

Audited Financial Statements
***Hong Kong Institute of Accredited Accounting
Technicians Limited***
For the year ended 30 June 2012

Hong Kong Institute of Accredited Accounting Technicians Limited

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Audited Financial Statements for the Year Ended 30 June 2012

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Hong Kong Institute of Accredited Accounting Technicians Limited

Report of the Board

The Board of Directors (“Board members”) has pleasure in submitting its report and the audited financial statements of Hong Kong Institute of Accredited Accounting Technicians Limited (“HKIAAT”) and its subsidiary (collectively referred to as the “Group”) for the year ended 30 June 2012.

Principal activities

HKIAAT, being a company limited by guarantee, was incorporated in August 1988 under the auspices of the Hong Kong Institute of Certified Public Accountants (the “Institute”). The Group’s 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.

Financial statements

The state of affairs of the Group and HKIAAT at 30 June 2012 is set out in the statements of financial position on page 5.

The results of the Group and HKIAAT for the year ended 30 June 2012 are set out in the statements of comprehensive income on page 6.

Fixed assets

Particulars of changes in fixed assets of the Group and HKIAAT during the year are set out in note 4 to the financial statements on page 18.

Transfer to general fund

Deficit for the year of the Group and HKIAAT of HK\$3,344,000 and HK\$3,285,000 (2011: HK\$1,613,000 and HK\$1,607,000) respectively has been transferred to general fund as set out in the statements of changes in members’ equity on page 7.

Donations

During the year, HKIAAT made HK\$200,000 (2011: HK\$155,000) charitable donation.

Board members

The Board members in office during the year and at the date of this report were:

President

Cho Lung Pui Lan, Stella

Vice Presidents

Li Tak Ming, Andy

Chan Cheuk Hay

Immediate Past President

Kong Chi How, Johnson

Other Board members

Cheung Wing Han (appointed on 20 February 2012)

Cheung Kwong Tat (appointed on 31 January 2012)

Ng Wai Cheong, Artie (appointed on 31 January 2012)

Wong Yue Ting, Thomas

Yeung Kai Kin (appointed on 31 January 2012)

Hong Kong Institute of Accredited Accounting Technicians Limited

Report of the Board

Board members (Continued)

Other Board members (continued)

Ma Chun Fung, Horace (resigned on 31 January 2012)

Oxley Douglas Charles (resigned on 31 January 2012)

Yau Wan Wah, Lindy (resigned on 31 January 2012)

In accordance with Article 50 of HKIAAT's Articles of Association, all Board members are appointed by the Institute of whom at least a majority are Certified Public Accountants registered with the Institute. In accordance with Article 53 of HKIAAT's Articles of Association, all Board members shall hold office until notice of revocation of such appointment is given or until notice of retirement or resignation is given by such members.

Board members' interests

No contract of significance, other than as disclosed in note 19 to the financial statements on page 26, to which HKIAAT, its parent, subsidiary or a fellow subsidiary was a party and in which a Board member had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Management contracts

With effect from 18 September 2006, the Institute provides management, rental and other services to HKIAAT pursuant to a service agreement signed by both parties. Either party may terminate the agreement by serving 3 months advance written notice to the other party. During the year, HKIAAT paid a management service fee of HK\$2,308,000 (2011: HK\$2,308,000) under the agreement to the Institute.

Auditor

HKIAAT's auditor, Mazars CPA Limited will retire and, being eligible, offer itself for re-appointment at the forthcoming annual general meeting of HKIAAT.

On behalf of the Board

Cho Lung Pui Lan, Stella

President

Hong Kong, 18 September 2012

Independent Auditor's Report

To the members of

Hong Kong Institute of Accredited Accounting Technicians Limited

(Incorporated in Hong Kong with limited liability by guarantee)

We have audited the financial statements of Hong Kong Institute of Accredited Accounting Technicians Limited ("HKIAAT") set out on pages 5 to 28, which comprise the statements of financial position of HKIAAT and its subsidiary (collectively referred to as the "Group") and HKIAAT at 30 June 2012, and the statements of comprehensive income, the statements of changes in members' equity and the statements of cash flows of the Group and HKIAAT for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board members' responsibility for the financial statements

