cost, is normally charged to surplus or deficit in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure is capitalized as an additional cost to that asset or as a replacement. An item of fixed assets is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognized in surplus or deficit in the period the item is derecognized, is the difference between the net disposal proceeds and the carrying amount of the item.

Depreciation of fixed assets is calculated to write off their depreciable amounts over their estimated useful lives using the straight-line method. Depreciable amount is the cost of an asset, or other amount substituted for cost, less its residual value. The residual values and useful lives of assets and the depreciation method are reviewed at least at the end of each reporting period and, if expectations differ from previous estimates, the changes will be accounted for as a change in an accounting estimate. If the residual value of an asset increases to an amount equal to or greater than the asset's carrying amount, no depreciation is charged.

The estimated useful lives of fixed assets are as follows:

Owned assets	
Buildings	20 years
Leasehold improvements	10 years or over the lease term whichever is shorter
Furniture, fixtures and equipment	3 to 10 years
Right-of-use assets	
Land	Over the lease term
Buildings	Over the lease term
Furniture, fixtures and equipment	Over the lease term

Items of a capital nature costing less than HK$1,000 are recognized as expenses in the period of acquisition.

i. Leases

Lessee

All leases with a term of more than 12 months are recognized (i.e. an asset representing the right to use of the underlying asset and a liability representing the obligation to make lease payments), unless the underlying asset is of low value. Both the asset and the liability are initially measured on a present value basis. Right-of-use assets are recognized under fixed assets and are measured at cost less any accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are depreciated on a straight-line basis over the shorter of the useful life of the assets and the lease term. Lease liabilities are initially measured at the present value of unpaid lease payments and subsequently adjusted by the effect of the interest on and the settlement of the lease liabilities, and the re-measurement arising from any reassessment of the lease liabilities or lease modifications.

Lessor

Leases where substantially all the risks and rewards of ownership of assets remain with the Group are classified as operating leases. Assets leased under operating leases are included in fixed assets and rentals receivable are credited to surplus or deficit on the straight-line basis over the lease term.

j. Inventories

Inventories, comprising publications and souvenirs held for sale, are stated at the lower of cost determined on a weighted average basis, and net realizable value. Cost includes direct costs of purchases and incidental costs incurred in bringing the inventories to their present location and condition. Net realizable value is the estimated selling price in the ordinary course of business less all estimated costs to be incurred prior to sale.

k. Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, and deposits with banks and other financial institutions having a maturity of three months or less at acquisition.

l. Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount of obligation can be made. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount provided is the present value of the expenditures expected to be required to settle the obligation. Where the Group expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

m. Capital levy

The capital levy is an equity contribution from members and students, and is taken to the capital fund in the period of receipt.

n. Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of the Institute and its subsidiaries are measured using the currency of the primary environment in which the Institute and its subsidiaries operate respectively (the functional currency). These financial statements are presented in Hong Kong dollars, which is the Institute's functional currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency at the exchange rates ruling at the transaction dates. Monetary items denominated in foreign currencies are translated into the functional currency at the rate of exchange prevailing at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. The transaction date is the date on which the Group initially recognizes such non-monetary items. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. All exchange differences are recognized in surplus or deficit except when the related gains and losses are recognized outside surplus or deficit.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into Hong Kong dollars at the rate of exchange prevailing at the end of the reporting period, their income and expenses are translated at the average exchange rates for the period, and the resulting exchange differences are included in exchange reserve. On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation recognized in exchange reserve and accumulated in a separate component of funds and reserve is reclassified to surplus or deficit when the gain or loss on disposal is recognized.

o. Revenue recognition

Interest income from bank deposits and savings accounts is recognized as it accrues using the effective interest method.

The recognition of revenue from contracts with customers is based on the performance obligations identified in the contracts. Revenue is recognized when (or as) the Group satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer who obtains the control of the asset:

(i) Annual subscription fees are recognized over time on a straight-line basis over the subscription period as the customers simultaneously receive and consume the benefits of goods or services provided by the Group.

(ii) First registration fees are recognized at a point in time on completion of assessment services by granting the qualification and status to the applicants.

(iii) Income from examinations is recognized over time based on the cost-to-cost method as the Group's performance does no create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

(iv) Income from seminars and courses, member and student activities is recognized over time as the services are rendered.

(v) Accreditation income is recognized at a point in time on completion of services.

The Group has applied the practical expedient and thus has not adjusted the promised amount of consideration for the effects of any significant financing components because the Group does not expect, at contract inception, the period between the transfer of the promised goods or services to the customer and the payment by the customer exceeds one year.

p. Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable surplus for the period. Taxable surplus differs from surplus as reported in the statements of comprehensive income because it excludes items of income or expenses that are taxable or deductible in other periods and it further excludes items that are not taxable or deductible.

The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable surplus, and is accounted for using the liability method. Except to the extent that the deferred tax arises from the initial recognition of an asset or liability in a transaction which is not a business combination and, at the time of the transaction, affects neither accounting nor taxable profit or loss, deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are recognized to the extent that it is probable that taxable surplus will be available against which deductible temporary differences, tax losses and credits can be utilized. However, deferred tax liabilities are not recognized for taxable temporary differences arising on interests in subsidiaries where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable surplus will be available to allow all or part of the assets to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realized. Deferred tax is charged or credited to surplus or deficit, except when it relates to items charged or credited to other comprehensive income or directly to funds and reserve, in which case the deferred tax is also dealt with outside surplus or deficit.

q. Employee benefits

(i) Short term employee benefits

Salaries, annual bonuses and the cost of non-monetary benefits are accrued in the period in which the associated services are rendered by employees.

(ii) Retirement benefits costs

The Group operates two approved defined contribution retirement benefits schemes for employees: a registered scheme under Mandatory Provident Fund ("MPF") Exempted Occupational Retirement Schemes Ordinance and a MPF scheme under the Mandatory Provident Fund Schemes Ordinance.

The contributions payable to the Group's defined contribution retirement benefits schemes are charged to surplus or deficit as incurred.

(iii) Employee leave entitlements

Employee entitlements to annual leave are recognized when they accrue to employees. An accrual is made for the estimated liability for unused annual leave as a result of services rendered by the employees up to the end of the reporting period.

r. Related parties

A related party is a person or entity that is related to the Group.

(i) A person or a close member of that person's family is related to the Group if that person:

(a) has control or joint control over the Group;
(b) has significant influence over the Group; or
(c) is a member of the key management personnel of the Group.

(ii) An entity is related to the Group if any of the following conditions applies:

(a) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
(b) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
(c) Both entities are joint ventures of the same third party.
(d) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
(e) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
(f) The entity is controlled or jointly controlled by a person identified in (i).
(g) A person identified in (i)(a) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
(h) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group.

3. Financial instruments by category

The carrying amounts of financial instruments at the end of the reporting period are as follows:

	Group		Institute	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Financial assets - measured at amortized cost				
Accounts receivable, net of charges for impairment	**4,457**	4,680	**4,243**	4,518
Amounts due from subsidiaries	-	-	**131**	478
Deposits	**1,922**	2,345	**1,874**	2,296
Time deposits with original maturities over three months	**201,244**	368,327	**183,054**	343,151
Cash and cash equivalents	**122,593**	32,539	**111,418**	26,167
	330,216	407,891	**300,720**	376,610
Financial liabilities - measured at amortized cost				
Payables	**11,411**	4,601	**11,323**	4,455
Amounts due to subsidiaries	-	-	**50**	50
Accruals	**15,896**	18,583	**15,811**	18,189
Lease liabilities				
- Current	**1,658**	2,385	**1,152**	1,705
- Non-current	**698**	1,117	**698**	593
	29,663	26,686	**29,034**	24,992

The carrying amounts of the Group's and the Institute's financial instruments at the end of the reporting period approximate their fair value.

