

2019

CPA AUSTRALIA
INTEGRATED REPORT



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CPA Australia members featured on front cover:

Shriya Gupta ASA, Business Information Analyst, Deakin University
William Young CPA, Executive Director – Head of Australia, COS Capital

ABOUT THIS REPORT

This annual report covers the activities of CPA Australia Ltd (CPA Australia) and its controlled entities and is inclusive of operations in Australia, Asia, Europe, United Arab Emirates (UAE), New Zealand and the Pacific for the calendar year 1 January to 31 December 2019. Our last report covered the calendar year to 31 December 2018 and was published in April 2019.

THE INTEGRATED REPORT

This report has been prepared with reference to the fundamental concepts, guiding principles and content elements of the International Integrated Reporting Council's (IIRC) Integrated Reporting (<IR>) Framework.

CPA Australia is committed to playing an important role in driving the uptake of <IR> as it provides a more complete picture as to how a business creates and preserves value.

We believe that Integrated Reporting represents an important opportunity for our members to play a pivotal role in ensuring that integrated thinking on the capitals described in the <IR> Framework (financial, manufactured, intellectual, human, natural, social and relationship) feed into strategy, business management and reporting.

CPA Australia is a member of the IIRC, driving CPA Australia's commitment to Integrated Reporting. More details on the IIRC and the <IR> Framework can be found at theiirc.org

CPA Australia is a member of the IIRC <IR> Business Network. This network is for organisations committed to integrated thinking and reporting in the evolution of corporate reporting.

We are committed to assurance, which we believe is fundamental to enhancing the credibility of our report and to providing a complete and transparent picture of how we create value, both now and into the future.

This report is structured to provide readers with a comprehensive picture of how CPA Australia has created value through our business model and how we intend to do so for the short, medium and long-term*. It is based on the material issues identified through our materiality determination process (page 16).

This structure also reflects our strategic goals and related activities for 2019, and our expectations for 2020 and beyond. The principal audience for this report is our members, but the information is also of value to other stakeholders (pages 17 to 19).

THE FINANCIAL REPORT

The financial section at the end of this report is a general-purpose financial report that has been prepared in accordance with the Accounting Standards, Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*.

Accounting Standards include Australian equivalents to International Financial Reporting Standards (A-IFRS). Compliance with A-IFRS ensures that the financial statements and notes of the Consolidated Entity comply with International Financial Reporting Standards (IFRS).

In the current year, we have adopted one new Australian Accounting Standard issued by the AASB, AASB 16 *Leases* which was mandatorily effective for accounting periods on or after 1 January 2019. The impact of changes due to the adoption of AASB 16 *Leases* is outlined in Note 3 – changes in significant accounting policies.

There are no material exclusions from this report. There have been no significant changes to our size or ownership from previous reporting periods.

SUSTAINABILITY REPORTING

In 2019, we have moved away from reporting under the Global Reporting Initiative (GRI) Sustainability Reporting Standards as there are a limited number of topic-specific standards that are applicable to our operations. We remain supportive of the GRI and believe the Standards are an appropriate reporting framework for many organisations to report on their non-financial impacts. As we continue to adopt the <IR> Framework, we have found that this has greater applicability to CPA Australia due to the nature of our organisation and thus our focus is on moving to assurance under the <IR> Framework. For more information about the GRI and the Standards, please visit globalreporting.org

The Board of Directors acknowledges its responsibility for the Annual Integrated Report and has been involved in its development and direction from the beginning. The Board reviewed, considered and provided feedback on a draft of the report at its March 2020 meeting. It is the Board's collective view that the report has been prepared in accordance with the Content Elements of the <IR> Framework. The report has received Limited Assurance on this basis. In 2020, we will continue to work towards full alignment with the <IR> Framework.

In 2019, we have changed the measurement method for the key performance indicator (KPI), 'Value for money CPD'. This now reports on those who have experienced our CPD offer in the last 12 months. Previously this metric reported on both those who had experienced CPD in the last 12 months and those who hadn't.

Due to a change in the system used to record CPA Congress delegates, we have restated the 2017 number from more than 9000 as reported in our 2018 report to more than 8700. We have also restated the 2017 and 2018 figures for percentage of members undertaking CPD through CPA Australia from 18.3 per cent to 17.1 per cent (2017) and 21.8 per cent to 20.7 per cent (2018).

This report is available online at cpaustralia.com.au/annualreport

The online version of this report contains links to further information as referenced throughout this report as being available on our website.

*Short-term impact is likely to occur in the next one to two years, medium-term within two to five years and long-term in five years or more.

WHO WE ARE

Members: 166,166

Employees: 554*

Revenue: \$172.9m

**Average years'
membership: 15**

Surplus: \$4.4m

CPA Australia is one of the world's largest accounting bodies with a history of more than 133 years. Further information on our members can be found on pages 46 to 49.

Our core services to members include education, training, technical support and advocacy. Employees and members work together with local and international bodies to represent the views and concerns of the profession to governments, regulators, standard setters, industries, academia and the general public.

Our sphere of operations covers offices and representative offices in all states and territories of Australia, Mainland China, Hong Kong Special Administrative Region (SAR), Macau SAR, Taiwan, Fiji, Indonesia, Malaysia, New Zealand, Singapore, the UK, UAE and Vietnam.

*Employee count is all employees (including part-time). Employee figure in the financial report differs as it reports on full time equivalent (FTE).

OUR VISION

Partnering with members to prepare for today and tomorrow in a globally connected world.

OUR PURPOSE

Advancing trusted and valued accounting and business professionals who enhance their communities.

GOVERNANCE AND ORGANISATIONAL STRUCTURE

The Board of Directors is the governing body of CPA Australia. The Board independently and objectively assesses the organisation's decisions and oversees the performance and activities of management.

The Board is responsible for a number of decisions including:

- Setting and approving the organisation's strategy, direction and financial objectives
- Overseeing all aspects of the organisation's performance
- Appointing the President and Deputy Presidents
- Approving financial statements
- Evaluating the CEO's performance
- Making and amending By-Laws.

The governance structure of the organisation during 2019 is shown in Figure 1.

FIGURE 1: GOVERNANCE STRUCTURE AND HEADS OF POWER DURING 2019



Throughout 2019, we continued to embed and refine the new organisational structure to support the delivery of our strategy. This has included dedicated executive positions focused on public practice and policy and advocacy.

The organisational structure and its resourcing are shown in Figure 2 and includes the percentage of FTE (full time equivalent) sitting under each executive role.

OUR CULTURE

Our organisational culture is centred on three pillars:

- Collaboration with each other
- Constructive with members
- Learning-focused.

In 2019, we undertook a culture survey with our employees which received a 90 per cent participation rate.

Results of this survey showed that while our people were clear about strategy and there was a strong focus on members, more work needs to be done to enhance the employee experience, particularly in the areas of employees feeling involved and consistency in how we do things.

More information on our cultural engagement program can be found on page 52.

In 2020, the Board, through the People, Remuneration and Culture Committee will be undertaking a review of our cultural pillars and values.

FIGURE 2: ORGANISATIONAL STRUCTURE



Notes: The percentage of FTE shown in Figure 2 reflects the headcount sitting under each executive role. CFO refers to Chief Financial Officer. CIDO refers to Chief Information and Digital Officer. EGM refers to Executive General Manager.

OUR BUSINESS MODEL

Our business model is on pages 14 to 15 and has been redeveloped to better reflect the environment that both our members and the organisation operate in, and the strategy in place to 2021. It includes consideration of the six capitals under the <IR> Framework: financial, manufactured, intellectual, human, natural, and social and relationship.

CPA Australia has operated on the basis that it has limited impact on natural capital and our stakeholders do not consider this material. In 2020, the Board will review its current position and impact on natural capital, having regard to whether new targets should be established in this area. We are committed to reducing the impact that we do have due to the printing of our publications, CPA Program materials and marketing information, as well as through air travel by our staff and members who assist with our Councils and Committees. We will do this through the increased use of video conferencing and an increasing move to digital production for key publications and documents.

CPA Australia has a positive impact on financial capital as a whole, with the membership fee paid by members providing access to products and services such as free CPD that do not return a positive impact on financial capital.

Additionally, some of the products and services we offer will subsequently become redundant through changes in the external environment.

CPA Australia's competitive advantage comes from the integrity and quality of our members, the strength of our member network and the strong brand awareness of the CPA designation. Through the CPA Program and a commitment to lifelong learning, our members hold a soundness in depth, breadth and quality of accountancy knowledge and are widely regarded by employers and the communities in which they operate. Our 166,166 members operate in more than 100 countries across the globe and represent a diverse range of finance, accounting and business professionals. Our brand awareness is strongest in Australia and New Zealand and we continue to ensure our activities support this position and continue to engender trust and deliver a sense of pride as the industry undergoes significant change. We have a long-established presence in Hong Kong SAR, Malaysia and Singapore and a strong network of relationships with standard setters and other professional bodies in these regions. In emerging or less established markets we operate in a highly competitive environment and we continue to establish activities to grow our profile to support our members in these important regions.

UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS

In 2015, all 193 Member States of the United Nations (UN) agreed the 2030 Agenda for Sustainable Development, which resulted in 17 sustainable development goals (SDGs) that reflect global sustainable development priorities. CPA Australia considers the SDGs in its business model and our reporting. The goals where we have an impact are quality education, gender diversity, decent work and economic growth and partnerships for the goals.