The Board members of HKIAAT are responsible for the preparation of financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the "Institute") and the Hong Kong Companies Ordinance, and for such internal control as the Board members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Institute. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Independent Auditor's Report

To the members of

Hong Kong Institute of Accredited Accounting Technicians Limited

(Incorporated in Hong Kong with limited liability by guarantee)

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the Group and of HKIAAT at 30 June 2012, and of the deficit and cash flows of the Group and of HKIAAT for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Mazars CPA Limited

Certified Public Accountants

42nd floor, Central Plaza

18 Harbour Road, Wanchai, Hong Kong

18 September 2012

Yip Ngai Shing

Practising Certificate number: P05163

Hong Kong Institute of Accredited Accounting Technicians Limited

Statements of Financial Position

At 30 June 2012

	Note	Group		HKIAAT	
		2012 HK\$ '000	2011 HK\$ '000	2012 HK\$ '000	2011 HK\$ '000
Non-current assets					
Fixed assets	4	223	88	223	88
Investment in a subsidiary	5	-	-	-	-
Deferred tax assets	6	-	65	-	65
		223	153	223	153
Current assets					
Inventories		8	14	8	14
Receivables	7	64	195	64	195
Deposits and prepayments		23	83	23	83
Tax recoverable		-	52	-	52
Time deposits with original maturities over three months		-	17,670	-	17,670
Cash and cash equivalents	8	41,675	26,613	41,285	26,233
		41,770	44,627	41,380	44,247
Current liabilities					
Subscriptions and fees received in advance	9	(2,694)	(1,585)	(2,694)	(1,585)
Amount due to parent	10	(1,711)	(1,422)	(1,711)	(1,422)
Payables and accruals	11	(2,475)	(3,316)	(2,059)	(2,969)
		(6,880)	(6,323)	(6,464)	(5,976)
Net current assets		34,890	38,304	34,916	38,271
		35,113	38,457	35,139	38,424
Members' equity					
General fund		29,103	32,447	29,129	32,414
Capital fund	12	6,010	6,010	6,010	6,010
		35,113	38,457	35,139	38,424

Approved by the Board on 18 September 2012

Cho Lung Pui Lan, Stella
President

Li Tak Ming, Andy
Vice President

Hong Kong Institute of Accredited Accounting Technicians Limited

Statements of Comprehensive Income

For the year ended 30 June 2012

	<i>Note</i>	Group		HKIAAT	
		2012	2011	2012	2011
		HK\$'000	<i>HK\$'000</i>	HK\$'000	<i>HK\$'000</i>
Subscriptions and fees	13	3,653	4,033	3,653	4,033
Other revenue	14	6,259	6,915	6,259	6,915
Total revenue		9,912	10,948	9,912	10,948
Other income	15	684	654	683	654
Expenses		(13,875)	(13,215)	(13,815)	(13,209)
Deficit before tax	16	(3,279)	(1,613)	(3,220)	(1,607)
Income tax charge	17	(65)	-	(65)	-
Deficit		(3,344)	(1,613)	(3,285)	(1,607)
Other comprehensive income		-	-	-	-
Comprehensive income		(3,344)	(1,613)	(3,285)	(1,607)

Hong Kong Institute of Accredited Accounting Technicians Limited

Statements of Changes in Members' Equity

For the year ended 30 June 2012

	2012					
	Group			HKIAAT		
	General fund HK\$'000	Capital fund HK\$'000	Total HK\$'000	General fund HK\$'000	Capital fund HK\$'000	Total HK\$'000
At the beginning of the reporting period	32,447	6,010	38,457	32,414	6,010	38,424
Deficit	(3,344)	-	(3,344)	(3,285)	-	(3,285)
Other comprehensive income	-	-	-	-	-	-
Comprehensive income	(3,344)	-	(3,344)	(3,285)	-	(3,285)
At the end of the reporting period	29,103	6,010	35,113	29,129	6,010	35,139