4. Fixed assets and lease liabilities

	Right-of-use assets			
	Land	**Buildings**	**Furniture, fixtures and equipment**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
2019 - Group	(a)	(b)	(c)	
Net book value at 1 July 2018	127,497	1,895	1,544	130,936
Additions	-	1,494	123	1,617
Depreciation	(4,398)	(1,641)	(1,072)	(7,111)
Exchange realignment	-	(37)	-	(37)
Net book value at 30 June 2019	**123,099**	**1,711**	**595**	**125,405**
At cost	184,669	3,736	3,154	191,559
Accumulated depreciation and impairment	(61,570)	(2,025)	(2,559)	(66,154)
	123,099	**1,711**	**595**	**125,405**
2019 - Institute				
Net book value at 1 July 2018	127,497	702	1,544	129,743
Additions	-	1,494	123	1,617
Depreciation	(4,398)	(973)	(1,072)	(6,443)
Net book value at 30 June 2019	**123,099**	**1,223**	**595**	**124,917**
At cost	184,669	2,304	3,154	190,127
Accumulated depreciation and impairment	(61,570)	(1,081)	(2,559)	(65,210)
	123,099	**1,223**	**595**	**124,917**

Owned assets				
Buildings	**Leasehold improvements**	**Furniture, fixtures and equipment**	**Total**	**Total**
HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
(a)				
15,145	1,912	7,675	24,732	155,668
-	1,736	18,684	20,420	22,037
(2,163)	(454)	(5,374)	(7,991)	(15,102)
-	-	-	-	(37)
12,982	**3,194**	**20,985**	**37,161**	**162,566**
43,255	26,981	60,715	130,951	322,510
(30,273)	(23,787)	(39,730)	(93,790)	(159,944)
12,982	**3,194**	**20,985**	**37,161**	**162,566**
15,145	1,911	7,682	24,738	154,481
-	1,736	18,639	20,375	21,992
(2,163)	(454)	(5,349)	(7,966)	(14,409)
12,982	**3,193**	**20,972**	**37,147**	**162,064**
43,255	26,912	59,996	130,163	320,290
(30,273)	(23,719)	(39,024)	(93,016)	(158,226)
12,982	**3,193**	**20,972**	**37,147**	**162,064**

	Right-of-use assets			
	Land	**Buildings**	**Furniture, fixtures and equipment**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
<u>2018 - Group</u>	(a)	(b)	(c)	
Net book value at 1 July 2017	131,895	1,528	1,203	134,626
Additions	-	1,966	1,348	3,314
Depreciation	(4,398)	(1,631)	(1,007)	(7,036)
Exchange realignment	-	32	-	32
Net book value at 30 June 2018	127,497	1,895	1,544	130,936
At cost	184,669	4,329	4,500	193,498
Accumulated depreciation and impairment	(57,172)	(2,434)	(2,956)	(62,562)
	127,497	1,895	1,544	130,936
<u>2018 - Institute</u>				
Net book value at 1 July 2017	131,895	828	1,203	133,926
Additions	-	810	1,348	2,158
Depreciation	(4,398)	(936)	(1,007)	(6,341)
Net book value at 30 June 2018	127,497	702	1,544	129,743
At cost	184,669	2,846	4,500	192,015
Accumulated depreciation and impairment	(57,172)	(2,144)	(2,956)	(62,272)
	127,497	702	1,544	129,743

Owned assets				
Buildings	**Leasehold improvements**	**Furniture, fixtures and equipment**	**Total**	**Total**
HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
(a)				
17,308	2,343	8,157	27,808	162,434
-	-	3,676	3,676	6,990
(2,163)	(433)	(4,158)	(6,754)	(13,790)
-	2	-	2	34
15,145	1,912	7,675	24,732	155,668
43,255	25,247	45,879	114,381	307,879
(28,110)	(23,335)	(38,204)	(89,649)	(152,211)
15,145	1,912	7,675	24,732	155,668
17,308	2,326	8,136	27,770	161,696
-	-	3,676	3,676	5,834
(2,163)	(415)	(4,130)	(6,708)	(13,049)
15,145	1,911	7,682	24,738	154,481
43,255	25,176	45,612	114,043	306,058
(28,110)	(23,265)	(37,930)	(89,305)	(151,577)
15,145	1,911	7,682	24,738	154,481

Year ended 30 June	Group		Institute	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Interest on lease liabilities	**117**	125	**70**	98
Expense relating to short-term leases				
- Lease term of more than one month	**112**	152	**112**	152
- Lease term of one month or less (d)	**17,727**	16,580	**17,720**	16,568
Expense relating to variable lease payments not included in the measurement of lease liabilities	**264**	237	**264**	237
Income from sub-leasing right-of-use assets	**32**	121	**32**	121
Total cash outflow for leases				
- Lease liabilities	**2,844**	2,744	**2,135**	2,021
- Short-term lease and variable lease payments	**16,724**	15,542	**16,717**	15,530
	19,568	18,286	**18,852**	17,551

At 30 June	Group		Institute	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Maturity profile of lease liabilities:				
- Within 1 year	**1,711**	2,480	**1,193**	1,753
- Between 1 to 2 years	**718**	1,047	**718**	511
- Between 3 to 5 years	**-**	90	**-**	89
Lease liabilities (undiscounted)	**2,429**	3,617	**1,911**	2,353
Discount amount	**(73)**	(115)	**(61)**	(55)
Lease liabilities (discounted)	**2,356**	3,502	**1,850**	2,298
Current	**1,658**	2,385	**1,152**	1,705
Non-current	**698**	1,117	**698**	593
Lease liabilities (discounted)	**2,356**	3,502	**1,850**	2,298

Movements of the carrying amount of lease liabilities:

Year ended 30 June	Group		Institute	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
At the beginning of the reporting period	**3,502**	2,774	**2,298**	2,063
Non-cash changes:				
- Interest expense	**117**	125	**70**	98
- New leases	**1,617**	3,314	**1,617**	2,158
- Exchange differences	**(36)**	33	**-**	-
Cash payments	**(2,844)**	(2,744)	**(2,135)**	(2,021)
At the end of the reporting period	**2,356**	3,502	**1,850**	2,298

a. The Group's and the Institute's right of use in leasehold land represents prepaid lease payments. The leasehold land, together with the owned buildings held for own use, comprise the 37th floor and 27th floor of Wu Chung House located at 213 Queen's Road East, Wanchai, Hong Kong with a total gross area of 49,722 sq. ft. acquired on 8 July 2005 and 28 February 2006 respectively. The leasehold land is held on medium-term leases expiring on 30 June 2047.

b. The Group entered into lease agreements in respect of premises at two industrial buildings for storage purpose in Hong Kong, one office building in Beijing and one office building for the promotion of the Institute's qualification programme in Zhuhai and Guangzhou respectively. All of these agreements were entered into by the Institute except for the office buildings in Beijing and Guangzhou. The lease terms range from two to three years with no extension or termination options and all the lease payments are fixed.

c. The Institute entered into lease agreements in respect of copiers and server racks in Hong Kong. The lease term ranges from two to five years with no extension or termination options. Apart from the fixed payments, the rentals of the copiers also include variable payments based on usage which are recognized in surplus or deficit in the period during which the expenses are incurred.

d. The Group entered into lease agreements in respect of venues for examination or event in Hong Kong and Mainland China. The lease terms were mainly on daily basis with no extension or termination options.

5. Interests in subsidiaries

	Institute	
	2019	2018
	HK$'000	*HK$'000*
At cost	**300**	300
Impairment charges	**(300)**	(300)
	-	-

Details of the Institute's subsidiaries at the end of the reporting period are as follows:

Name of subsidiary	Place of incorporation/ establishment and operations	Registered and paid-up capital	Equity interest held	Principal activities
HKICPA (Beijing) Consulting Co.,Ltd. (a)	Mainland China	HK$300,000	100%	Promotion of the Institute's qualification programme and provision of services to members in Mainland China
The HKICPA Trust Fund (a)	Hong Kong	-	(c)	Relief of poverty of members of the Institute
The HKICPA Charitable Fund (a)	Hong Kong	-	(c)	General charitable purposes
Hong Kong Institute of Accredited Accounting Technicians Limited (a)	Hong Kong	-	(c)	Award of the "Accredited Accounting Technician" qualification
The HKIAAT Trust Fund (b)	Hong Kong	-	(c)	Provision of scholarships to persons studying for the examinations held by HKIAAT

(a) Held/controlled directly by the Institute.
(b) Controlled directly by HKIAAT.
(c) Accounted for as a subsidiary and 100% consolidated by virtue of control.

HKICPA Beijing is a wholly-owned subsidiary of the Institute incorporated as a foreign enterprise in Mainland China.

The HKICPA Trust Fund and The HKICPA Charitable Fund were set up with no capital injection by the Institute.

HKIAAT was founded by former Council members on behalf of the Institute.

The HKIAAT Trust Fund was set up with no capital injection by HKIAAT.

<u>Nature and purpose of funds</u>

The general fund of HKIAAT of HK$16,585,000 (*2018: HK$17,570,000*) represents the accumulated surplus from the operation and the fund can be used to fulfill the objects of HKIAAT as set out in its Articles of Association. The information about the capital fund of HKIAAT is set out in note 11.

The HKICPA Trust Fund, The HKICPA Charitable Fund and The HKIAAT Trust Fund have accumulated funds in total of HK$5,196,000 (*2018: HK$5,015,000*), the use of which is restricted to the principal activities as outlined above and the provisions stipulated in the respective trust deeds.

<u>Use of bank balances</u>

Included in the Group's time deposits and cash and cash equivalents is an amount in total of HK$29,365,000 (*2018: HK$31,548,000*) which are held by the Institute's subsidiaries and have been designated for the operations of the subsidiaries.