4 Quality education

Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.

We do this through our education and knowledge offer which spans the CPA Program, our CPD offer and the wide range of content we make available to members.



5 Gender equality

Achieve gender equality and empower all women and girls.

We do this through our diversity and inclusion policy that applies to:

- CPA Australia's Board
- Membership committees appointed by either the Board or management
- All CPA Australia employees, and contractors of our organisation
- Persons seeking employment with our organisation.



8 Decent work and economic growth

Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.

We do this by supporting our members in the work they do, which impacts their organisations and the economies they work in and by providing a workplace that values inclusion and diversity.



17 Partnerships for the goals

Strengthen the means of implementation and revitalise the global partnership for sustainable development.

We do this through our partnerships with other professional bodies and our membership of organisations such as IFAC, Accounting for Sustainability, the GRI and IIRC.

PRESIDENT'S REPORT



As we conclude 2019, there are many positive signs that CPA Australia is delivering on our promise to provide greater value and service to members. After completing the first full year of our three-year strategy, we are seeing steady improvement across key member satisfaction ratings.

This is very encouraging and demonstrates that the plan we have put in place and the initiatives we have implemented are resonating strongly with members. All of our actions stem from insights members have voiced about what matters to them and this is driving us to deliver even more value for members in 2020.

I am also pleased to announce that our 2019 report has been assured in terms of applying the content elements of the <IR> framework. We intend to move to obtaining assurance on full adoption of the <IR> Framework in 2020. The 2019 CPA Australia Integrated Annual Report is believed to be only the second

Integrated Report in Australia to be assured in terms of adoption of the <IR> Framework, and only the fourth in the world.

A NEW STRATEGY AND IMPROVED GOVERNANCE

The CPA Australia Strategy 2018 – 2021 contains very clear goals and objectives that were developed in conjunction with members. They are based on protecting the reputation of the CPA designation and building ongoing engagement with members. In setting out to achieve these goals, we have focused on strengthening the organisation by embedding improved governance arrangements and advancing opportunities for members by investing in the areas that will help them build satisfying and sustainable careers.

One of the Board's priorities over the past 12 months has been to work with the Independent Review Implementation Committee (IRIC) as it oversaw the implementation of the Independent Review Panel's (IRP) recommendations. Pleasingly, the committee's final report of October 2019 stated that it is satisfied that all of the IRP's 29 recommendations are either embedded into the Board and management's business-as-usual work programs or are complete with no further action required. This is a positive step towards CPA Australia incorporating best practice procedures throughout the organisation and it establishes a position of stability for our future endeavours.

Another area of focus for the Board was to ensure the continuity of the Professional Standards Scheme (Scheme). The Scheme caps civil claims against public practitioners who are eligible to participate. Our new five-year Scheme was approved by the Professional Standards Councils (PSC) in June 2019, and took effect in December, after formal gazettal by each state and territory government in Australia.

WORKING FOR MEMBERS

Members told us they want personalised service and engaging experiences. We are doing this by creating a more effective local support model and strengthening the connection with Divisions. In 2019, the Board granted the existing branches of the Northern Territory, New Zealand and Europe with Divisional status, bringing greater consistency to the structure of the organisation. CPA Australia now has 13 Divisions, comprising one in each state and territory in Australia as well as Europe, Greater China, Malaysia, New Zealand and Singapore.

The Board has worked to establish a productive relationship with Divisional Councils with directors welcoming the opportunity to attend Council meetings and participate in events. Divisional Councils, which are elected by members of each Division, play an influential role in bringing members together at a local level. To help foster this engagement, the Board oversaw the introduction of a member engagement planning framework across all Divisions and increased investment in Divisions. This enables Divisional Councils to deliver on the activities in their engagement plans that are relevant to local members.

The Board also greatly values its close working relationship with the Council of Presidents, a body made up of the President of each of the Divisional Councils. The Council of Presidents provides an invaluable member perspective on the issues and opportunities that arise within the profession.

In addition to engaging with Divisional Councils, the Board welcomes the chance to meet regularly with members. Directors have taken a proactive approach in attending a variety of events including discussion groups, networking sessions, Congress and certificate presentation ceremonies. The opportunity to hear from members directly is something that all directors value greatly, and something that helps us understand members' priorities.

As part of the strategy we also conduct formal research to better understand the needs of different member groups. Member Journey Mapping (page 51) is a major research project that is yielding valuable information as we implement the strategy. We are learning about the different challenges and opportunities that members face at various stages of their career, as well as the type of support they require from their professional body at these junctures. We are acting on these results and developing programs to address the personal and professional needs of members.

Members have told us that the two issues which matter most to them are future career development and protecting the reputation of the CPA designation. We are taking decisive steps to tackle these issues by investing in a raft of strategic initiatives. To assist with members' future career development, we have introduced online resources such as My Career Navigator, as well as digital tools to assist members working in public practice, My Firm. My Future learning modules and a pilot mentoring program. Plus, we are continuing to invest in providing compelling and affordable continuing professional development programs.

To enhance the reputation of the CPA designation, we have further lifted the profile of our policy, advocacy and thought leadership by:

- Refreshing and expanding our Centres of Excellence (COEs) – structured forums made up of experienced specialists who help shape CPA Australia's policy position on issues affecting members, the profession and the wider community

- Embarking on a policy update roadshow visiting capital and regional centres across Australia and New Zealand to meet members and discuss topics impacting the accounting profession
- Advocating on matters of relevance to members, the profession and the public interest via commentary in the media, ensuring that the focus of CPA Australia's media presence is on major accounting, business, finance, tax and superannuation issues. Independent monitoring of Australian media sentiment shows continued improvement in CPA Australia's favourability rating against industry benchmarks (page 68).

A significant aspect of our thought leadership in 2019 was the research we conducted into the regulatory complexity affecting public practitioners. This led CPA Australia to join forces with Chartered Accountants Australia and New Zealand (CA ANZ) and the Institute of Public Accountants (IPA) to call for a review of the regulatory frameworks governing how financial and tax advice is provided in Australia. It is a positive sign of cooperation and collaboration to see the three major accounting bodies in Australia coming together to advocate on behalf of the profession and the public interest.

MOVING FORWARD TOGETHER

We are pleased with the progress we are making, but we recognise there is more to do. As we move through 2020, we'll continue to invest in programs, technology and digital solutions that will help members keep pace with ongoing changes in the accounting profession.

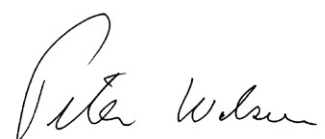
On behalf of the Board, I'd like to thank the members who volunteer their time and energy on Divisional Councils, as well as those who bring their professionalism and prowess to committees, discussion groups and other member forums. The ongoing success of CPA Australia is forged through your drive and dedication.

I'd also like to thank Chief Executive Officer (CEO) Andrew Hunter and all the staff at CPA Australia for their

efforts in delivering on the strategy and working hard to provide high quality service to members.

Finally, thank you to all of CPA Australia's members. Collectively, your knowledge and expertise reinforce the reputation and standing of the CPA designation and ensure that we remain one of the largest and most respected professional accounting bodies in the world.

We very much look forward to continuing our positive cooperation and working closely with you into this new decade of the 2020s.



**Peter Wilson AM FCPA,
President and Chair of the Board**

CHIEF EXECUTIVE OFFICER'S REPORT



In many respects, 2019 was a year in which CPA Australia laid the groundwork for future growth and further innovation. We have made progress on delivering our strategic initiatives while also achieving the key performance targets we set for ourselves at the beginning of the year.

As at 31 December 2019, CPA Australia's membership has grown to 166,166 members working in more than 100 countries and regions around the world. This includes a fully qualified member retention rate of 98.1 per cent, meeting our 2019 target. Most pleasing, however, is the ongoing improvement across the key performance metrics measured through the member engagement survey, in particular the substantial increase for the second successive year in the rating for member satisfaction from a score of 6.23 to 6.63, exceeding our target. Encouragingly, there were also positive improvements in member ratings for metrics related to service, value and performance.

This indicates that we have the right plan in place and are now delivering on it. This shouldn't be a surprise because our strategy is based on what members told us they wanted. It confirms my belief that if you have the right plan and you execute it well, you will accomplish the outcomes you set out to achieve.

Of course, we are not quite half way through the three-year strategy, so we still have much to do to fulfill our promise to members. Yet in 2019 we made positive strides across different areas of our operations.

For members studying the CPA Program, we provided guided learning resources through Knowledge Equity and expanded the successful pilot of the digital learning app, Quitch, to cover all core subjects. For semester one 2020, we offered early enrolment and access to study materials across selected subjects, giving candidates additional time to familiarise themselves with the content.

For members working in public practice, we developed a range of digital tools and resources to assist them to comply with regulatory requirements, as well as learning modules to help them in building a sustainable practice.

Providing thought leadership remains central to CPA Australia and in 2019 we produced a series of major research guides across the policy, advocacy and public practice areas including:

- The tenth annual Asia-Pacific Small Business survey, measuring business sentiment, technology uptake and access to finance across 10 markets in the Asia-Pacific region
- The My Firm. My Future guide which offers an in-depth analysis of the changing public accounting landscape
- The Regulatory Burden Report which measures the impact of the regulatory burden on professional accountants providing advisory services in Australia. This report has led to CPA Australia coming together with CA ANZ and the IPA to advocate on behalf of the profession and the public interest.