	2011					
	Group			HKIAAT		
	General fund HK\$'000	Capital fund HK\$'000	Total HK\$'000	General fund HK\$'000	Capital fund HK\$'000	Total HK\$'000
At the beginning of the reporting period	34,060	6,010	40,070	34,021	6,010	40,031
Deficit	(1,613)	-	(1,613)	(1,607)	-	(1,607)
Other comprehensive income	-	-	-	-	-	-
Comprehensive income	(1,613)	-	(1,613)	(1,607)	-	(1,607)
At the end of the reporting period	32,447	6,010	38,457	32,414	6,010	38,424

Hong Kong Institute of Accredited Accounting Technicians Limited

Statements of Cash Flows

For the year ended 30 June 2012

	<i>Note</i>	Group		HKIAAT	
		2012	2011	2012	2011
		<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>
Cash flows from operating activities					
Deficit before tax		(3,279)	(1,613)	(3,220)	(1,607)
Adjustments for:					
Depreciation		78	81	78	81
Uncollectible amount written off		37	-	37	-
Obsolete inventories written off		-	20	-	20
Operating cash flows before working capital changes		(3,164)	(1,512)	(3,105)	(1,506)
Decrease in inventories		6	16	6	16
Decrease/(Increase) in receivables		94	(10)	94	(10)
Decrease/(Increase) in deposits and prepayments		60	(75)	60	(75)
Decrease in time deposits with original maturities over three months		17,670	56	17,670	56
Increase in subscriptions and fees received in advance		1,109	44	1,109	44
Increase in amount due to parent		289	436	289	436
Decrease in payables and accruals		(841)	(256)	(910)	(262)
Cash generated from/(utilized in) operations		15,223	(1,301)	15,213	(1,301)
Tax refunded/(paid)		52	(229)	52	(229)
Net cash generated from/(utilized in) operating activities		15,275	(1,530)	15,265	(1,530)
Cash flows utilized in investing activities					
Purchase of fixed assets		(213)	(13)	(213)	(13)
Net increase/(decrease) in cash and cash equivalents		15,062	(1,543)	15,052	(1,543)
Cash and cash equivalents at the beginning of the reporting period		26,613	28,156	26,233	27,776
Cash and cash equivalents at the end of the reporting period	8	41,675	26,613	41,285	26,233

Hong Kong Institute of Accredited Accounting Technicians Limited

Notes to the Financial Statements

For the year ended 30 June 2012

1. PRINCIPAL ACTIVITIES AND REGISTERED OFFICE

The Group refers to Hong Kong Institute of Accredited Accounting Technicians Limited (“HKIAAT”) and its subsidiary, The HKIAAT Trust Fund (the “Trust Fund”).

HKIAAT, being a company limited by guarantee under the Hong Kong Companies Ordinance, was incorporated in August 1988 under the auspices of the Hong Kong Institute of Certified Public Accountants (the “Institute”). Its registered office is located at 27th floor, Wu Chung House, 213 Queen’s Road East, Wanchai, Hong Kong. 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.

The 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. According to the trust deed, its trustees are the president, the immediate past president and a vice president of 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 Hong Kong Companies 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 certain critical 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.

These financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2011 financial statements, except for the first-time early adoption of the new/revised HKFRSs as set out in note 2b to these financial statements. The following HKFRSs issued in prior years, that are not yet effective for the current year but are applicable to the Group, have been early adopted in prior years:

HKAS 27 (2011)	“Separate Financial Statements”
HKFRS 9	“Financial Instruments”
HKFRS 10	“Consolidated Financial Statements”
HKFRS 12	“Disclosure of Interests in Other Entities”
HKFRS 13	“Fair Value Measurement”

Notes to the Financial Statements

For the year ended 30 June 2012

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

b. Early adoption of applicable new/revised HKFRSs that were issued during the current year

The Institute has issued certain new/revised HKFRSs during the current year that are available for early adoption. Of these, the following new/revised HKFRSs are applicable to these financial statements and early adopted by the Group for the first time:

Amendments to HKAS 1 (Revised)	“Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income”
HKAS 19 (2011)	“Employee Benefits”
Annual Improvements Project	“Annual Improvements 2009-2011 Cycle”

Amendments to HKAS 1 (Revised) improve the presentation of other comprehensive income. The amendments require entities to group together the items of other comprehensive income that may be reclassified to profit or loss in the future by presenting them separately from those that will not be reclassified to profit or loss. The amended HKAS 1 will be effective for annual periods beginning on or after 1 July 2012. The application of the amendments does not have any significant impact on the Group.