6. Deferred tax assets and liabilities

a. Details of deferred tax assets/(liabilities) recognized in the statements of financial position and the movements during the year are as follows:

	Group			Institute		
	Accelerated tax depreciation	**Other temporary differences**	**Total**	**Accelerated tax depreciation**	**Other temporary differences**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
At 1 July 2017	(1,801)	1,993	192	(1,801)	1,993	192
Credited/(charged) to surplus (note 17)	68	(190)	(122)	68	(190)	(122)
At 30 June 2018 and 1 July 2018	(1,733)	1,803	70	(1,733)	1,803	70
Credited/(charged) to deficit (note 17)	(2,537)	382	(2,155)	(2,537)	382	(2,155)
At 30 June 2019	**(4,270)**	**2,185**	**(2,085)**	**(4,270)**	**2,185**	**(2,085)**

b. Details of items for which no deferred tax assets are recognized at the end of the reporting period are as follows:

	Group		Institute	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Decelerated tax depreciation	**20**	10	-	-
Other temporary differences	**1,451**	1,571	-	-
Tax losses	**91,005**	17,363	**72,320**	-
	92,476	18,944	**72,320**	-

No deferred tax assets are recognized by the Group in respect of above unused tax losses and deductible temporary differences because it is not probable whether future taxable profit will be available against which the Group can utilize the benefits therefrom. Neither the tax losses nor the temporary differences have expiration dates under current tax legislation.

7. Receivables

	Group		Institute	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Accounts receivable	**4,723**	4,946	**4,509**	4,784
Amounts due from subsidiaries	**-**	-	**131**	478
	4,723	4,946	**4,640**	5,262
Charges for impairment (a)	**(266)**	(266)	**(266)**	(266)
	4,457	4,680	**4,374**	4,996

The accounts receivable mainly are bank interest receivables, outstanding disciplinary fines and legal costs recovery.

The bank interest receivables are mainly derived from time deposits with reputable and creditworthy banks in Hong Kong. All of the time deposits have a term of less than 12 months. Management considers the interest receivables have low credit risk.

For the receivables relating to the disciplinary fines and legal costs recovery, the Group evaluates the probability of default on a case-by-case basis.

Amounts due from subsidiaries are unsecured, interest-free and repayable on demand.

a. Movements on the charges for impairment of receivables are as follows:

	Group		Institute	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
At the beginning of the reporting period	**266**	388	**266**	388
Recovery of impaired receivables (note 14)	**-**	(20)	**-**	(20)
Bad debts written off for the year	**-**	(119)	**-**	(119)
Impairment charged during the year	**-**	17	**-**	17
At the end of the reporting period	**266**	266	**266**	266

The individually impaired receivables have been assessed by management who considers that their risk of default in payment is high. The Group and the Institute do not hold any collateral or other credit enhancements over these balances.

The maximum exposure to credit risk at the end of the reporting period is the carrying amount of the receivables, which approximates their fair value.

b. The ageing analysis of receivables at the end of the reporting period that are not considered to be impaired is as follows:

	Group		Institute	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Not past due	**3,039**	3,590	**2,884**	3,486
Within 30 days past due	**114**	369	**188**	789
31 to 90 days past due	**40**	158	**38**	158
91 to 180 days past due	**543**	499	**543**	499
181 to 270 days past due	**721**	64	**721**	64
	1,418	1,090	**1,490**	1,510
	4,457	4,680	**4,374**	4,996

Receivables of the Institute that are neither past due nor impaired are mainly bank interest receivables and professional indemnity insurance recovery.

Receivables that are past due but not impaired relate to a number of parties that either have subsequently settled the amounts due or have no records of default in payments. Based on experience, existing market conditions as well as forward looking estimates, management is of the opinion that no charge for impairment is necessary in respect of these balances as there has not been a significant change in credit quality of these parties and the balances are still considered fully recoverable. The Group and the Institute do not hold any collateral or other credit enhancements over these balances.

8. Cash and cash equivalents

	Group		Institute	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Bank balances				
- Time deposits with original maturities within three months	**80,402**	12,942	**73,449**	10,255
- Savings accounts	**6,358**	3,517	**5,067**	2,034
- Current accounts	**35,737**	16,009	**32,819**	13,809
Cash on hand	**96**	71	**83**	69
	122,593	32,539	**111,418**	26,167

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are mainly made for three-month periods depending on the immediate cash requirement of the Group and the Institute and earn interest at the prevailing short-term deposit rates.

9. Contract balances

Since payments are received in advance, the Group and the Institute do not have any contract assets or receivables from contracts with customers. Besides, there are no significant costs to obtain or fulfill contracts with customers to be amortized.

Contract liabilities:

	Group		Institute	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Subscription fees received in advance	**54,370**	69,734	**54,370**	69,126
Other fees received in advance	**14,177**	13,024	**14,177**	12,993
	68,547	82,758	**68,547**	82,119

The Institute and HKIAAT charge their members and students an annual subscription fee for renewal of membership/studentship on a calendar-year basis (i.e. from 1 January to 31 December), which is recognized in surplus or deficit on a straight-line basis over the subscription period. The contract liabilities mainly relate to (1) the subscription fees received in advance which represent the unearned subscription income for the period from 1 July to 31 December of a year and (2) other fees received in advance which mainly relate to first registration applications to be assessed, and examinations and seminars to be conducted or to be completed after the end of the reporting period.

Above balances represent the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) at the end of the reporting period, most of which will be recognized as revenue during the next reporting period. No consideration from contracts with customers is excluded from the transaction price.

Significant changes in the balances of contract liabilities during the year:

	Group		Institute	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Decrease due to the recognition of revenue for contract liabilities at the beginning of the year	**(56,525)**	(80,268)	**(55,886)**	(79,530)
Increases due to cash received during the year	**167,723**	255,067	**167,461**	253,118
Decrease due to the recognition of revenue for cash received during the year	**(125,409)**	(172,626)	**(125,147)**	(171,315)

10. Payables and accruals

	Group		Institute	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Payables	**11,411**	4,601	**11,323**	4,455
Amounts due to subsidiaries	-	-	**50**	50
Accruals	**15,896**	18,583	**15,811**	18,189
Financial liabilities	**27,307**	23,184	**27,184**	22,694
Employee benefits obligations	**17,985**	17,155	**16,748**	16,052
	45,292	40,339	**43,932**	38,746

Payables and accruals are mainly purchase cost of fixed assets, litigation costs and costs related to examinations, seminars and courses. At 30 June 2019, HK$1,358,000 (*2018: HK$5,231,000*) is accrued as potential liability arising from an appeal against a disciplinary order.

Amounts due to subsidiaries are unsecured, interest-free and repayable on demand.

The maturity profile of the Group's and the Institute's financial liabilities at the end of the reporting period based on the contracted undiscounted cash flows is as follows:

	Group		Institute	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Within 30 days	**23,114**	10,542	**22,991**	10,070
Between 31 and 90 days	**1,858**	5,810	**1,858**	5,810
Between 91 and 180 days	**172**	5,249	**172**	5,231
Between 181 and 270 days	**53**	979	**53**	979
Over 270 days	**2,110**	604	**2,110**	604
	27,307	23,184	**27,184**	22,694

11. General fund and capital fund

The general fund of the Institute represents the accumulated surplus from the operation and the fund can be used to fulfill the objects of the Institute as set out in section 7 of the Professional Accountants Ordinance.

The Group has two capital funds:

a. The capital fund of the Institute represents a capital levy from its members and students for the purpose of financing the purchase, improvement and/or expansion of the Institute's office premises. The rates of levy are decided annually by the Council. In 2016, the Council decided to reduce the capital levy of members by HK$150 from 2017 onwards.

b. The capital fund of HKIAAT represents a capital levy from its members and students to meet future office expansion. The rates of levy are decided annually by the Board of Directors of HKIAAT. Effective from the year ended 30 June 2009, no capital levy has further been collected.

12. Subscriptions and fees

	Group		Institute	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Annual subscription fees				
Members (a)	**22,993**	87,145	**22,993**	87,145
Practising certificates	**25,144**	24,202	**25,144**	24,202
Students	**7,740**	8,229	**7,429**	7,534
Firms	**10,746**	10,794	**10,746**	10,794
Corporate practices	**7,426**	6,807	**7,426**	6,807
Others	**1,066**	1,237	**764**	615
First registration fees				
Members	**5,586**	5,118	**5,586**	5,118
Practising certificates	**952**	892	**952**	892
Students	**1,661**	1,882	**1,651**	1,846
Firms	**154**	130	**154**	130
Corporate practices	**242**	220	**242**	220
Others	**182**	317	**182**	315
Other fees				
Advancement to fellowship	**319**	276	**319**	276
Assessment for overseas students	**1,298**	1,388	**1,298**	1,388
	85,509	148,637	**84,886**	147,282

a. Members' annual subscription fees

	Group and Institute	
	2019	2018
	HK$'000	*HK$'000*
Annual subscription fees	**22,993**	88,894
Less: One-off subscription reduction	-	(1,749)
	22,993	87,145

In June 2018, the Council announced a membership fee waiver for calendar years 2019 and 2020 for members whose names were on the register at 31 December 2017. The fee waiver for 2019 was for the full fee. A review was conducted during the current year, the fee waiver for 2020 will be for the full fee.