During July 2019, we changed the focus of INTHEBLACK to reflect a sharper focus on stories featuring members, technical accounting information, career advancement and commentary on current economic trends. New features such as audio downloads have also proven popular and have contributed to overall increased traffic to intheblack.com

CPA Congress, our flagship professional development event, was held in 13 locations across seven countries. More than 7700 delegates attended and heard from 275 speakers on the theme 'Business as Unusual' exploring key topics such as the future of digital money and accounting for the robots.

One of the initiatives of which we are most proud is the launch of CPA Australia's inaugural **Reflect Reconciliation Action Plan (RAP)**. The Reflect RAP is endorsed by Reconciliation Australia and formalises our commitment to reconciliation with Australia's First Peoples. The Reflect RAP is the first stage of our reconciliation journey and provides a practical pathway to help CPA Australia advance the participation of Aboriginal and Torres Strait Islander peoples in the accounting and finance profession.

In my 2018 report, I wrote that, "historically the organisation has prioritised delivering a surplus at the expense of investing in membership services" and I made a commitment to invest in tools and resources that improve member experience. The examples I've touched on above show that we are doing just that. However, after years of underinvestment in members, we now require a significant investment boost in technology and our underpinning systems if we want to build a strong, sustainable organisation and deliver on the key strategic initiatives that members want.

To that end, we envisage the need to operate a deficit on our continuing business operations over the next two to three years. We do this from a position of strength with the surpluses delivered in previous years. This is not territory we enter into lightly and it requires careful and prudent planning, but with set goals and a clear commitment to deliver value to members, we are confident we can keep CPA Australia at the forefront of the profession. There are several exciting projects underway which will require significant investment of funds, including:

- Developing a new website to provide more personalised experiences for members
- Introducing a digital learning ecosystem that will give members access to tools and resources on any device for anytime learning
- Improving our CPD offering with initiatives that enable members to learn new practices
- Reinvigorating the CPA Australia brand to reflect a contemporary, relevant organisation
- Exploring new pathways for entry and career development.

The accounting profession is undergoing rapid change and members expect their professional body to help them adapt to the new landscape. CPA Australia is aiming to do just that, to lay the groundwork for growth and build towards a prosperous future.

We do so, however, in an uncertain environment. In addition to the recent bushfire disasters in Australia, the outbreak of the coronavirus (COVID-19) is having a significant impact across all communities, affecting how people go about their daily lives and creating uncertainty for the way organisations like CPA Australia conduct business,

including scheduling member events and potentially causing the deferral of end-of-semester exams. The impact is difficult to quantify at this stage, but we are monitoring the situation closely and acting in accordance with advice from the relevant government and health authorities in each region in which we operate. Our priority is to ensure the safety of members and staff and to communicate regularly with members as the situation evolves.

I'd like to thank the Board for executing their duties with great skill and commitment and for providing guidance and support as we deliver the strategy. I'd also like to thank the executive management team and all our staff for their dedication and willingness to keep striving for excellence.

Most importantly I would like to thank all of CPA Australia's members for being the driving force of the organisation. While I derive a sense of gratification from the achievements we've made so far, I'm energised by the exciting prospects that lie ahead.



Andrew Hunter
CEO

STRATEGY

In 2019, the organisation focused on key initiatives that support the strategy put in place in 2018, this included:

- Regulatory Burden Research Report and project (page 33)
- Risk Management Framework and Quality Control manual tools (page 34)
- Releasing the Reflect RAP (page 40)
- Member Journey Mapping research in China and Malaysia (page 51)
- Launching a new look INTHEBLACK (page 58)
- Launching Quitch (page 64)
- Offering free guided learning as part of the CPA Program (page 64)
- Member interest and policy (page 68).

A dedicated strategy progress page is available on our **website** and features up-to-date progress reports on the various activities and initiatives being undertaken across the business to realise our strategic objectives and goals. The most significant developments under the strategy are communicated to members via an update from the President after Board meetings and by the CEO in his communications to members.

FIGURE 3: CPA AUSTRALIA STRATEGY



EXTERNAL ENVIRONMENT

The external environment impacts our business model and strategy and is a source for many of the risks and opportunities we are facing. Key impacts and our response to them are detailed below.

Technology – Improvements in accounting software are changing the way accountants use and interact with technology. New processes and systems are shifting the critical skill sets required by accountants. Organisations are outsourcing or automating manual and repetitive tasks to free up employee time to complete more complex tasks. This means opportunities for accountants are changing with greater emphasis on analytical, advisory and soft skills. Technology changes are also impacting the education space, increasing demand for personalised learning and changing demand for traditional long courses.

How we are responding – CPA Australia is addressing these changes through continually evolving the CPA Program to ensure it meets the future needs of members and their employers. We are making greater investments in technologies that will enhance our service and the support we offer to members. We are increasing focus on technology and digital transformation and its impact on the accounting profession.

Regulatory and policy environment – It is becoming more important for organisations and members to be up to date with regulatory and legal changes.

How we are responding – We help to develop international and national standards relevant to the profession, and promote their adoption and implementation, through engagement and consultation with regulators and industry bodies in all regions where our members practice. We are working with CA ANZ and the IPA to advocate the need to build efficient regulatory frameworks that enable the provision of affordable, quality advice to consumers and small business. Alongside this, we are increasing our advocacy and thought leadership work to address the challenging regulatory environment.

Demographic change and geopolitical instability – With the shift in global economic power towards Asia, many accountants need to increase their knowledge of the business environment in this region. Increasing geopolitical instability is impacting economies and businesses around the world, and this has the potential to impact the work of accountants.

How we are responding – We are increasing our thought leadership and advocacy in Asia so that our members can better understand key global growth markets.

Accountants as strategic advisors – Organisations are becoming more reliant on skilled accountants to provide them with consultation and advice on strategic matters. Additionally, accountants have a key role to play in reporting strategies (including <IR>) and management systems that can deliver information that drives investor, customer and employee confidence.

How we are responding – We look to do this by conducting research into issues facing the profession both by ourselves and with partners, supporting the development of the profession in under-represented areas and partnering with other accounting bodies to advance the future of the profession.

Trust and transparency – Trust and transparency are increasingly important to organisations and both are key to their social licence to operate.

How we are responding – CPA Australia members have a responsibility to act in the public interest and are required to comply with the obligations detailed in CPA Australia's Constitution and By-Laws, Code of Professional Conduct and applicable industry standards and regulations.

As an organisation we produce this Integrated Report as it provides a more complete picture as to how we create and preserve value. We include significant information on our member demographics, member satisfaction, performance against targets and the remuneration of key personnel.

MEMBER JOURNEY

Our business model needs to deliver value to our members across their career journey as their needs from their professional body change over time.

PRE CAREER

Studying and finding a first job. Wanting to understand career paths, how to prepare and what degrees and skills they need. Networking opportunities to help start the job search, potential internships.

“The skills that you need when you are starting is real world experience.”*

EARLY CAREER

Developing skills to be able to grow status in their role and be able to perform and contribute. Wanting practical experience and mentoring relevant to their roles. Beginning the CPA Program is a difficult time as it involves balancing work and study.

“I had the advantage of working, studying and getting a lot of practical knowledge. I found that was the best thing. I think that is what everyone should have to do, because you understand what you are doing.”*

*Member quotes reflecting on their careers during Member Journey Mapping research.

MID CAREER

CPAs have valuable experience under their belt with more flexibility to choose where they want to work. Experience and skills help them cement their career, help maintain growth in seniority through mid-level and stay on top of industry changes to keep options open. For some, there is the additional pressure of balancing work and family life.

“In the middle management roles, I felt so time poor between family, work and trying to build a career.”*

LATE CAREER RETIREMENT

Searching for a senior role or transitioning to retirement. Wanting to understand next steps in career, especially if changing industry or retiring. Wanting to give back and mentor others. Needing to keep up to date with industry trends and technology advancements.

“You need to keep abreast of technology changes in the world and we have to keep adapting our practices to keep up with it. We need to upskill so that we are not just processing. We need to add value to businesses. You need to know the threats to be ready for change.”*

OUR BUSINESS MODEL

STRATEGIC GOALS



Protect, promote and enhance the integrity of the designation



Lead the future of the accounting profession



Provide members with personalised and engaging experiences



Provide learning and development, content resources and tools



Attract and develop the next generation of CPAs



Impact policy globally and be active in community advocacy

SUPPORTING PLATFORM FOR ACHIEVING THE STRATEGIC GOALS



Sustainable annual financial performance

INPUTS

Social and relationship capital

- Member relationships
- Supplier relationships
- Regulator relationships

Intellectual capital

- CPA Program and Public Practice Program
- CPD content
- Member input and expertise
- Thought leadership

Human capital

- 166,166 Members
- >800 volunteer members
- 554 employees (FTE)

Financial capital

- Membership fees \$87m
- CPA Program fees \$58m
- CPD fees \$14m

Manufactured capital

- 19 offices
- IT systems

ACTIVITIES

- Engaging with members, employers, academia and the community, so their needs are understood
- Developing strategies and plans that are based on the needs of current and future members
- Developing content, products and services based on the current and future needs of the profession
- Maintaining the high standards and relevance of the CPA Program
- Delivering a member experience that meets members, needs and goals throughout each stage of their journey

OUTPUTS

- Quality CPA Program
- Brand health
- CPD and publications that deliver valued knowledge
- Public Practice Program
- High professional standards
- Personalised and engaging member experiences
- Policy and advocacy positions
- Quality assurance program
- Waste – overprints of program materials and other publications

- Developing marketing plans and initiatives that ensure understanding of the benefits of being, or employing, a CPA
- Develop and deliver thought leadership, policy and advocacy work
- Attracting high-calibre Associate members (ASAs) through a compelling content offer and experience
- Building a culture that is collaborative, constructive and has a learning focus
- Reviewing internal controls, procedures, and decision-making frameworks to ensure strong internal governance
- Management and investment of member funds
- Input into standard setting

OUTCOMES



Protection of the public interest



High calibre accounting professionals



Demand and opportunities for those who hold the CPA designation



Membership retention



Sustainable organisation



Engaged and motivated workforce



Self-regulation for the accounting profession



High functioning financial system



Trust in the business community

SOCIETAL IMPACT



MATERIALITY

As part of the development of this report, we worked with independent consultancy Materiality Counts to undertake a materiality determination process.