HKAS 19 (2011), which replaces HKAS 19 “Employee Benefits”, improves the accounting for defined benefit plans. Under the revised standard, all changes in the present value of the defined benefit obligation and the fair value of plan assets will be recognized in the financial statements immediately in the period they occur. The revised standard also changes the definitions of, among others, short-term employee benefits and other long-term employee benefits so that the distinction between the two will depend on when the entity expects the benefits to be wholly settled. Under the amended definitions, an employee benefit, other than a termination benefit, is a short-term employee benefit when it is expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service. If this is not the case, then it is an other long-term employee benefit, provided it is not a post-employment benefit. HKAS 19 (2011) will be effective for annual periods beginning on or after 1 January 2013. The adoption of HKAS 19 (2011) has no significant impact to the amounts reported or presentation and disclosures in the financial statements.

“Annual Improvements 2009-2011 Cycle” sets out a collection of amendments to HKFRSs which make necessary, but non-urgent, amendments to HKFRSs that will not be included as part of another major project. The amendments, among others, clarify the requirements for comparative information, the classification of servicing equipment and the income tax consequences of distributions to holders of an equity instrument and of transaction costs of an equity transaction. The amendments are effective for annual periods beginning on or after 1 January 2013. The application of the amendments does not have any significant impact on the Group.

Hong Kong Institute of Accredited Accounting Technicians Limited

Notes to the Financial Statements

For the year ended 30 June 2012

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

c. Effects of revised HKFRSs that were issued after 30 June 2012 and up to the date of approval of the financial statements.

The Institute has issued the following revised HKFRSs after 30 June 2012 and up to the date of approval of the financial statements which are applicable to these financial statements but not early adopted by the Group:

Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	“Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance”
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Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 clarify the transition guidance in HKFRS 10 and provide additional transition relief in HKFRS 10, HKFRS 11 and HKFRS 12. In particular, for retrospective application, the amendments limit the requirement to provide adjusted comparative information to the annual period immediately preceding the date of the initial application of those HKFRSs. Furthermore, the amendments remove the requirement to present comparative disclosure information related to unconsolidated structured entities for periods before HKFRS 12 is first applied. The effective date of the amendments is annual periods beginning on or after 1 January 2013, which is aligned with the effective date of HKFRSs 10, 11 and 12.

The Group anticipates that application of the above revised HKFRSs will have no significant impact on the results and the financial position of the Group.

Notes to the Financial Statements

For the year ended 30 June 2012

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

d. Basis of consolidation and subsidiary

The consolidated financial statements include the financial statements of HKIAAT and entity controlled by HKIAAT. The financial statements of the subsidiary are prepared for the same reporting period as that of HKIAAT using consistent accounting policies. All inter-company transactions, balances, income and expenses are eliminated on consolidation.

A subsidiary is an entity over which HKIAAT has control. An investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. In the statement of financial position of HKIAAT, the investment in a subsidiary is stated at cost less impairment charges.

e. 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 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 receivables and cash and bank balances, are subsequently measured at amortized cost using the effective interest method, less identified impairment charges (see note 2f) 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 payables and other monetary liabilities. All financial liabilities are subsequently measured at amortized cost using the effective interest method.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

f. Impairment of financial assets

The Group recognizes charges for impaired receivables promptly where there is objective evidence that impairment of a receivable has occurred. The impairment of a receivables carried at amortized cost is measured as the difference between the receivable's carrying amount and the present value of estimated future cash flows discounted at the receivable's original effective interest rate. Impairment charges are assessed individually for significant receivables.

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. When the receivable is considered uncollectible, it is written off against the receivable impairment charges account.

If, in a subsequent period, the amount of an impairment charge decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment charge is reversed by reducing the receivable impairment charges account, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized. The amount of any reversal is recognized in surplus or deficit.

g. 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.

h. 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 to sell 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.