In October 2016, the Council approved a one-off subscription reduction of HK$180 to each current member (prorated for members enjoying concessionary rates) who renews their membership for the calendar year 2017. According to HKFRS 15, the reduction is recognized at the later of (a) when the reduction is announced to the members and (b) when the revenue for the transfer of the related goods or services to the members is recognized. As a result, the reduction for the year ended 30 June 2017 represented the impact related to the periods from 1 January 2016 to 31 December 2016 and from 1 January 2017 to 30 June 2017. The remaining balance of HK$1,749,000 related to the period from 1 July 2017 to 31 December 2017 was recognized in the prior year.

13. Other revenue

	Group		Institute	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Income from examinations	**74,437**	81,209	**74,159**	80,525
Income from seminars and courses	**20,605**	21,133	**20,605**	21,123
Income from member and student activities	**1,347**	1,914	**1,347**	1,914
Accreditation income	**36**	-	**36**	-
	96,425	104,256	**96,147**	103,562

14. Other income

	Group		Institute	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
FRC special levy (a)	**8,496**	8,092	**8,496**	8,092
Events sponsorship	**2,043**	2,132	**2,043**	2,132
Disciplinary fines and costs recovery	**7,789**	8,238	**7,789**	8,238
Interest income	**5,755**	4,309	**5,325**	4,007
Sales of goods	**1,294**	2,098	**1,248**	2,028
Income from advertisements placed in the journals	**196**	326	**196**	326
Litigation costs recovery (b)	**6,267**	1,548	**6,267**	1,548
Income from hardcopy surcharge	**686**	790	**686**	790
Commission from professional indemnity insurance master policy	**1,329**	1,263	**1,329**	1,263
Commission from affinity credit card programme	**133**	129	**133**	129
Royalty income	**23**	18	**-**	4
Donations	**25**	46	**17**	31
Income from sub-leasing right-of-use assets	**32**	121	**32**	121
Recovery of impaired receivables (note 7a)	**-**	20	**-**	20
Reversal of allowance for obsolete inventories	**6**	11	**6**	11
Service fees from HKIAAT	**-**	-	**720**	1,440
Gain on disposal of fixed assets	**11**	-	**11**	-
Miscellaneous	**33**	40	**14**	18
	34,118	29,181	**34,312**	30,198

a. FRC special levy

The Institute representing the accounting profession is one of the four funding parties of the Financial Reporting Council (the "FRC"), along with the Companies Registry Trading Fund of the Government of the Hong Kong Special Administrative Region, Hong Kong Exchanges and Clearing Limited and the Securities and Futures Commission. Under the existing funding arrangements, the Institute contributes one quarter of the annual funding of the FRC. The Institute's share of the funding is met by a special annual levy on member practices which are auditors of listed entities. During the current year, the Institute received HK$8,496,000 (*2018: HK$8,092,000*) from such member practices and contributed HK$8,496,000 (*2018: HK$8,092,000*) to the FRC (note 16).

b. Litigation costs recovery

	Group and Institute	
	2019	2018
	HK$'000	*HK$'000*
Litigation costs recovery for:		
Professional indemnity insurance recovery (i)	**4,767**	1,548
Appeal against disciplinary order (ii)	**1,500**	-
	6,267	1,548

(i) During the current year, the Institute recognized HK$4,767,000 (*2018: HK$1,548,000*) as recovery from the insurers for partial settlement of legal costs and claims incurred in dealing with an appeal against a disciplinary order. The amount recognized for the year ended 30 June 2018 was made in accordance with the accounting policy on provisions that it is virtually certain. The amount was fully recovered during the current year.

During the current year, the Institute made partial settlement of HK$4,000,000 for the case and an additional cost of HK$127,000 (*2018: HK$5,231,000*) was charged to the statements of comprehensive income. At 30 June 2019, included in "Payables and accruals" is an amount of HK$1,358,000 (*2018: HK$5,231,000*) for outstanding potential liability of the case, which is under on-going settlement discussions. The actual recovery and liability will depend upon a number of factors including taxation, agreement reached with the appellant and the insurers agreement to such amounts.

(ii) During the current year, the Institute recovered HK$1,500,000 as interim settlement from an applicant who applied for appeal on a disciplinary order against him.

15. Income and expenses by activity

An analysis of the Group's and the Institute's income and expenses by main activities is set out below:

2019

	Group			Institute		
	Income	Expenses	Deficit before tax	Income	Expenses	Deficit before tax
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Members and practices						
Membership and licensing	65,808	-	65,808	65,808	-	65,808
Admission and registration	9,075	(6,510)	2,565	9,075	(6,510)	2,565
Standards and regulation	22,657	(61,837)	(39,180)	22,657	(61,837)	(39,180)
Professional development and specialization	21,157	(26,721)	(5,564)	21,157	(26,721)	(5,564)
Interest groups and networking activities	2,139	(10,969)	(8,830)	2,139	(10,943)	(8,804)
	120,836	(106,037)	14,799	120,836	(106,011)	14,825
Qualification	86,021	(64,242)	21,779	86,021	(64,166)	21,855
Corporate functions						
Constitution, governance and corporate activities	1,810	(7,816)	(6,006)	1,810	(7,816)	(6,006)
Branding and communication	-	(9,295)	(9,295)	-	(9,295)	(9,295)
Publications	196	(6,420)	(6,224)	196	(6,420)	(6,224)
Advocacy	-	(1,177)	(1,177)	-	(1,177)	(1,177)
Legal	-	(6,419)	(6,419)	-	(6,419)	(6,419)
China and international relations	-	(6,311)	(6,311)	-	(6,311)	(6,311)
General administration, finance and operations	5,764	(43,935)	(38,171)	6,482	(44,655)	(38,173)
Depreciation and building related expenses	-	(21,415)	(21,415)	-	(21,415)	(21,415)
	7,770	(102,788)	(95,018)	8,488	(103,508)	(95,020)
HKIAAT Group	1,353	(2,094)	(741)	-	-	-
HKICPA Charitable Fund	7	(182)	(175)	-	-	-
HKICPA Trust Fund	65	(2)	63	-	-	-
Total	216,052	(275,345)	(59,293)	215,345	(273,685)	(58,340)

2018

	Group			Institute		
	Income	Expenses	Surplus before tax	Income	Expenses	Surplus before tax
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Members and practices						
Membership and licensing	128,190	-	128,190	128,190	-	128,190
Admission and registration	8,605	(5,959)	2,646	8,605	(5,959)	2,646
Standards and regulation	18,094	(65,368)	(47,274)	18,094	(65,368)	(47,274)
Professional development and specialization	22,233	(28,658)	(6,425)	22,233	(28,658)	(6,425)
Interest groups and networking activities	2,559	(11,075)	(8,516)	2,559	(11,202)	(8,643)
	179,681	(111,060)	68,621	179,681	(111,187)	68,494
Qualification	93,131	(63,664)	29,467	93,130	(63,740)	29,390
Corporate functions						
Constitution, governance and corporate activities	1,888	(8,513)	(6,625)	1,888	(8,513)	(6,625)
Branding and communication	12	(7,214)	(7,202)	12	(7,214)	(7,202)
Publications	327	(6,261)	(5,934)	327	(6,261)	(5,934)
Advocacy	-	(941)	(941)	-	(941)	(941)
Legal	-	(4,220)	(4,220)	-	(4,220)	(4,220)
China and international relations	-	(6,064)	(6,064)	-	(6,064)	(6,064)
General administration, finance and operations	4,566	(43,873)	(39,307)	6,004	(45,313)	(39,309)
Depreciation and building related expenses	-	(19,854)	(19,854)	-	(19,854)	(19,854)
	6,793	(96,940)	(90,147)	8,231	(98,380)	(90,149)
HKIAAT Group	2,413	(3,918)	(1,505)	-	-	-
HKICPA Charitable Fund	11	(264)	(253)	-	-	-
HKICPA Trust Fund	45	(16)	29	-	-	-
Total	282,074	(275,862)	6,212	281,042	(273,307)	7,735

16. (Deficit)/surplus before tax

	Group		Institute	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
(Deficit)/surplus before tax has been arrived at after charging/(crediting):				
Employee benefits (note 18)	**156,857**	148,377	**153,400**	144,306
Depreciation of fixed assets	**15,102**	13,790	**14,409**	13,049
Contribution to FRC (note 14a)	**8,496**	8,092	**8,496**	8,092
Award for an appeal case (note 14b(i))	**127**	5,231	**127**	5,231
Auditor's remuneration	**476**	399	**383**	309
Allowance for obsolete inventories	**37**	41	**37**	41
Cost of goods sold	**151**	228	**142**	227
Donations (a)	**2**	14	**52**	64
Exchange loss	**14**	105	**-**	118
Gain on disposal of fixed assets	**(11)**	-	**(11)**	-
Impairment of receivables (note 7a)	**-**	17	**-**	17
Interest on lease liabilities	**117**	125	**70**	98
Obsolete inventories written off	**11**	5	**11**	5
Recovery of impaired receivables (note 7a)	**-**	(20)	**-**	(20)
Recovery of obsolete inventories written off	**(6)**	(11)	**(6)**	(11)
Uncollectible amounts written off	**7**	18	**7**	18

a. During the current year, the Institute donated HK$50,000 (*2018: HK$50,000*) to The HKICPA Charitable Fund.