An initial list of material issues is agreed by the Board via the Audit, Risk and Compliance Committee, with that committee also having oversight of the final list of material issues after stakeholder input.

MATERIAL ISSUES

Material issues ranking is based on a combination of business impact and stakeholder priority.

To inform this report and our operations, we gather a wide range of input across our day-to-day activities. Specific report feedback is undertaken annually. We have used this feedback to make changes to this year's report including considering new material issues.

A new issue has been added in 2019, 'Supporting members career development', based on the findings of our Member Journey Mapping research. 'Transparency of governance processes' has been amended to 'Quality of governance processes'. This reflects the change in this risk at Board level and the work done in this area over the last two years.

The contents of this report have been defined by removing issues that do not: rate highly for stakeholders; have a significant business impact; or routinely appear as a top three issue for any stakeholder group. We continue to review these issues each year to ensure they best reflect our value creation story.

In looking at our material issues, consideration is given to the order of priority of the issue, its definition, the horizon over which it will impact value creation, and the level of control CPA Australia has over the issue. This is detailed in the table below in order of priority of the issue.

Table 1: Material issues

| MATERIAL ISSUE | DEFINITION | IMPACT ON VALUE CREATION* | EXTENT OF CONTROL |
|--|--|---------------------------|-------------------|
| M1 Member trust in CPA Australia | As their professional body, members need to know that CPA Australia acts in their best interests, and that they can trust the organisation is operating with integrity. | Short to long-term | High |
| M2 High quality CPA Program | A high quality and relevant CPA Program is vital to making sure the designation meets the changing expectations of the business community. | Medium to long-term | High |
| M3 Reputation and promotion of the brand and designation | The success of members and thus CPA Australia is predicated on the reputation of the CPA designation and brand in the accounting industry, the wider business community and with the general public. | Medium to long-term | Moderate |
| M4 High quality professional development and knowledge for members | A commitment to ongoing learning is at the heart of being a professional. As their professional body, members expect that CPA Australia will provide high quality, accessible CPD that is relevant to them. | Medium to long-term | High |
| M5 Member experience and satisfaction | Members expect a tailored, personalised approach that allows them to interact with CPA Australia in the manner of their choosing. Delivering on this is important to provide member value and satisfaction. | Short to long-term | High |
| M6 Leading the future of the accounting profession | For members to have sustainable careers the designation must meet the changing expectations of the business community. CPA Australia needs to provide strategies, training and tools to support members through these changes. | Medium to long-term | Moderate |
| M7 Attract and develop the next generation of CPAs | Attracting high calibre ASAs globally through a compelling content offer and experience, and supporting them through their journey to become a CPA. | Short to long-term | Moderate |
| M8 Quality of governance processes | Good governance is at the heart of any sustainable organisation. Members expect that CPA Australia's governance processes are transparent and represent leading practice. | Medium to long-term | High |

| MATERIAL ISSUE | DEFINITION | IMPACT ON VALUE CREATION* | EXTENT OF CONTROL |
|--|--|---------------------------|-------------------|
| M9 Advocating for the public interest | Protection of the public interest is a key tenet of any professional body. CPA Australia and its members must ensure that protection of the public interest is at the heart of what we do. | Short to long-term | Moderate |
| M10 Supporting members' career development | Members have confirmed that being provided guidance on next career steps was a critical aspect of career progression and an area where CPA Australia could provide support. | Medium to long-term | Moderate |
| M11 Professional standards | As a professional body, CPA Australia must send a strong message to members, their clients, the professional community and the public that CPA Australia is committed to upholding high standards and consumer protection. | Short to long-term | Moderate |
| M12 Advocacy and thought leadership on behalf of members | Advocating for members and providing thought leadership on the future of the profession are key areas of importance for members. | Short to long-term | Moderate |
| M13 Communicating effectively to members | CPA Australia communicates extensively with members, who expect that these communications should be timely, relevant, tailored to them and transparent. | Short-term | High |

*Short-term impact is likely to occur in the next one to two years, medium-term within two to five years and long-term in five years or more.

FIGURE 4: STAKEHOLDERS

Our stakeholders are shown in the figure below with the key issues raised by stakeholders shown in Table 2 on pages 18 to 19.



Stakeholders who provide inputs into our business model

Stakeholders in our external environment who can impact our ability to create value

Table 2: Stakeholder concerns

| STAKEHOLDER GROUP | KEY ISSUES | HOW WE ENGAGE | QUALITY OF RELATIONSHIP | HOW WE ARE RESPONDING |
|------------------------------------|--|---|--|--|
| Members | <ul style="list-style-type: none"> • Value of membership • Future outlook for the profession • The reputation of the CPA designation • Quality of the CPA Program and our CPD offer • Acting in members' best interests | <ul style="list-style-type: none"> • Website, INTHEBLACK, social media • Email, phone, face-to-face • Professional development, networking and member recognition events • Member research | The quality of our member relationships is measured through our annual member engagement survey (pages 44 to 45). | Information on our response is on pages 50 to 70. |
| Potential members | <ul style="list-style-type: none"> • The reputation of the CPA designation • Value of membership | <ul style="list-style-type: none"> • TV, outdoor advertising, content partnerships • Social media, website, webinars • Email, phone • Networking and campus events | The quality of our potential member relationships is measured through regular brand perception surveys (page 31). | Information on our response is on pages 31 to 53 and 60 to 65. |
| Employees | <ul style="list-style-type: none"> • Investment in capability development • Greater empowerment • Consistency of behaviours and values • Greater collaboration and integration | <ul style="list-style-type: none"> • Culture survey • Day-to-day activities, regular meetings between and within teams • Town Hall and senior leader events • Intranet and weekly updates • Development, culture and wellness events | The quality of our employee relationships is measured through attrition measures, exit surveys and our culture survey (page 54). | Information on our response is on page 54. |
| Our Board, Councils and Committees | <ul style="list-style-type: none"> • Acting in the best interests of the organisation • Protecting the public interest • Acting in members' best interests • The reputation of the CPA designation | <ul style="list-style-type: none"> • Regular meetings that include planning and approval of agendas and feedback for papers • Input into key activities of the bodies including amendments to Charters, the Corporate Governance Statement and the Notice of Meeting for the Annual General Meeting | The quality of our relationships is measured through regular feedback from engagement and in the respective bodies' assessments at the end of each year. | Information on our response is on pages 26 to 28. |
| Employers of CPA Australia members | <ul style="list-style-type: none"> • Professional standards of our members • Quality of the CPA Program and our CPD offer | <ul style="list-style-type: none"> • Outdoor, print and digital advertising, content partnerships • Social media, website, webinars • Email, phone • Networking and campus events | The quality of our employer relationships is measured through regular brand perception surveys (page 31). | Information on our response is on pages 31 to 35 and 56 to 65. |

Note: AFAANZ refers to the Accounting and Finance Association of Australia and New Zealand.

| STAKEHOLDER GROUP | KEY ISSUES | HOW WE ENGAGE | QUALITY OF RELATIONSHIP | HOW WE ARE RESPONDING |
|--|---|---|---|--|
| Regulators, governments and their agencies | <ul style="list-style-type: none"> Professional standards of our members Protecting the public interest Advocating for and advancing effective solutions | <ul style="list-style-type: none"> Act as co-regulator alongside government Attending regular industry forums and meetings Liaising directly with government on public policy and regulatory matters | The quality of our relationship with governments and their agencies is measured by them regularly seeking the views and advice of CPA Australia on public policy and regulatory matters. | Information on our response is on pages 33 to 37 and 68 to 70. |
| Academic institutions and academics | <ul style="list-style-type: none"> Enrolment rates in accounting degrees Ongoing relevance of the content of accounting degrees to the profession Support from CPA Australia | <ul style="list-style-type: none"> University advisory boards Annual meetings with Heads of School Sponsorship of AFAANZ and research grant funding Annual Emerging Academics Forum | The quality of our relationships with academic institutions is measured through our ability to work across the sector to promote the work of the profession to students and our partnerships with academics to produce research of benefit to members. | Information on our activities in the academic sector is available on our website . |
| Suppliers | <ul style="list-style-type: none"> Operational issues Timelines for delivery Future products and processes to deliver member value | <ul style="list-style-type: none"> Procurement market engagement processes Operational supply delivery Strategic supplier meetings Trade events Conferences | A good relationship with suppliers is a vital part of our organisation's success. When partnering with key suppliers, CPA Australia adopts a strategic approach as we are aware that this ensures many short and long-term benefits including the delivery of higher quality member services and overall value for money. | Information on our procurement process and the service agreements we have with our suppliers is available on our website . |
| Wider community | <ul style="list-style-type: none"> Protecting the public interest Professional standards of our members | <ul style="list-style-type: none"> Contact service for customers regarding the professional services they have received from our members Advertising the services of our members Media articles | Maintaining levels of community trust in the profession depends on our role as a co-regulator ensuring our members are held to the highest standards. Levels of complaints against our members remain historically low (pages 36 to 37). | Information on our response can be found on pages 33 to 37. |
| Media | <ul style="list-style-type: none"> Media interest shown through coverage has focused on tax, finance, accounting, regulatory burden and superannuation topics. | <ul style="list-style-type: none"> Press releases Briefings Interviews TV and internet-based media | We track external media coverage including the organisation's favourability rating compared to 13 industry sectors (page 68). | Information on our response can be found on pages 68 to 70. |
| Other professional bodies | <ul style="list-style-type: none"> Protecting the public interest Professional standards | <ul style="list-style-type: none"> Participating in working groups, taskforces and forums | The quality of our relationships with other professional bodies is reflected by our joint working arrangements to mutually benefit our members through recognition of skills and advocacy on matters of importance to the profession (page 33). | Information on our response can be found on page 33. |