Hong Kong Institute of Accredited Accounting Technicians Limited

Notes to the Financial Statements

For the year ended 30 June 2012

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

i. Fixed assets

Fixed assets are stated at cost less accumulated depreciation and impairment charges (see note 2h). 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. 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 asset 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:

Furniture and fixtures	5 years
Computer and equipment	3 to 10 years

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

Hong Kong Institute of Accredited Accounting Technicians Limited

Notes to the Financial Statements

For the year ended 30 June 2012

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

j. Inventories

Inventories, comprising publications 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. Revenue recognition

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

Annual subscription fees are recognized on a straight-line basis over the subscription period.

First registration fees are recognized on entitlement.

Exemption income is recognized upon approval of the respective applications.

Income from examinations, accreditation, seminars and courses and member and student activities are recognized upon completion of services provided.

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

Hong Kong Institute of Accredited Accounting Technicians Limited

Notes to the Financial Statements

For the year ended 30 June 2012

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

o. 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 surplus or deficit 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 investment in a subsidiary 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 equity, in which case the deferred tax is also dealt with outside surplus or deficit.

Hong Kong Institute of Accredited Accounting Technicians Limited

Notes to the Financial Statements

For the year ended 30 June 2012

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

p. 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 Mandatory Provident Fund (“MPF”) Exempted Occupational Retirement Schemes Ordinance registered scheme 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 annual leave as a result of services rendered by the employees up to the end of the reporting period.

q. 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 or of a parent 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. If the Group is itself such a plan, the sponsoring employers are also 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).

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For the year ended 30 June 2012

3. FINANCIAL INSTRUMENTS BY CATEGORY

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

	Group		HKIAAT	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Financial assets – measured at amortized cost				
Accounts receivable	64	195	64	195
Time deposits with original maturities over three months	-	17,670	-	17,670
Cash and cash equivalents	41,675	26,613	41,285	26,233
	41,739	44,478	41,349	44,098
Financial liabilities – measured at amortized cost				
Payables	231	136	231	136
Amount due to a subsidiary	-	-	469	385
Accruals	2,014	2,498	1,129	1,766
Amount due to parent	1,711	1,422	1,711	1,422
	3,956	4,056	3,540	3,709

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

4. FIXED ASSETS

	Group and HKIAAT					
	2012			2011		
	Furniture and fixtures HK\$'000	Computer and equipment HK\$'000	Total HK\$'000	Furniture and fixtures HK\$'000	Computer and equipment HK\$'000	Total HK\$'000
Net book value - at the beginning of the reporting period	1	87	88	9	147	156
Additions	-	213	213	-	13	13
Depreciation	(1)	(77)	(78)	(8)	(73)	(81)
Net book value - at the end of the reporting period	-	223	223	1	87	88
At cost	39	475	514	39	262	301
Accumulated depreciation and impairment	(39)	(252)	(291)	(38)	(175)	(213)
	-	223	223	1	87	88

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5. INVESTMENT IN A SUBSIDIARY

The subsidiary of HKIAAT is the Trust Fund.

The Trust Fund was set up with no capital injection by HKIAAT. It is accounted for as a subsidiary by virtue of HKIAAT's control over it.

The use of surplus fund as accumulated by the Trust Fund is restricted to the principal activities and the provisions stipulated in the trust deed.

6. DEFERRED TAX ASSETS

Details of deferred tax assets recognized in the statements of financial position and the movements during the year are as follows:

	Group and HKIAAT		
	Accelerated tax depreciation HK\$ '000	Other temporary differences HK\$ '000	Total HK\$ '000
At 1 July 2010, 30 June 2011 and 1 July 2011	(11)	76	65
Charged to surplus or deficit (note 17)	-	(65)	(65)
At 30 June 2012	(11)	11	-

No deferred tax asset is recognized by the Group and HKIAAT respectively in respect of unused tax losses of HK\$4,826,000 (2011: HK\$1,704,000) because it is not certain whether future taxable profit will be available against which the Group and HKIAAT can utilize the benefits therefrom. The unused tax losses can be carried forward indefinitely.