17. Income tax charge

	Group		Institute	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Current tax				
Hong Kong Profits Tax:				
Current year	**-**	1,074	**-**	1,074
Overprovision in prior year	**-**	(30)	**-**	(30)
	-	1,044	**-**	1,044
Mainland China income tax:				
Current year	**2**	19	**-**	-
Underprovision in prior year	**5**	2	**-**	-
Total current tax charge	**7**	1,065	**-**	1,044
Deferred tax				
Effect on opening deferred tax of decrease in tax rate	**-**	25	**-**	25
Origination and reversal of temporary differences	**2,155**	97	**2,155**	97
	2,155	122	**2,155**	122
Total tax charge	**2,162**	1,187	**2,155**	1,166

No Hong Kong profits tax has been provided for the current year as the Group and the Institute do not have assessable profits arising in Hong Kong.

Hong Kong profits tax was calculated in accordance with the two-tiered profits tax rates regime for the preceding year. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of qualifying corporations will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%.

Mainland China income tax has been provided at the statutory rate of 25% (*2018: 25%*) in accordance with the relevant tax laws in Mainland China.

The reconciliation between income tax charge and (deficit)/surplus before tax at the applicable rate (i.e. the statutory tax rate for the jurisdiction in which the Institute and the majority of its subsidiaries are domiciled) is as follows:

	Group		Institute	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
(Deficit)/surplus before tax	**(59,293)**	6,212	**(58,340)**	7,735
Tax at the applicable rate of 16.5% *(2018: 16.5%)*	**(9,783)**	1,025	**(9,626)**	1,276
Tax effect of the two-tiered profits tax rates regime	**-**	(165)	**-**	(165)
Tax effect of different tax rate for a subsidiary in Mainland China	**(13)**	13	**-**	-
Tax effect of non-deductible expenses	**769**	784	**738**	736
Tax effect of non-assessable income	**(958)**	(696)	**(881)**	(661)
Tax effect of unrecognized tax losses	**12,151**	308	**11,933**	-
Tax effect of temporary differences not recognized	**(30)**	(40)	**-**	-
Under/(over)provision in prior year	**5**	(28)	**-**	(30)
Others	**21**	(14)	**(9)**	10
Total tax charge	**2,162**	1,187	**2,155**	1,166

18. Employee benefits

	Group		Institute	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Employee benefits (including key management personnel remuneration):				
Salaries, wages, bonuses and allowances	**147,805**	140,213	**144,516**	136,415
Provident fund contributions	**9,052**	8,164	**8,884**	7,891
	156,857	148,377	**153,400**	144,306
Number of staff				
At the beginning of the reporting period	**211**	208	**203**	198
At the end of the reporting period	**226**	211	**220**	203

19. Key management personnel remuneration

	Group and Institute	
	2019	2018
	HK$'000	*HK$'000*
Chief Executive and Registrar (a)		
Salaries and allowances (b)	-	4,090
Retirement benefits	-	18
	-	4,108

a. During the current year, the position of Chief Executive and Registrar was vacant. The remuneration charges for the year ended 30 June 2018 were recognized for the services rendered by the immediate past Chief Executive and Registrar who left the Institute upon completion of his contract on 30 June 2018.

b. The amount includes gratuity, movement of accruals for annual leave entitlements and other employee benefits.

Key management personnel comprise members of the Council and the Chief Executive and Registrar. Council members are not remunerated.

20. Related party transactions

a. Members of the Institute's Council

Members of the Council do not receive any fees or other remuneration for serving as a member of the Council. Other than the information disclosed elsewhere in the financial statements, the Group and the Institute entered into the following material transactions with Council members or parties related to Council members:

(i) During the current year, the Institute incurred expenses of HK$352,000 (*2018: HK$329,000*) in respect of services provided by United International College ("UIC") for the promotion of the Institute's Qualification Programme and rental of training rooms in Mainland China. A Council member of the Institute is a member of the senior management of UIC. This Council member was retired during the current year. At 30 June 2019, included in "Payables and accruals" is an amount of HK$330,000 due to UIC. The amount outstanding is unsecured, interest-free and has been settled after the end of the reporting period.

(ii) During the current year, the Institute incurred expenses of HK$578,000 (*2018: Nil*) for conducting a technical training class and development of Train-the-Trainer ("TTT") Programme of the new Qualification Programme provided by KPMG and its group company, KPMG Advisory (Hong Kong) Limited, of which a Council member of the Institute is a partner of KPMG. At 30 June 2019, the total outstanding commitment for the TTT Programme is HK$1,951,000.

(iii) During the current year, the Institute incurred expenses of HK$79,000 in respect of training services (*2018: HK$1,980,000 for consulting services for developing a Digital Strategic Plan*) provided by Deloitte Advisory (Hong Kong) Limited ("Deloitte"), a group company of Deloitte Touche Tohmatsu, of which two Council members of the Institute are partners. At 30 June 2019, included in "Payables and accruals" is an amount of HK$79,000 due to Deloitte. The amount outstanding is unsecured, interest-free and has been settled after the end of the reporting period.

(iv) During the current year, the Institute incurred expenses of HK$130,000 for the update of international tax course materials (*2018: HK$366,000 mainly for the update of international tax course materials and the professional fee for cyber advisory services*) provided by Ernst & Young ("EY") and Ernst & Young Advisory Services Limited, a group company of EY. A Council member of the Institute is a partner of EY.

(v) During the current year, the Institute incurred expenses of HK$130,000 (*2018: Nil*) for the update of specialist tax training programme materials provided by PricewaterhouseCoopers Limited ("PwC"), of which a Council member of the Institute is a director of PwC. At 30 June 2019, the total outstanding commitment is HK$220,000.

(vi) During the current year, the Institute incurred expenses of HK$8,157,000 (*2018: HK$8,195,000*) for rental of venue and administration fee for examinations provided by Hong Kong Examinations and Assessment Authority ("HKEAA"), of which a Council member of the Institute is a council member. At 30 June 2019, included in "Payables and accruals" is an amount of HK$3,009,000 (*2018: HK$4,049,000*) due to HKEAA. The amount outstanding is unsecured, interest-free and has been settled after the end of the reporting period. In addition, the Institute entered into several service contracts with HKEAA on 22 March 2019 for examinations. At 30 June 2019, included in "Prepayment" is an amount of HK$724,000 (*2018: HK$213,000*) paid to HKEAA for these contracts and total outstanding commitment is HK$3,058,000.

(vii) During the current year, the Institute incurred expenses of HK$1,385,000 (*2018: HK$823,000*) for rental of training rooms and courses provided by Hong Kong Baptist University ("HKBU"), of which a Council member of the Institute was a council member of HKBU. This Council member was retired during the current year.

In addition, the Group and the Institute received income in the ordinary course of business, such as subscriptions and fees from Council members or parties related to Council members. The Group and the Institute also paid honoraria to recipients, some of whom are Council members or parties related to Council members, for various services provided to the Group and the Institute such as giving lectures and providing venues for training courses, providing consultancy service, contributing articles to the Group's and the Institute's publications and reviewing listed companies' annual reports. The total amount paid to Council members or parties related to Council members in this regard was not significant.

b. Subsidiaries of the Institute

(i) HKICPA Beijing
During the current year, the Institute paid service fees of HK$3,319,000 (*2018: HK$3,454,000*) to HKICPA Beijing for the promotion of the Institute's qualification programme and the provision of services to members in Mainland China.

(ii) The HKICPA Charitable Fund
During the current year, the Institute donated HK$50,000 (*2018: HK$50,000*) to The HKICPA Charitable Fund. At 30 June 2019, included in "Payables and accruals" of the Institute is an amount of HK$50,000 (*2018: HK$50,000*) due to The HKICPA Charitable Fund.

(iii) HKIAAT
During the current year, the Institute charged service fees of HK$720,000 (*2018: HK$1,440,000*) to HKIAAT for management, rental and other services provided to HKIAAT at agreed terms. Total staff employment costs of HK$1,190,000 (*2018: HK$1,855,000*) were also recharged to HKIAAT for the human resources support on a cost recovery basis. At 30 June 2019, included in "Receivables" of the Institute is an amount of HK$131,000 (*2018: HK$478,000*) due from HKIAAT arising from the services provided.

21. Financial risk management

Financial instruments mainly consist of receivables, time deposits, cash and cash equivalents, payables and accruals, and lease liabilities. The Group and the Institute are exposed to various financial risks which are discussed below:

a. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates.