PERFORMANCE SUMMARY

CPA Australia has developed a set of targets to measure performance against each of the strategic goals, as well as a group target that measures financial performance. In 2019, we have focused on implementing the strategy and operating model announced to members in late 2018. The KPIs put in place to measure progress have brought about better business alignment and focus on the strategy.

This focus has seen strong performance across the KPIs, with achievement of all our targets, and a number of metrics from member engagement research improving beyond 2020 targets.

Where 2019 results have outperformed 2019 targets, the targets for 2020 and 2021 have been changed to reflect this. Although the KPI for 'value for money CPD' was met, reflecting some of the initiatives put in place in 2019, this remains one of the poorest performing areas in the views of members. Given the importance of ongoing CPD to our members more work is still required in this area.

Our future targets for member retention are stable as historical evidence shows that these figures do generally not change significantly from year to year. Targets for advancement from ASA to CPA are declining due to the decline in the pipeline of ASAs (refer page 49 and 62).

The surpluses delivered in previous years will allow us to make the significant investment boost in technology and our underpinning systems to build a strong, sustainable organisation and deliver on the key strategic initiatives that members want.

To that end, we envisage the need to operate a deficit on our continuing business operations over the next two to three years. Projects underway that require significant investment of funds, include:

- Developing a new website to provide more personalised experiences for members
- Introducing a digital learning ecosystem that will give members access to tools and resources on any device for anytime learning
- Improving our CPD offering with initiatives that enable members to learn new practices
- Reinvigorating the CPA Australia brand to reflect a contemporary, relevant organisation
- Exploring new pathways for entry and career development.

Table 3: Key performance indicators

| GOAL | KPI | 2016 ACTUAL | 2017 ACTUAL | 2018 ACTUAL | 2019 TARGET | 2019 ACTUAL | 2020 TARGET | 2021 TARGET | RELATED MATERIAL ISSUES |
|---|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|-------------------------------|
| Protect, promote and enhance the integrity of the designation | Member retention – fully qualified | 98.3% | 98.1% | 97.5% | 98.1% | 98.1% | 98.1% | 98.1% | M1 M3 M4 M6 M11 |
| | Member satisfaction* | 5.96 | 5.52 | 6.23 | 6.45 | 6.63 | 6.86 | 7.00 | M2 M3 M5 M6 |
| Lead the future of the accounting profession | Thought leadership* | N/A** | 5.7 | 6.29 | 6.60 | 6.69 | 6.89 | 7.06 | M6 M12 |
| Provide members with personalised and engaging experiences | Member satisfaction with contact* | N/A** | 5.79 | 6.28 | 6.48 | 6.59 | 6.76 | 6.90 | M13 |
| Provide learning and development, content resources and tools | Value for money CPD | N/A** | 4.08 | 4.49 | 5.12 | 5.34 | 5.75 | 6.00 | M4 M10 |
| Attract and develop the next generation of CPAs | Number of ASAs advancing to CPA status annually | 6110 | 5693 | 5901 | 5600 | 5653 | 5250 | 5100 | M2 M3 M7 |
| Impact policy globally and be active in community advocacy | Policy and advocacy member rating* | N/A** | 5.3 | 6.03 | 6.39 | 6.46 | 6.66 | 6.84 | M1 M6 M9 M12 |
| Group: financial performance | Sustainable annual financial performance (budget before tax, FX, mark-to-market) | \$9.5m | \$11.9m | \$5.5m | \$1m | \$4.4m | +/- \$3m | +/- \$3m | M1 M8 |

*A 20-minute online survey with CPA Australia members was conducted by Forethought Research to track performance and determine current drivers of satisfaction, value and trust in CPA Australia. With a 5.7 per cent response rate, 8507 members responded to the survey.

**Where a previous year is N/A, this information is not available due to a change in survey questions.

FINANCIAL PERFORMANCE

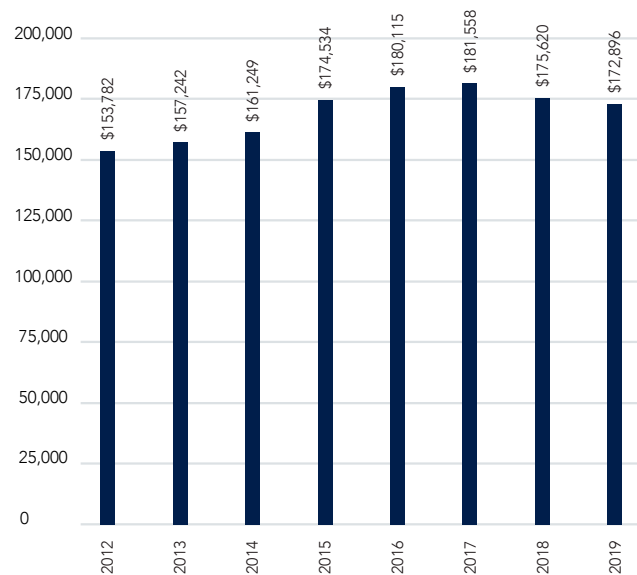
Table 4: Financial performance

| \$ '000s | 2019 TOTAL REVENUE | 2019 TOTAL EXPENSES | 2019 SURPLUS/ DEFICIT BEFORE TAX | 2018 SURPLUS/ DEFICIT BEFORE TAX |
|---|--------------------|---------------------|----------------------------------|----------------------------------|
| Australia | 121,178 | 116,251 | 4,927 | 5,305 |
| New Zealand | 2,969 | 2,923 | 46 | (331) |
| Europe | 957 | 1,864 | (907) | (733) |
| ASEAN group* | 19,601 | 20,428 | (827) | 531 |
| Greater China (including Hong Kong SAR) | 22,644 | 22,977 | (333) | 264 |
| Other overseas | 5,547 | 4,034 | 1,513 | 1,687 |
| All locations | 172,896 | 168,477 | 4,419 | 6,723 |

*Overhead costs such as corporate services, marketing and product development incurred in Australia have been re-allocated to regions outside of Australia based on the percentage of the groups revenue derived in each location.

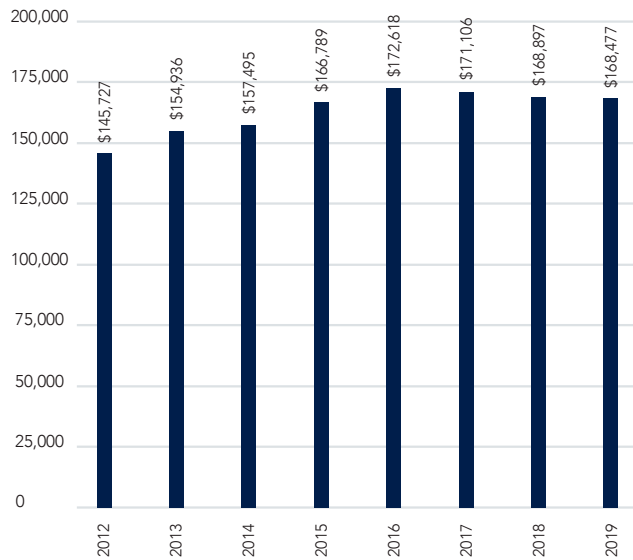
*ASEAN Group comprises of Indonesia, Malaysia, Singapore and Vietnam.