Hong Kong Institute of Accredited Accounting Technicians Limited

Notes to the Financial Statements

For the year ended 30 June 2012

7. RECEIVABLES

	Group and HKIAAT	
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
Accounts receivable	64	195

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

	Group and HKIAAT	
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
Not past due	33	30
Within 30 days past due	15	65
31 to 90 days past due	16	63
91 to 180 days past due	-	37
	31	165
	64	195

Receivables that were neither past due nor impaired mainly relate to sales of books receivables that are considered fully recoverable.

Receivables that were past due but not impaired relate to a number of independent parties that have a good track record with the Group and HKIAAT. Based on experience, 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 independent parties and the balances are still considered fully recoverable. The Group and HKIAAT 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.

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Notes to the Financial Statements

For the year ended 30 June 2012

8. CASH AND CASH EQUIVALENTS

	Group		HKIAAT	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Bank balances				
- Time deposits with original maturities within three months	32,947	17,587	32,947	17,587
- Savings accounts	3,444	7,507	3,068	7,132
- Current accounts	5,277	1,517	5,263	1,512
Cash on hand	7	2	7	2
	41,675	26,613	41,285	26,233

Included in the Group's cash and cash equivalents is an amount of HK\$390,000 (2011: HK\$380,000) which has been designated for the provision of scholarships to students studying for examinations held by HKIAAT.

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 HKIAAT and earn interest at the prevailing short-term deposit rates.

9. SUBSCRIPTIONS AND FEES RECEIVED IN ADVANCE

	Group and HKIAAT	
	2012 HK\$'000	2011 HK\$'000
Subscription fees received in advance	1,363	1,390
Other fees received in advance	1,331	195
	2,694	1,585

HKIAAT charges its 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. Subscription fees received in advance represent the unearned subscription income for the period from 1 July to 31 December of a year.

Other fees received in advance mainly relate to examinations to be conducted after the end of the reporting period.

10. AMOUNT DUE TO PARENT

Amount due to parent is unsecured, interest-free and repayable on demand.

Hong Kong Institute of Accredited Accounting Technicians Limited

Notes to the Financial Statements

For the year ended 30 June 2012

11. PAYABLES AND ACCRUALS

	Group		HKIAAT	
	2012 <i>HK\$ '000</i>	2011 <i>HK\$ '000</i>	2012 <i>HK\$ '000</i>	2011 <i>HK\$ '000</i>
Payables	231	136	231	136
Amount due to a subsidiary	-	-	469	385
Accruals	2,014	2,498	1,129	1,766
Financial liabilities	2,245	2,634	1,829	2,287
Employee leave entitlements and provision for bonus	230	682	230	682
	2,475	3,316	2,059	2,969

Amount due to a subsidiary is unsecured, interest-free and repayable on demand.

The maturity profile of the Group's and HKIAAT's financial liabilities included in "Payables and accruals" at the end of the reporting period, based on the contracted undiscounted payments, is as follows:

	Group		HKIAAT	
	2012 <i>HK\$ '000</i>	2011 <i>HK\$ '000</i>	2012 <i>HK\$ '000</i>	2011 <i>HK\$ '000</i>
Within 30 days	1,874	1,841	1,458	1,494
Between 31 to 90 days	-	653	-	653
Between 91 to 180 days	308	140	308	140
Between 181 to 270 days	63	-	63	-
	2,245	2,634	1,829	2,287

12. CAPITAL FUND

The capital fund represents a capital levy from HKIAAT's members and students to meet future office expansion. The rates of levy are decided annually by the Board. Effective from the year ended 30 June 2009, no capital levy is imposed on its members and students.

Hong Kong Institute of Accredited Accounting Technicians Limited

Notes to the Financial Statements

For the year ended 30 June 2012

13. SUBSCRIPTIONS AND FEES

	Group and HKIAAT	
	2012 HK\$ '000	2011 HK\$ '000
Annual subscription fees		
Members	1,003	933
Students	1,750	2,029
First registration fees		
Members	342	148
Students	558	923
	3,653	4,033

14. OTHER REVENUE

	Group and HKIAAT	
	2012 HK\$ '000	2011 HK\$ '000
Exemption income	2,549	4,289
Income from examinations	2,692	2,038
Income from seminars and courses	753	475
Accreditation income	265	110
Income from member and student activities	-	3
	6,259	6,915