The effective interest rates of the Group's and the Institute's interest-bearing financial assets are as follows:

	Group		Institute	
	2019	2018	**2019**	2018
	% p.a.	*% p.a.*	***% p.a.***	*% p.a.*
Time deposits	**1.86%**	1.14%	**1.88%**	1.21%
Savings accounts	**0.04%**	0.01%	**0.03%**	0.01%

The Group's and the Institute's exposure to interest rate fluctuations is mainly limited to interest receivable on its time deposits at the end of the reporting period. Management considers the Group and the Institute have limited exposure to interest rate risk relating to the savings accounts as the changes in the interest rate of the savings accounts over the period until the end of the next annual reporting period are expected to be minimal. Any fluctuation in the prevailing levels of market interest rates will have an impact on the interest income only as the Group and the Institute did not have any variable interest-bearing loans. The Group and the Institute manage the interest rate risk by monitoring closely the movements in interest rates in order to limit potential adverse impact on interest income.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates over the period until the end of the next annual reporting period, with all other variables held constant, of the Group's and the Institute's (deficit)/surplus before tax and funds and reserve.

	Group		Institute	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Time deposits				
- with original maturities within three months	**80,402**	12,942	**73,449**	10,255
- with original maturities over three months	**201,244**	368,327	**183,054**	343,151
	281,646	381,269	**256,503**	353,406
Impact of interest rate deviation				
Change in interest rate by 0.25% *(2018: 0.25%)*				
- Change in deficit before tax	**704**	-	**641**	-
- Change in surplus before tax	**-**	953	**-**	884
- Change in funds and reserve	**704**	953	**641**	884

Time deposits with original maturities over three months carry interest at market rates from 1.7% to 2.55% (*2018: 0.3% to 2.17%*) per annum and with maturities which range from six to twelve months.

b. Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Group and the Institute consider the probability of default upon initial recognition of financial assets and whether there has been a significant increase in credit risk on an ongoing basis. To assess whether there is a significant increase in credit risk, the Group and the Institute compare the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. The Group and the Institute consider reasonable and supportive forward-looking information that is available, including the following indicators:

- external credit rating
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations
- significant changes in the expected performance and behavior of the debtors, including changes in the payment pattern of debtors

A default on a financial asset is assessed on a case-by-case basis but generally occurs when the contractual payments are 90 days or more past due.

Financial assets are written off when there is no reasonable expectation of recovery.

The Group and the Institute have designed their credit policies with an objective to minimize their exposure to credit risk. The Group's and the Institute's "Receivables", other than the amounts due from subsidiaries, are very short term in nature and the associated risk is minimal. Subscriptions, fees, income from examinations, seminars, courses, other activities and rental income are collected in advance. Sales of goods are made in cash or via credit cards. Income from advertisements placed in the journals is derived from vendors with an appropriate credit history. The recovery of the costs and the settlement of penalties in relation to disciplinary and legal cases are closely monitored by management and there was no default in most of the cases according to past experience. Further quantitative data in respect of the exposure to credit risk arising from receivables are disclosed in note 7.

Most of the Group's and the Institute's funds in banks have been deposited with reputable and creditworthy banks in Hong Kong. In accordance with the Group's bank deposit policy, approximately 90% of those funds are deposited with banks that have a "A" grade credit rating or higher as rated by two international credit rating agencies. Management considers there is minimal credit risk associated with those balances.

c. Liquidity risk

Liquidity risk is defined as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Group and the Institute manage liquidity risk by maintaining adequate reserves. The Group and the Institute perform periodically cash flow forecasts to monitor future cash flows. The subscription fees and registration fees provide a stable source of funds to the Group and the Institute. The current financial strength of the Group and the Institute poses no threat of liquidity to the Group and the Institute.

d. Foreign currency risk

The majority of the Group's and the Institute's transactions, monetary assets and monetary liabilities are denominated in respective entities' functional currencies. At the end of the reporting period, the Group and the Institute have bank balances denominated in Renminbi ("RMB") in total of HK$1,131,000 and HK$62,000 (*2018: HK$1,117,000 and HK$17,000*) respectively. In respect of the Group's bank balances denominated in RMB, HK$1,069,000 (*2018: HK$1,100,000*) is held by HKICPA Beijing for the operations in Mainland China. The exposure to foreign currency risk is primarily caused by the fluctuation in the exchange rate of RMB. The exposure is not expected to be significant.

22. Capital management

The Group's and the Institute's objectives when managing capital are:

- to safeguard the Group's and the Institute's ability to continue as a going concern to enable their obligations under the Professional Accountants Ordinance, the Hong Kong Companies Ordinance and the trust deeds are fulfilled;
- to develop and maintain the qualification programme and continuing professional development programme for students and members; and
- to provide capital for the purpose of strengthening the Group's and the Institute's operational efficiency.

The Group and the Institute regularly review and manage their capital to ensure adequacy for both operational and capital needs. All surpluses are transferred to the general fund for future operational needs which are non-property related. The Group and the Institute charge an annual capital levy on its members and students, which is transferred directly to the capital fund (note 11). The capital fund is maintained to ensure sufficient resources are available to finance the purchase, improvement and/or expansion of the Group's and the Institute's office facilities.

The Council of the Institute and the Board of HKIAAT regularly review the need to adjust membership/studentship subscriptions and the capital levy to ensure operational and property needs are fully covered. The Group's and the Institute's capital levy policy is therefore based on a need basis and the Council of the Institute and the Board of HKIAAT have the discretion to alter the capital levy policy on an annual basis, if required.

For the purpose of capital disclosure, the Council regards the funds and reserve as capital of the Group and the Institute.

23. Capital commitments

	Group		**Institute**	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Capital expenditure in respect of system implementation and leasehold improvements contracted but not provided for in the financial statements	**7,173**	12,882	**7,173**	12,882
Capital expenditure in respect of system implementation authorized but not contracted for in the financial statements	**-**	3,783	**-**	3,783
	7,173	16,665	**7,173**	16,665

INDEPENDENT AUDITOR'S REPORT

PKF

26/F, Citicorp Centre
18 Whitefield Road
Causeway Bay
Hong Kong

To the Trustees of the HKICPA Trust Fund

Opinion

We have audited the financial statements of The HKICPA Trust Fund (the "Trust Fund") set out on pages 87 to 93, which comprise the statement of financial position at 30 June 2019, and the statement of comprehensive income, the statement of changes in accumulated funds and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Trust Fund at 30 June 2019, and of its financial performance and its cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the "*Auditor's Responsibilities for the Audit of the Financial Statements*" section of our report. We are independent of the Trust Fund in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have 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.

Responsibilities of Trustees for the Financial Statements

The Trustees of the Trust Fund are responsible for the preparation of financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA, and for such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustees are responsible for assessing the Trust Fund'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 Trustees either intend to liquidate the Trust Fund or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with the trust deed, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the content of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs 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 these financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Trustees.
- Conclude on the appropriateness of the Trustees' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Trust Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Trust Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

The engagement director on the audit resulting in this independent auditor's report is Lam Kar Bo (Practising Certificate Number : P05453).

PKF Hong Kong Limited
Certified Public Accountants
Hong Kong
17 September 2019

STATEMENT OF FINANCIAL POSITION

At 30 June 2019

	Note	2019 HK$	2018 HK$
Current assets			
Other receivables	4	**9,318**	30,098
Time deposits with original maturities over three months		**915,188**	3,692,202
Cash and cash equivalents	5	**3,062,806**	202,168
Net assets		**3,987,312**	3,924,468
Accumulated funds		**3,987,312**	3,924,468

Approved by the Trustees on 17 September 2019

Eric Tong
Trustee

Law Fu Yuen, Patrick
Trustee

Johnson Kong
Trustee

Wong Hong Yuen
Trustee

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2019

	Note	2019 HK$	2018 HK$
Revenue			
Donations	6	**2,000**	4,000
Interest income		**63,094**	41,473
		65,094	45,473
Expenses			
Grants to members	7	-	(14,726)
Bank charges		**(2,250)**	(1,790)
		(2,250)	(16,516)
Surplus		**62,844**	28,957
Other comprehensive income		-	-
Comprehensive income		**62,844**	28,957

STATEMENT OF CHANGES IN ACCUMULATED FUNDS

For the year ended 30 June 2019

	2019	2018
	HK$	*HK$*
<u>**Accumulated funds**</u>		
At the beginning of the reporting period	**3,924,468**	3,895,511
Surplus	**62,844**	28,957
Other comprehensive income	**-**	-
Comprehensive income	**62,844**	28,957
At the end of the reporting period	**3,987,312**	3,924,468

STATEMENT OF CASH FLOWS

For the year ended 30 June 2019

	Note	2019	2018
	Note	***HK$***	*HK$*
Cash flows from operating activities			
Surplus		**62,844**	28,957
Decrease/(increase) in other receivables		**20,780**	(807)
Decrease in time deposits with original maturities over three months		**2,777,014**	58,280
Net cash generated from operating activities and net increase in cash and cash equivalents		**2,860,638**	86,430
Cash and cash equivalents at the beginning of the reporting period		**202,168**	115,738
Cash and cash equivalents at the end of the reporting period	*5*	**3,062,806**	202,168

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

1. Principal activities

The HKICPA Trust Fund (the "Trust Fund") was formed under a trust deed dated 21 January 1998 together with an initial sum of HK$345,000 donated by the then Hong Kong Society of Accountants, which was renamed on 8 September 2004 as the Hong Kong Institute of Certified Public Accountants (the "Institute"). The trustees of the Trust Fund are the president, the immediate past president, a vice president and a past president of the Institute. The Institute, a body corporate incorporated in Hong Kong on 1 January 1973 under the Professional Accountants Ordinance, is the parent of the Trust Fund. Its registered office is located at 37th floor, Wu Chung House, 213 Queen's Road East, Wanchai, Hong Kong. The Trust Fund was set up for the relief of poverty of members of the Institute by means of subsidy and/or loan. The Trust Fund, being a charitable trust, is exempt from Hong Kong Profits Tax under Section 88 of the Inland Revenue Ordinance.