TOTAL REVENUE (\$'000s)



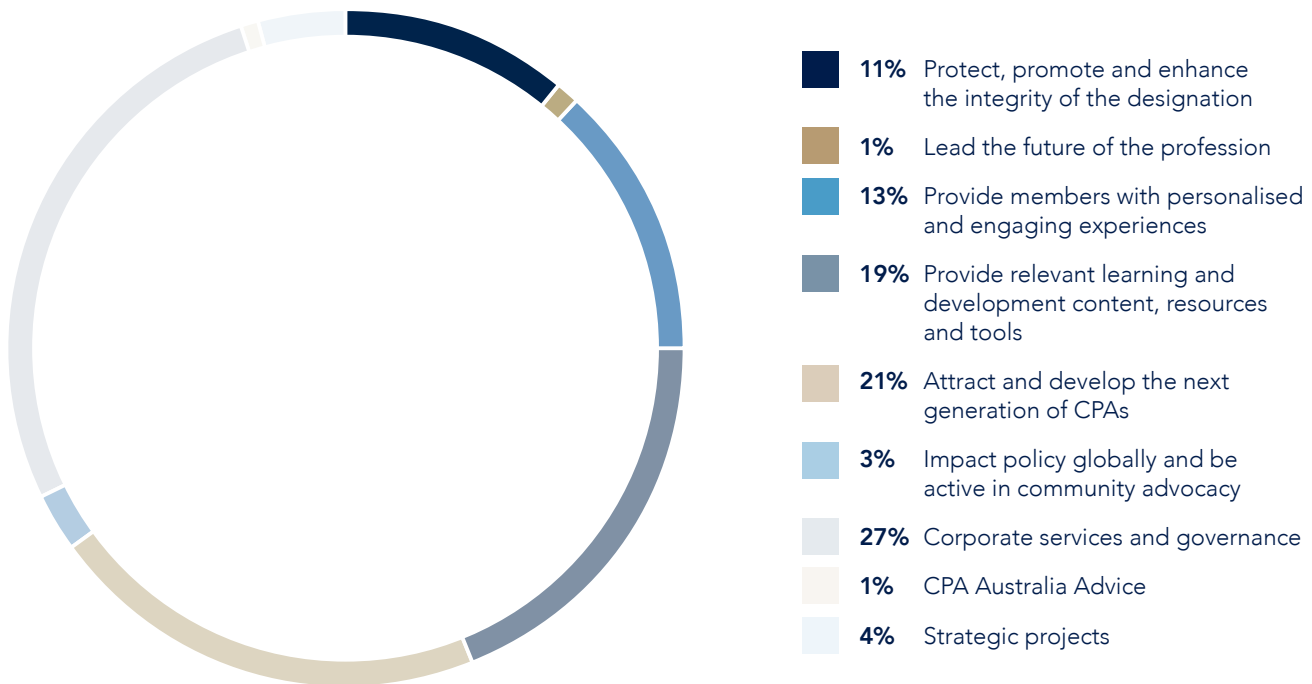
In 2019, our operating surplus before tax was \$4.4m. The surplus for 2019 was delivered while continuing to invest in new tools and resources to support members, consistent with the goals and objectives of the strategy developed in conjunction with members. The surplus was also delivered without increasing membership fees and through improving the value for money of CPD products. The surpluses achieved over the past 10 years provides an opportunity to further invest in member services and in the strategic initiatives identified under the strategy.

TOTAL EXPENDITURE EXCLUDING TAX (\$'000s)



Expenditure before tax decreased by \$0.4m from the previous year. The decrease is primarily attributable to lower advertising and promotions expense and lower depreciation and amortisation costs. The reduction was partially offset by higher expenses in education and the CPA Program with the introduction of the embedded guided learning offer and higher costs for events related to the reinstatement of the Sydney CPA Congress.

EXPENDITURE BY ACTIVITY





PROTECT, PROMOTE AND ENHANCE THE INTEGRITY OF THE DESIGNATION

OBJECTIVES

- Continue to invest in building the CPA Australia brand, so that the designation continues to inspire trust, confidence and respect
- Strengthen internal quality assurance and risk frameworks to ensure integrity and transparency
- Strengthen CPA Australia's position as an international designation

PERFORMANCE

Board communications – 6.34/10

A trustworthy brand – 6.88/10

Keeping members up to date
with industry standards – 7.08/10





"I'VE ALWAYS BEEN PROUD TO INTRODUCE MYSELF AS A CPA. IT STANDS FOR TRUSTED ADVISOR."

Kerry Harris FCPA,
Director, Focus Consultants

GOVERNANCE

BOARD FOCUS IN 2019

The Board met on nine occasions in 2019 and communicated directly with members after each Board meeting to provide an update on current matters.

During 2019, the Board maintained a strong focus on consolidating the governance changes that had been implemented during the previous year, with particular emphasis on strengthening risk management and internal controls, implementing the recommendations of the IRP and continuing a comprehensive member engagement program.

A modification was made to CPA Australia's Constitution after members voted at the Annual General Meeting to amend Article 60 of the Constitution, requiring the Board to call a meeting of members within three months of exercising its emergency powers to appoint directors. This resolution was proposed by a member and was supported by the Board as it provides an additional layer of protection to members.

The Board and its committees considered a wide range of issues during 2019, including:

- Ensuring compliance with government regulators and industry standard setters
- Oversight of priorities arising from member research
- Oversight of recommendations from the IRP
- Consideration of CPA Program education initiatives
- Review and sign-off of CPA Australia's 2018 Integrated Report and financial statements
- Approval of contracts with external partners and suppliers
- Establishing procedures for the 2019 Annual General Meeting and consideration of member resolutions to be included in the Notice of Meeting
- Formalising with the Australian Securities and Investment Council (ASIC) the cancellation of CPA Australia Advice's Australian Financial Services Licence (AFSL) and Australian Credit Licence (ACL)
- Overseeing the progress of the Scheme application with the PSC and the introduction of a new five-year Scheme commencing in December 2019
- Approval and implementation of CPA Australia's inaugural Reflect RAP
- Oversight of engagement with Divisional Councils including Board outreach and Council elections
- Oversight of risk management
- Oversight of organisational culture.

The Board and its Committees also maintain an active focus on the various programs and initiatives being undertaken across the business as part of delivering on strategy. These initiatives are detailed throughout this report.

DIRECTOR SKILLS

The Appointments Council is responsible for appointing CPA Australia's Board and is comprised of a representative from each of the Divisional Councils. The Appointments Council works with the Board and the Nomination Committee to determine the mix of skills required on the Board and to identify any potential skill gaps. In doing so, they consider the mix of complementary skill sets and experience of the existing Board members and assess any specialist skills or knowledge possessed by departing directors.

In electing new Board members, a call for nominations was made via CPA Update, INTHEBLACK, the *Australian Financial Review*, the *National Business Review* (NZ), the *Wall Street Journal Asia* and through Women on Boards with applications submitted to external executive search firm, Derwent. Applications were assessed and two rounds of interviews were conducted by Derwent and the Nominations Committee, who presented the Appointments Council with a recommended short list of candidates.

The Appointments Council were consulted in all steps of the process including providing input on candidates to be shortlisted for second round interviews. They also had access to the full list of candidates and had the right to consider any candidate who met the mandatory requirements, regardless of whether they had been interviewed. Short-listed candidates had the opportunity to record a video presentation for the Appointments Council. The Appointments Council met in August and elected three directors who commenced their three-year term on 1 October.

Table 5 on page 27 shows the number of directors who have the listed skills on the Board and each of its Committees.

Table 5: Board skills mix

| | BOARD | AUDIT RISK AND COMPLIANCE | FINANCE AND POLICY | MEMBER ENGAGEMENT | NOMINATION* | PEOPLE REMUNERATION AND CULTURE |
|--------------------------------------|-------|---------------------------|--------------------|-------------------|-------------|---------------------------------|
| LOCATION | | | | | | |
| Metro Australia | 8 | 4 | 3 | 5 | 2 | 4 |
| Regional Australia | 6 | 3 | 3 | 4 | 1 | 3 |
| International | 9 | 5 | 5 | 4 | 2 | 4 |
| SECTOR | | | | | | |
| Academia | 5 | 3 | 2 | 3 | 2 | 2 |
| Public practice | 5 | 3 | 2 | 3 | 1 | 2 |
| Government | 7 | 4 | 3 | 4 | 2 | 3 |
| Large firm | 8 | 4 | 5 | 4 | 1 | 4 |
| Large listed | 5 | 2 | 4 | 2 | 1 | 2 |
| Not-for-profit | 9 | 4 | 4 | 5 | 2 | 5 |
| INDUSTRY | | | | | | |
| Financial services | 5 | 2 | 4 | 3 | 1 | 2 |
| Consumer | 6 | 3 | 4 | 2 | 1 | 3 |
| Industrial | 4 | 2 | 2 | 3 | 1 | 1 |
| Services | 9 | 4 | 5 | 5 | 1 | 5 |
| Telecommunications/technology | 4 | 2 | 2 | 1 | 0 | 3 |
| EXECUTIVE/NON-EXECUTIVE | | | | | | |
| Current executive | 9 | 4 | 5 | 5 | 1 | 5 |
| Practising accountant | 5 | 3 | 2 | 3 | 1 | 2 |
| Non-executive director | 10 | 5 | 5 | 5 | 2 | 5 |
| Board Chair | 9 | 5 | 4 | 5 | 2 | 4 |
| Committee Chair | 9 | 5 | 4 | 5 | 2 | 4 |
| GENERAL EXPERIENCE | | | | | | |
| Financial/commercial acumen | 10 | 5 | 5 | 5 | 2 | 5 |
| Leadership | 10 | 5 | 5 | 5 | 2 | 5 |
| Public relations/media | 6 | 3 | 3 | 3 | 1 | 3 |
| Marketing/communications | 6 | 3 | 4 | 2 | 1 | 3 |
| Human resources | 7 | 4 | 4 | 3 | 1 | 3 |
| Legal/regulatory | 8 | 5 | 4 | 4 | 2 | 3 |
| Organisational management | 10 | 5 | 5 | 5 | 2 | 5 |
| Business development | 9 | 4 | 5 | 4 | 2 | 5 |
| Project management | 10 | 5 | 5 | 5 | 2 | 5 |
| Change management | 10 | 5 | 5 | 5 | 2 | 5 |
| Risk management | 9 | 5 | 5 | 4 | 2 | 4 |
| Stakeholder management | 10 | 5 | 5 | 5 | 2 | 5 |
| Policy development | 8 | 5 | 4 | 4 | 2 | 3 |
| Advocacy | 9 | 5 | 4 | 5 | 2 | 4 |
| Member-based organisation governance | 9 | 5 | 5 | 4 | 2 | 4 |
| Government relations | 8 | 5 | 4 | 4 | 2 | 3 |
| Corporate governance | 9 | 5 | 4 | 5 | 2 | 4 |

*The Nomination Committee is comprised of two Board directors, two members of the Appointments Council and two independent non-members. This table reflects the profile of the Board directors only.