15. OTHER INCOME

	Group		HKIAAT	
	2012 HK\$ '000	2011 HK\$ '000	2012 HK\$ '000	2011 HK\$ '000
Income from advertisements placed in the journals	159	208	159	208
Interest income	228	120	228	120
Royalty income	89	128	89	128
Sales of goods	104	87	104	87
Donation income	1	-	-	-
Others	103	111	103	111
	684	654	683	654

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Notes to the Financial Statements

For the year ended 30 June 2012

16. DEFICIT BEFORE TAX

	Group		HKIAAT	
	2012 HK\$ '000	2011 HK\$ '000	2012 HK\$ '000	2011 HK\$ '000
Deficit before tax has been arrived at after charging:				
Employee benefits (a)				
- Salaries, wages and allowances	5,935	5,257	5,935	5,257
- Provident fund contributions	550	524	550	524
	6,485	5,781	6,485	5,781
Auditor's remuneration	63	66	63	66
Cost of goods sold	10	38	10	38
Depreciation	78	81	78	81
Uncollectible amount written off	37	-	37	-
Donations (b)	-	-	200	155
Obsolete inventories written off	-	20	-	20

- a. At 30 June 2012, the number of staff provided by the Institute was 18 (2011: 20).
- b. During the current year, HKIAAT donated HK\$200,000 (2011: HK\$155,000) to the Trust Fund.

17. INCOME TAX CHARGE

	Group and HKIAAT	
	2012 HK\$ '000	2011 HK\$ '000
Current tax		
<i>Hong Kong Profits Tax:</i>		
Current year	-	-
Deferred tax		
Write-down of deferred tax assets (note 6)	65	-
Total tax charge for the year	65	-

No provision for Hong Kong Profits Tax has been made for the years ended 30 June 2012 and 2011 as the Group incurred a loss for taxation purpose during these two years.

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Notes to the Financial Statements

For the year ended 30 June 2012

17. INCOME TAX CHARGE (CONTINUED)

The reconciliation between income tax charge and deficit before tax at the applicable rate (i.e. the statutory tax rate for the jurisdiction in which HKIAAT and its subsidiary are domiciled) is as follows:

	Group		HKIAAT	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Deficit before tax	(3,279)	(1,613)	(3,220)	(1,607)
Tax at the applicable rate of 16.5% (2011: 16.5%)	(541)	(266)	(531)	(265)
Tax effect of non-deductible expenses	76	27	33	-
Tax effect of non-assessable income	(71)	(46)	(38)	(20)
Tax effect of unrecognized tax losses	541	281	541	281
Write-down of deferred tax assets	65	-	65	-
Others	(5)	4	(5)	4
Total tax charge	65	-	65	-

18. BOARD MEMBERS' REMUNERATION

Details of board members' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance are set out below. Key management is fully provided by the Institute.

	Group and HKIAAT	
	2012 HK\$'000	2011 HK\$'000
As board members	-	-
Other emoluments	56	117
	56	117

Other emoluments represent honoraria paid to two (2011: four) board members for services provided to the Group and HKIAAT including examiner fees, speaker fees, writer fees and assessor fees.

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Notes to the Financial Statements

For the year ended 30 June 2012

19. RELATED PARTY TRANSACTIONS

Other than the information disclosed elsewhere in the financial statements, the Group and HKIAAT entered into the following material transactions with their related parties:

a. The Trust Fund

Donations to the Trust Fund were made at the discretion of the Board after considering the recommendation of the Institute's administration and finance committee.

During the current year, HKIAAT donated HK\$200,000 (2011: HK\$155,000) to the Trust Fund. At 30 June 2012, included in "Payables and accruals" of HKIAAT is an amount of HK\$469,000 (2011: HK\$385,000) due to the Trust Fund.

b. Board members

In the normal course of operations, HKIAAT paid honoraria to recipients, some of whom are board members or parties related to board members, for various services provided to HKIAAT such as giving examination assessments. The total amount paid to board members has been disclosed in note 18 to the financial statements. The total amount paid to parties related to board members in this relation was not significant.