2. Principal accounting policies

a. Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which include all individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Institute and accounting principles generally accepted in Hong Kong. These financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with HKFRSs requires the use of accounting estimates. It also requires management to exercise its judgment in the process of applying the Trust Fund's accounting policies. The estimates and associated assumptions are based on experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The critical accounting estimates and assumptions are summarized below:

Impairment of financial assets
The impairment provisions for financial assets are based on assumptions about risk of default. The Trust Fund uses judgement in making these assumptions based on the Trust Fund's past history, existing market conditions as well as forward looking estimates at the end of the reporting period. For details, see note 8b.

These financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2018 financial statements, except for the early adoption of new/revised HKFRSs as explained in note 2b.

b. New/revised HKFRSs that were issued during the current year and after 30 June 2019

The Institute has issued certain new/revised HKFRSs during the current year that are available for early adoption. The Trust Fund has early adopted these new/revised HKFRSs which have no significant impact on the results and the financial position.

The Institute has not issued any new/revised HKFRSs after 30 June 2019 and up to the date of approval of these financial statements.

c. Financial instruments

Financial assets are recognized in the statement of financial position when the Trust Fund becomes a party to the contractual provisions of the instrument. Financial assets within the scope of HKFRS 9 are initially measured at fair value and transaction costs that are directly attributable to the acquisition of financial assets are added to the fair value of the financial assets on initial recognition.

The Trust Fund's financial assets, including other receivables, time deposits and cash and cash equivalents, are subsequently measured at amortized cost using the effective interest method, less identified impairment charges (see note 2d) as the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows and the contractual terms of the financial assets give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

d. Impairment of financial assets

The Trust Fund recognizes loss allowances for expected credit loss on the financial instruments that are not measured at fair value through surplus or deficit. The Trust Fund considers the probability of default upon initial recognition of financial assets and assesses whether there has been a significant increase in credit risk on an ongoing basis.

The Trust Fund considers the credit risk on a financial instrument is low if the financial instrument has a low risk of default, the debtor has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the debtor to fulfill its contractual cash flow obligations.

The carrying amount of the receivables is reduced through the use of the receivable impairment charges account. Changes in the carrying amount of the receivable impairment charges account are recognized in surplus or deficit. The receivable is written off against the receivable impairment charges account when the Trust Fund has no reasonable expectations of recovering the receivable.

If, in a subsequent period, the amount of expected credit losses decreases, the reversal would be adjusted to the receivable impairment charges account at the reporting date. The amount of any reversal is recognized in surplus or deficit.

e. Derecognition of financial assets

Financial assets are derecognized when the contractual rights to receive the cash flows of the financial assets expire; or where the Trust Fund transfers the financial assets and either (i) it has transferred substantially all the risks and rewards of ownership of the financial assets; or (ii) it has neither transferred nor retained substantially all the risks and rewards of ownership of the financial assets but has not retained control of the financial assets.

f. Cash and cash equivalents

Cash and cash equivalents comprise cash at bank, and deposits with banks and other financial institutions having a maturity of three months or less at acquisition.

g. Revenue recognition

Revenue is recognized when it is probable that the economic benefits will flow to the Trust Fund and when the revenue can be measured reliably.

Donations are recognized on an accrual basis when receipt thereof is certain.

Interest income from bank deposits and bank savings accounts is recognized as it accrues using the effective interest method.

h. Related parties

A related party is a person or entity that is related to the Trust Fund.

(i) A person or a close member of that person's family is related to the Trust Fund if that person:

- (a) has control or joint control over the Trust Fund;
- (b) has significant influence over the Trust Fund; or
- (c) is a member of the key management personnel of the Trust Fund or of a parent of the Trust Fund.

(ii) An entity is related to the Trust Fund if any of the following conditions applies:

- (a) The entity and the Trust Fund are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (b) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(c) Both entities are joint ventures of the same third party.
(d) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
(e) The entity is a post-employment benefit plan for the benefit of employees of either the Trust Fund or an entity related to the Trust Fund.
(f) The entity is controlled or jointly controlled by a person identified in (i).
(g) A person identified in (i)(a) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
(h) The entity, or any member of a group of which it is a part, provides key management personnel services to the Trust Fund or to its parent.

3. Financial instruments by category

The carrying amounts of financial assets measured at amortized costs at the end of the reporting period are as follows:

	2019	2018
	HK$	*HK$*
Other receivables	**9,318**	30,098
Time deposits with original maturities over three months	**915,188**	3,692,202
Cash and cash equivalents	**3,062,806**	202,168
	3,987,312	3,924,468

The carrying amounts of the Trust Fund's financial assets at the end of the reporting period approximate their fair value.

4. Other receivables

	2019	2018
	HK$	*HK$*
Interest receivable	**9,318**	30,098

5. Cash and cash equivalents

	2019	2018
	HK$	*HK$*
Bank balances		
- Time deposits with original maturities within three months	**2,860,858**	-
- Savings account	**32,431**	31,501
- Current account	**169,517**	170,667
	3,062,806	202,168

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are mainly made for three-month periods depending on the immediate cash requirement of the Trust Fund and earn interest at the prevailing short-term deposit rates.

6. Donations

	2019	2018
	HK$	*HK$*
Donation from other parties	**2,000**	4,000

7. Grants to members

During the year ended 30 June 2018, grants totaling HK$14,726 were paid to help alleviate members of the Institute facing financial hardship.

8. Financial risk management

Financial instruments consist of cash and cash equivalents, time deposits and other receivables. The Trust Fund is exposed to various financial risks which are discussed below:

a. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates.

The effective interest rates of the Trust Fund's interest bearing financial assets are as follows:

	2019	2018
	%p.a.	*%p.a.*
Time deposits	**1.944%**	1.115%
Savings accounts	**0.093%**	0.001%

The Trust Fund's exposure to interest rate fluctuations is mainly limited to interest receivable on its time deposits at the end of the reporting period. Management considers that the Trust Fund has limited exposure to interest rate risk relating to the savings account as the changes in interest rate of the savings account over the period until the end of the next annual reporting period are expected to be minimal. Any fluctuation in the prevailing levels of market interest rates will have an impact on the interest income only as the Trust Fund did not have any interest bearing loans. The Trust Fund manages the interest rate risk by monitoring closely the movements in interest rates in order to limit potential adverse impact on interest income.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates over the period until the end of the next annual reporting period, with all other variables held constant, of the Trust Fund's surplus and accumulated funds.

	2019	2018
	HK$	*HK$*
Time deposits		
- with original maturities within three months	**2,860,858**	-
- with original maturities over three months	**915,188**	3,692,202
	3,776,046	3,692,202

Impact of interest rate deviation		
Change in interest rate by 0.25% *(2018: 0.25%)*		
- **Change in surplus and accumulated funds**	**9,440**	9,231

Time deposits with original maturities over three months carry interest at market rates 1.94% (*2018: 0.75% to 1.29%*) per annum and with maturities which range from six to twelve months.

b. Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Trust Fund has designed its credit policy with an objective to minimize its exposure to credit risk. The Trust Fund also has a policy in place to evaluate credit risk when loans are granted to members of the Institute and the repayments of short term loans to members of the Institute are closely monitored.

The Trust Fund's funds in banks have been deposited with reputable and creditworthy banks in Hong Kong. Management considers there is minimal risk associated with the bank balances.

9. Capital management

The Trust Fund operates by allocating its receipts and therefore is not exposed to any capital deficiency risk. In the event of capital needs, the Institute will make donations to the Trust Fund to ensure its capital adequacy.

INDEPENDENT AUDITOR'S REPORT

PKF

26/F, Citicorp Centre
18 Whitefield Road
Causeway Bay
Hong Kong

To the Trustees of The HKICPA Charitable Fund

Opinion

We have audited the financial statements of The HKICPA Charitable Fund (the "Charitable Fund") set out on pages 96 to 101, which comprise the statement of financial position at 30 June 2019, and the statement of comprehensive income, the statement of changes in accumulated funds and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Charitable Fund at 30 June 2019, and of its financial performance and its cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the "*Auditor's Responsibilities for the Audit of the Financial Statements*" section of our report. We are independent of the Charitable Fund in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have 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.