SUPPORTING DIVISIONAL COUNCILS

The Board brought consistency to the structure of CPA Australia by affording the existing branches of the Northern Territory, New Zealand and Europe with Divisional status. CPA Australia now has 13 Divisions, including one in each state and territory in Australia as well as Europe, Greater China, Malaysia, New Zealand and Singapore.

Divisional Councils play a vital role in fostering member engagement, generating local support for CPA Australia and maintaining the integrity of the designation. They are an important conduit between members and the Board as well as the organisation more broadly, and they promote the CPA designation by building relationships with key community stakeholders including employers, government and educational institutions. In recognition of the important groundwork conducted by Divisions, in 2019 the Board increased investment in Divisions and supported them to develop bespoke events that are relevant and beneficial to members in their local area.

Members in each Division elect their Divisional Council. A call for nominations for election to Council is made in August of each year via CPA Update and the website. Where the number of nominations for Council exceeds the number of positions vacant, an election is held in that Division. In 2019, a total of 84 members nominated for 47 vacancies across the 13 Divisional Councils, including 25 renominations and 59 new nominations, elections were held in 11 Divisions. The voting period took place from 30 September to 21 October with the results announced on 30 October via CPA Update. Newly elected councillors began their terms on 1 January 2020.

Each Council elects a President and Deputy President. The Presidents of each Council come together to form the Council of Presidents who ensure two-way engagement with Divisional Councils and the Board, drawing on the views of members. The Council of Presidents plays a valuable role in advising the Board on strategic issues and opportunities.

CONNECTING WITH MEMBERS AND STAKEHOLDERS

BOARD COMMUNICATIONS ▲ 6.34/10
(2018: 5.92/10 2017: 5.13/10)

The Board continued its extensive outreach program in 2019, with Board directors collectively participating in more than 310 interactions with members and stakeholders, either attending meetings and events or participating in webinars and teleconferences.

President and Chair, Peter Wilson undertook 78 separate meetings during 2019, with the two Deputy Presidents, Merran Kelsall and Chin Aik Wong also undertaking a total of 85 meetings collectively. The Chair of the Member Engagement Committee, Robyn Erskine, also undertook 41 meetings during 2019. In 2020, a set of formal guidelines will be established for the Board outreach program to ensure that it remains effective and reaches the largest possible number

of members. The Board also communicates regularly with members through announcements after each Board meeting and the Board is pleased that members continue to see improvements in this area as shown through the results of our member engagement survey.

INDEPENDENT REVIEW IMPLEMENTATION COMMITTEE

One of the first acts of CPA Australia's new Board in October 2017 was to establish a committee to oversee the implementation of recommendations from the IRP who handed down their preliminary report on 14 September 2017 and a final report on 30 November of that year. The final report contained 29 recommendations which, together provided a framework for CPA Australia to enhance its governance arrangements and operations to better meet the needs of members.

Over the past two years, the IRIC has been responsible for recommending to the Board appropriate actions for each recommendation, helping to develop implementation plans and monitoring the organisation's progress in executing each of the recommendations.

In December 2018, the IRIC released an **update report** showing CPA Australia's progress on implementing the respective recommendations. In addition, individual elements from the recommendations have been communicated to members as necessary in regular statements from the Board.

In October 2019, the IRIC completed a final update report. The committee is satisfied that all of the IRP's 29 recommendations are now either complete, with no further action required, or are embedded into management's business-as-usual work programs. The Board has reviewed and accepted the IRIC's recommendation to conclude its work. As the final report has been signed off by the Board and now released to members, the IRIC has fulfilled its function and has now ceased. The Board thanks the members of the committee for their diligent work in assisting CPA Australia to implement these recommendations which strengthen the organisation's governance and are in the best interests of members.

BOARD REMUNERATION

Remuneration to the Board in 2019 remained within the pooled amount as set out in the Constitution. Detailed disclosures of director and key management personnel are reported on pages 120 to 124.

MOVING FORWARD

The Board will continue to focus on its governance duties and key elements of CPA Australia's strategy including:

- Education strategy
- Brand strategy
- Culture
- Member outreach

RISKS AND OPPORTUNITIES

CPA Australia has a Board-approved risk appetite statement that articulates the amount of risk we are prepared to accept or avoid in pursuit of our strategy and the approach taken to meet risk appetite.

The risk appetite statement enables the Board and management of CPA Australia to be aligned on risk management and to identify, assess and treat risks related to the achievement of objectives while remaining within the Board's approved appetite for these risks. This includes:

- Making decisions that reflect the taking of appropriate risk for appropriate reward, leveraging the right controls
- Providing timely monitoring and reporting on risks to all stakeholders

- Creating a sound risk culture that is embedded throughout the organisation
- Continually improving and maturing the management of risk
- Satisfying corporate governance and regulatory requirements at all times.

Throughout 2019, CPA Australia has continued to further enhance and consolidate its risk management strategy and practices including:

- Implementation of the risk management framework approved in 2018
- Set up of an automated risk and compliance system to be implemented in 2020
- Improved alignment of business continuity to strategic objectives

- Board oversight of risk management activities is via quarterly reporting to the Audit, Risk and Compliance Committee and an annual workshop for the formal assessment of existing, new and emerging risks.









ENTERPRISE RISKS

The table below shows the key enterprise risks most relevant to strategy in order of priority. Priority order has been determined by consideration of the likelihood of the risk occurring and the consequences of that risk on our ability to create value for the organisation and its members.

Table 6: Risks and opportunities

| RISK | TIME FRAME | OPPORTUNITY | STRATEGIC GOAL | RELATED MATERIAL ISSUES |
|--|----------------------|--|---|------------------------------|
| Education and professional development – Failure to produce education and professional development that is relevant and meets members' needs and value expectations | Medium to long-term | A new education strategy to reflect the future of learning. New digital technologies that enhance our ability to deliver content and learning to members. |    | M2 M4 M6 M7 M10 |
| Member experience – Inability to provide a consistent and positive member experience | Short to medium-term | Service transformation project to enhance the member experience. New digital technologies that enhance our ability to deliver member service. A new website strategy centred on member needs. |  | M1 M5 M11 M13 |
| Member value – Failure to provide and demonstrate the value of being a CPA Australia member in terms of quality, relevance and pricing | Medium to long-term | Investing in products and services to increase the value we offer to members including an enhanced free CPD offer, greater support through the CPA Program and increased divisional support. Increased advocacy resources to increase our thought leadership. |    | M3 M4 M5 M6 M9 M10 M12 |

Table 6: Risks and opportunities (continued)

| RISK | TIME FRAME | OPPORTUNITY | STRATEGIC GOAL | RELATED MATERIAL ISSUES |
|---|----------------------|---|---|---|
| Brand and reputation – Failure to maintain CPA Australia’s brand health, perception and reputation | Short to medium-term | We are considering in a new brand strategy to highlight the value of the CPA designation. Continued investment in activities that capitalise on our strong brand perception in key markets. Continued investment in key areas of governance such as risk, audit and compliance. |  |  |
| People and culture – Failure to attract, retain and develop talent aligned to CPA Australia culture and capability requirements | Short-term | Following the results of our culture survey, we will be investing in the areas our people believe require improvement. |  |  |
| Data and systems – Loss of data/systems availability | Short to medium-term | We are investing in new digital technologies that enhance our ability to deliver content and learning to members. |  |  |
| Governance – Inability to maintain appropriate corporate governance frameworks | Short to medium-term | We are continuing to critically review our key governance frameworks to ensure they are fit for purpose and consistent with best practice. |  |  |

*Short-term impact is likely to occur in the next one to two years, medium-term within two to five years and long-term in five years or more.

MOVING FORWARD

- Continuing implementation of an enhanced risk management strategy and practices including:
 - Risk identification, monitoring and reporting
 - Compliance obligations management
 - Incident management
 - Policy management.
- Enhancing business continuity planning and awareness

BRAND AND REPUTATION

The value of the CPA Australia designation is generated by the technical expertise and reputation of our members. We enhance this reputation by building our brand profile through a range of activities including bringing together members with employer and industry sector groups, building relationships with international accounting bodies and organisations, engaging with students and educational institutions, utilising various communication and social media channels to connect with our stakeholders, and undertaking a mix of strategic and targeted sponsorships.

BRAND PERCEPTION

A TRUSTWORTHY BRAND ▲ 6.88/10
(2018: 6.34/10, 2017: 5.53/10)

To monitor the perception of our brand, we undertake research with our members through the member engagement survey. We also undertake a separate study on brand perception with potential members, employers and the general public. In 2019, CPA Australia again performed strongly in key target markets with brand health tracking consistently with 2017 and 2018 and CPA Australia remaining the first-choice designation in the Australian marketplace. Member trust in the brand also improved again in 2019, rising to 6.88.