During the current year, income of HK\$37,000 (2011: HK\$24,000) was received from Hong Kong College of Technology ("HKCT") for seminars and courses provided by HKIAAT. At 30 June 2011, included in "Receivables" was an amount of HK\$22,000 due from HKCT which had been fully settled during the current year.

In both the current and prior years, one of the board members is key management personnel of HKCT.

c. The Institute

The Institute, a body corporate incorporated in Hong Kong under the Professional Accountants Ordinance, is the parent of HKIAAT.

During the current year, the Institute charged HKIAAT service fees of HK\$2,308,000 (2011: HK\$2,308,000) for management, rental and other services provided to HKIAAT at agreed terms. Total staff employment costs of HK\$6,485,000 (2011: HK\$5,781,000) were also recharged to HKIAAT for the human resources support on a cost recovery basis. In addition, HKIAAT organized the professional bridging examination on behalf of the Institute. Net receipts of HK\$879,000 (2011: HK\$913,000) related to the examination were transferred to the Institute and included in the balance with the Institute. At 30 June 2012, HKIAAT has an amount of HK\$1,711,000 (2011: HK\$1,422,000) due to the Institute arising from the services provided.

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Notes to the Financial Statements

For the year ended 30 June 2012

20. FINANCIAL RISK MANAGEMENT

Financial instruments mainly consist of receivables, cash and bank balances, amount due to parent and payables and accruals. Being member-based organizations, the Group and HKIAAT carry as little risk from financial instruments as practicable. The Group and HKIAAT 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 HKIAAT's interest bearing financial assets are as follows:

	Group and HKIAAT	
	2012	2011
	% p.a.	% p.a.
Time deposits	0.86%	0.38%
Savings accounts	0.01%	0.01%

The Group's and HKIAAT's exposure to interest rate fluctuations is mainly limited to interest receivable on its short term time deposits. Management considers the Group and HKIAAT 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 impact on the interest income alone as the Group and HKIAAT did not borrow any interest bearing loans. The Group and HKIAAT 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 rate over the period until the end of the next annual reporting period, with all other variables held constant, of the Group's and HKIAAT's deficit before tax and members' equity.

	Group and HKIAAT	
	2012	2011
	HK\$'000	HK\$'000
Time deposits		
- with original maturities within three months	32,947	17,587
- with original maturities over three months	-	17,670
	32,947	35,257
<u>Impact of interest rate deviation</u>		
Increase/Decrease in interest rate by 0.25% (2011: 0.25%)		
- Decrease/Increase in deficit before tax	82	88
- Increase/Decrease in members' equity	82	88

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Notes to the Financial Statements

For the year ended 30 June 2012

20. FINANCIAL RISK MANAGEMENT (CONTINUED)

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 HKIAAT have designed their credit policies with an objective to minimize their exposure to credit risk. The Group's and HKIAAT's "Receivables" are very short term in nature and the associated risk is minimal. Subscriptions, fees, income from examinations, seminars, courses and other activities are collected in advance. Sale of goods is made in cash or via major credit cards. Income from advertisements placed in the journals is derived from vendors with an appropriate credit history. Further quantitative data in respect of the exposure to credit risk arising from receivables are disclosed in note 7 to the financial statements.

The Group's and HKIAAT's surplus cash has been deposited with a number of reputable and creditworthy banks. Management considers there is minimal risk associated with the bank 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 HKIAAT manage liquidity risk by maintaining adequate reserves. The Group and HKIAAT 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 HKIAAT. The current financial strength of the Group and HKIAAT poses no threat of liquidity to the Group and HKIAAT.

21. CAPITAL MANAGEMENT

The Group's and HKIAAT's objectives when managing capital are:

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

The Group and HKIAAT 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 capital fund is maintained to ensure sufficient resources are available to finance the expansion of the Group's office facilities. The Board regularly reviews the need to increase membership/studentship subscriptions and the capital levy to ensure operational and property needs are fully covered. The Group's capital levy policy is therefore based on a need basis and the Board has the discretion to alter the capital levy policy on an annual basis, if required.

For the purpose of capital disclosure, the Board regards the members' equity as capital of the Group and HKIAAT.