Responsibilities of Trustees for the Financial Statements

The Trustees of the Charitable Fund are responsible for the preparation of financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA, and for such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustees are responsible for assessing the Charitable Fund'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 Trustees either intend to liquidate the Charitable Fund or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with the trust deed, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the content of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs 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 these financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Charitable Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Trustees.
- Conclude on the appropriateness of the Trustees' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Charitable Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Charitable Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

The engagement director on the audit resulting in this independent auditor's report is Lam Kar Bo (Practising Certificate Number : P05453).

PKF Hong Kong Limited
Certified Public Accountants
Hong Kong
17 September 2019

STATEMENT OF FINANCIAL POSITION

At 30 June 2019

	Note	2019 HK$	2018 HK$
Current assets			
Amount due from the Institute	4	**50,000**	50,000
Cash and cash equivalents	5	**654,463**	779,822
Net assets		**704,463**	829,822
Accumulated funds		**704,463**	829,822

Approved by the Trustees on 17 September 2019

Law Fu Yuen, Patrick
Trustee

Eric Tong
Trustee

Margaret W.S. Chan
Trustee

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2019

	Note	2019 HK$	2018 HK$
Revenue			
Donations	6	**56,600**	61,000
Interest income		**551**	33
		57,151	61,033
Expenses			
Sponsorship		**(180,660)**	(263,200)
Bank charges		**(1,850)**	(1,150)
		(182,510)	(264,350)
Deficit		**(125,359)**	(203,317)
Other comprehensive income		-	-
Comprehensive income		**(125,359)**	(203,317)

STATEMENT OF CHANGES IN ACCUMULATED FUNDS

For the year ended 30 June 2019

	2019	2018
	HK$	*HK$*
Accumulated funds		
At the beginning of the reporting period	**829,822**	1,033,139
Deficit	**(125,359)**	(203,317)
Other comprehensive income	-	-
Comprehensive income	**(125,359)**	(203,317)
At the end of the reporting period	**704,463**	829,822

STATEMENT OF CASH FLOWS

For the year ended 30 June 2019

		2019	2018
	Note	***HK$***	*HK$*
Cash flows from operating activities			
Deficit, net cash utilized in operating activities and net decrease in cash and cash equivalents		**(125,359)**	(203,317)
Cash and cash equivalents at the beginning of the reporting period		**779,822**	983,139
Cash and cash equivalents at the end of the reporting period	*5*	**654,463**	779,822

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

1. Principal activities

The HKICPA Charitable Fund (the "Charitable Fund") was set up under a trust deed dated 2 December 2001 for general charitable purposes like relieving poverty, making donations to charitable organizations, providing emergency support for disaster, etc. The trustees of the Charitable Fund are the president, the immediate past president and the chief executive of the Hong Kong Institute of Certified Public Accountants (the "Institute"). The Institute, a body corporate incorporated in Hong Kong on 1 January 1973 under the Professional Accountants Ordinance, is the parent of the Charitable Fund. Its registered office is located at 37th floor, Wu Chung House, 213 Queen's Road East, Wanchai, Hong Kong. The Charitable Fund, being a charitable trust, is exempt from Hong Kong Profits Tax under Section 88 of the Inland Revenue Ordinance.

2. Principal accounting policies

a. Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which include all individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Institute and accounting principles generally accepted in Hong Kong. These financial statements have been prepared under the historical cost convention.

These financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2018 financial statements, except for the early adoption of new/revised HKFRSs as explained in note 2b.

b. New/revised HKFRSs that were issued during the current year and after 30 June 2019

The Institute has issued certain new/revised HKFRSs during the current year that are available for early adoption. The Charitable Fund has early adopted these new/revised HKFRSs which have no significant impact on the results and the financial position.

The Institute has not issued any new/revised HKFRSs after 30 June 2019 and up to the date of approval of these financial statements.

c. Financial instruments

Financial assets are recognized in the statement of financial position when the Charitable Fund becomes a party to the contractual provisions of the instrument. Financial assets within the scope of HKFRS 9 are initially measured at fair value and transaction costs that are directly attributable to the acquisition of financial assets are added to the fair value of the financial assets on initial recognition.

The Charitable Fund's financial assets, including amount due from the Institute and cash and cash equivalents, are subsequently measured at amortized cost using the effective interest method, less identified impairment charges (see note 2d) as the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows and the contractual terms of the financial assets give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

d. Impairment of financial assets

The Charitable Fund recognizes loss allowances for expected credit loss on the financial instruments that are not measured at fair value through surplus or deficit. The Charitable Fund considers the probability of default upon initial recognition of financial assets and assesses whether there has been a significant increase in credit risk on an ongoing basis.

The Charitable Fund considers the credit risk on a financial instrument is low if the financial instrument has a low risk of default, the debtor has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the debtor to fulfill its contractual cash flow obligations.

The carrying amount of the receivables is reduced through the use of the receivable impairment charges account. Changes in the carrying amount of the receivable impairment charges account are recognized in surplus or deficit. The receivable is written off against the receivable impairment charges account when the Charitable Fund has no reasonable expectations of recovering the receivable.

If, in a subsequent period, the amount of expected credit losses decreases, the reversal would be adjusted to the receivable impairment charges account at the reporting date. The amount of any reversal is recognized in surplus or deficit.

e. Derecognition of financial assets

Financial assets are derecognized when the contractual rights to receive the cash flows of the financial assets expire; or where the Charitable Fund transfers the financial assets and either (i) it has transferred substantially all the risks and rewards of ownership of the financial assets; or (ii) it has neither transferred nor retained substantially all the risks and rewards of ownership of the financial assets but has not retained control of the financial assets.

f. Cash and cash equivalents

Cash and cash equivalents comprise cash at bank.

g. Revenue recognition

Revenue is recognized when it is probable that the economic benefits will flow to the Charitable Fund and when the revenue can be measured reliably.

Donations are recognized on an accrual basis when receipt thereof is certain.

Interest income from bank savings accounts is recognized as it accrues using the effective interest method.

h. Related parties

A related party is a person or entity that is related to the Charitable Fund.

(i) A person or a close member of that person's family is related to the Charitable Fund if that person:
- (a) has control or joint control over the Charitable Fund;
- (b) has significant influence over the Charitable Fund; or
- (c) is a member of the key management personnel of the Charitable Fund or of a parent of the Charitable Fund.

(ii) An entity is related to the Charitable Fund if any of the following conditions applies:
- (a) The entity and the Charitable Fund are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (b) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (c) Both entities are joint ventures of the same third party.
- (d) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (e) The entity is a post-employment benefit plan for the benefit of employees of either the Charitable Fund or an entity related to the Charitable Fund.
- (f) The entity is controlled or jointly controlled by a person identified in (i)
- (g) A person identified in (i)(a) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (h) The entity, or any member of a group of which it is a part, provides key management personnel services to the Charitable Fund or to its parent.

3. Financial instruments by category

The carrying amounts of financial assets measured at amortized cost at the end of the reporting period are as follows:

	2019	2018
	HK$	*HK$*
Amount due from the Institute	**50,000**	50,000
Cash and cash equivalents	**654,463**	779,822
	704,463	829,822

The carrying amounts of the Charitable Fund's financial assets at the end of the reporting period approximate their fair value.

4. Amount due from the Institute

The amount due from the Institute is unsecured, interest-free and repayable on demand.

5. Cash and cash equivalents

	2019	2018
	HK$	*HK$*
Bank balances		
- Savings accounts	**501,787**	692,026
- Current accounts	**152,676**	87,796
	654,463	779,822

Cash at bank earns interest at floating rates based on daily bank deposit rates.

6. Donations

	2019	2018
	HK$	*HK$*
Donation from the Institute	**50,000**	50,000
Donation from other parties	**6,600**	11,000
	56,600	61,000

7. Related party transactions

During the current year, the Charitable Fund received a donation of HK$50,000 (*2018: HK$50,000*) from the Institute. At 30 June 2019, the amount due from the Institute is HK$50,000 (*2018: HK$50,000*) and has been settled after the end of the reporting period.

8. Financial risk management

Financial instruments consist of amount due from the Institute and cash and cash equivalents. The Charitable Fund is exposed to various financial risks which are discussed below:

a. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Charitable Fund's exposure to interest rate fluctuations is limited to interest receivable on its bank savings accounts at the end of the reporting period. Management considers that the Charitable Fund has limited exposure to interest rate risk relating to the Charitable Fund's bank balances as the changes in interest rate for these items over the period until the end of the next annual reporting period are expected to be minimal. Any fluctuation in the prevailing levels of market interest rates will have an impact on the interest income only as the Charitable Fund did not have any interest bearing loans. The Charitable Fund manages the interest rate risk by monitoring closely the movements in interest rates in order to limit potential adverse impact on interest income.

b. Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Charitable Fund raises donations for general charitable purposes and donations are either collected from the Institute or other parties in advance for subsequent allocation to respective charitable organizations.

The Charitable Fund's funds in banks have been deposited with reputable and creditworthy banks in Hong Kong. Management considers there is minimal risk associated with the bank balances.

9. Capital management

The Charitable Fund operates by allocating its receipts and therefore is not exposed to any capital deficiency risk. In the event of capital needs, the Institute will make donations to the Charitable Fund to ensure its capital adequacy.