ENHANCING OUR BRAND

In 2019, we have undertaken work on a project to transform the brand and we are considering a new brand strategy that will provide a long-term plan to influence the perception of our brand.

We have also invested considerable resources into our policy and advocacy work to enhance the CPA designation.



BERNARD POON FCPA

Partner and Transaction and Advisory Services Leader, Ernst & Young

Since first commencing at Ernst & Young as an intern, Bernard has carved out a commendable career, with no signs of slowing down. “The retirement age in Hong Kong is 60 and I am in my early 50s, but I will continue to serve in the profession.”

Bernard’s future professional intentions are aligned with the findings of the 2019 Member Journey Mapping research in China. The research saw members in the mid and late career stage indicate that they were looking to continue to keep active professionally and were looking to CPA Australia for additional support.

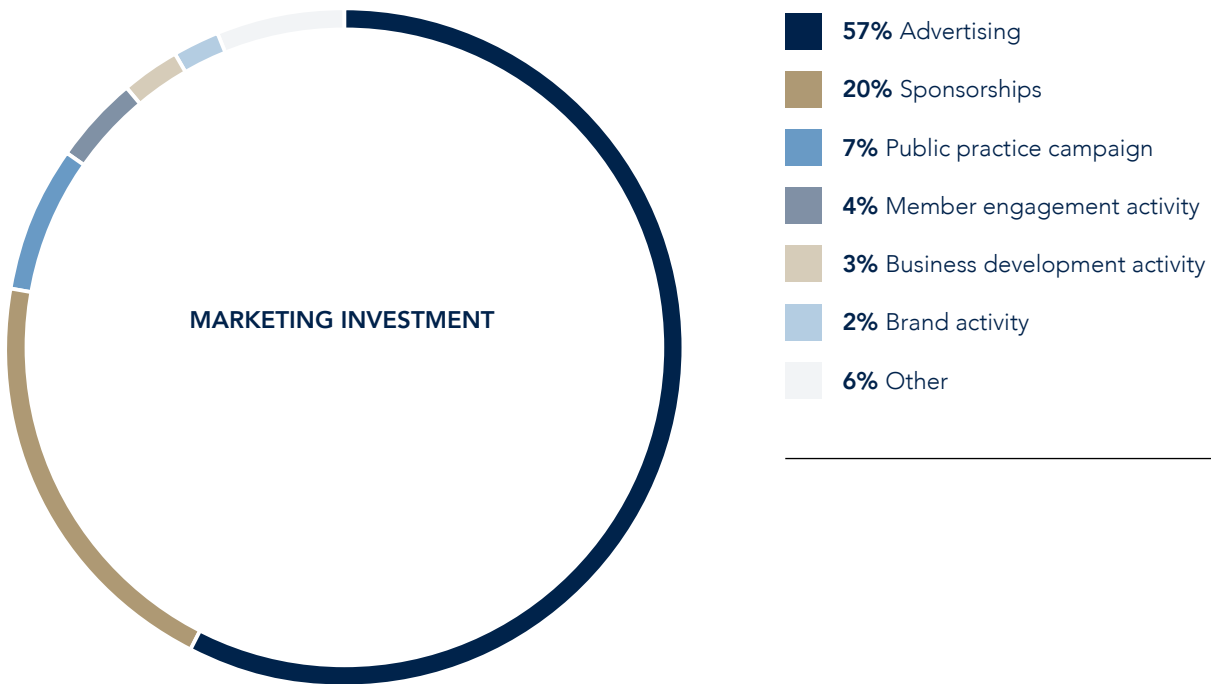
Likewise, when speaking about the challenges he is encountering in his current career stage, Bernard touches on the importance of reputation and professional development – two paramount touchpoints of a professional designation identified by members in the Member Journey Mapping research. “The world is changing, and the accounting profession is evolving. The general public’s expectation of an accountant is also changing so I need to keep up and continue to learn.”

Bernard credits CPD events run by CPA Australia in supporting his career and notes that the events have played a pivotal role in establishing a strong brand and reputation in Mainland China and Greater China. “The events helped me broaden my network. People see CPA Australia as a big family, especially those who attend the events. People want to learn, enjoy and connect.”

MARKETING INVESTMENT

CPA Australia’s marketing investment for 2019 was \$9.8 million, compared to \$12.9 million in 2018 (refer Note 6 on page 105). Our investment in marketing (Figure 5) includes advertising to attract and develop the next generation of CPAs, the public practice campaign, sponsorship and other activities.

FIGURE 5: INVESTMENT IN MARKETING



MOVING FORWARD

- Continued investment in our brand strategy to position the CPA designation for the future
- INTHEBLACK will be further enhanced to deliver content that aligns with member needs and interests

PUBLIC INTEREST AND PROFESSIONAL STANDARDS

PUBLIC PRACTITIONER SATISFACTION 6.31/10 ▲ (2018: 5.85/10; 2017: 5.27/10)

CPA Australia members have a responsibility to act in the public interest and are required to comply with the obligations detailed in CPA Australia's Constitution and By-Laws, Code of Professional Conduct and applicable industry standards and regulations. We support the work of many international standard setting boards, including the International Accounting Standards Board (IASB), the International Auditing and Assurance Standards Board (IAASB) and the International Ethics Standards Board for Accountants (IESBA).

We help to develop international and national standards relevant to the profession, and promote their adoption and implementation, through engagement, advocacy and consultation with regulators and industry bodies in all regions where our members practise. In accordance with our commitment to act in the public interest and to encourage a culture of compliance, all members who hold a public practice certificate are subject to periodic quality reviews.

The satisfaction rating of our public practitioners continues to trend upwards but remains below that of other members.

REGULATORY BURDEN PROJECT

> 3400 MEMBERS VIEWED VIDEO SUMMARY OF REPORT

In September 2019, we released the **Regulatory Burden Report**. This report highlighted the need for a holistic review of the regulatory frameworks that govern the provision of advisory services including tax and financial planning advice, to enable professional accountants to provide affordable independent, quality advice that benefits their clients and supports the public interest.

The comprehensive report is based on a survey completed by more than 600 members working in public practice, in-depth focus groups with 60 members, and the views of more than 1000 consumers and small to medium-sized enterprises (SMEs) who responded to a separate survey about their experiences when seeking advice and services from accountants.

The report confirmed that regulatory burden is having a significant impact on professional accountants providing advisory services to their clients through extensive compliance obligations and their associated costs. Importantly, it also brought to life how it is having an impact, with a third of professional accountants surveyed considering no longer providing one or more advisory services as a direct result of the increasingly complex legislative and regulatory framework. Nearly two decades of increasing regulation and compliance requirements are negatively impacting the provision of advisory services to clients, including small business clients.

Highlighting the importance of this work to our members, 30,875 unique members were reached via social channels, with more than 9200 members commenting, sharing or liking the posts. Media coverage of the report and the issues raised included the *Australian Financial Review*, *The Australian*, *Accountants Daily* and several trade publications and regional papers.

Given the need for change highlighted by the report, CPA Australia, CA ANZ, the IPA and other associations have come together to advocate the need to build efficient regulatory frameworks that enable the provision of affordable, quality advice to consumers and small businesses from their choice of trusted adviser with government and policy-makers.

The CEOs of all three organisations released a **video** calling for more efficient regulatory frameworks for advisory services and pledged to work together in advocating for change. The three bodies have a clear focus to revisit definitions, licencing regimes and to harmonise obligations where members operate under multiple regulatory frameworks to provide advisory services to their clients.



JUSTIN GORDON FCPA

Partner, Strategem

For Justin, being voted by his peers as a Victorian Divisional Councillor was a key moment in his career to date. "It was quite a big moment in my profession and acknowledgment of what I was doing. It was recognition that people were noticing what I was doing."

He notes that being involved with his local CPA Australia branch in Bendigo has created many opportunities through networking and the information he has been able to access. "Without the CPA Australia brand and designation, I would not have had the relationship with it to personally and professionally help me grow."

He is a passionate public practitioner highlighting the multifaceted nature of his role. "People probably think you do tax returns every day, all day, but every client is different and the relationships you build with your clients are just as important. The greatest thing is the satisfaction you get when you assist someone in their affairs that makes an impact in their life."

Justin's role doesn't come without challenges, noting that regulations have been difficult to keep up to date with and this has had a big impact on his business. "Our regulatory burden is quite onerous, to the stage where we have a full-time employee to manage that particular area."

Justin is optimistic about the impact that CPA Australia's Regulatory Burden Report will have on the accounting profession, viewing it as a critical piece of information for public practitioners. "There are enough challenges they are facing at the moment and if some of this burden can be reduced, it will make it easier on those practitioners to be able to focus on their main activity of running their practice."

RISK MANAGEMENT FRAMEWORK AND QUALITY CONTROL MANUAL TOOLS

> 1600 MEMBERS ACCESSING THE TOOLS

KEEP ME UP TO DATE WITH INDUSTRY STANDARDS ▲ 7.08/10 (2018: 6.77/10; 2017: 6.24/10)

In line with our strategic initiative to enhance the tools and resources available for public practitioners, CPA Australia created a Risk Management Framework tool. The tool was designed to assist members working in public practice to comply with Australian Professional and Ethical Standards Board (APESB) obligations (i.e. APES 325: Risk Management for Firms) and extensive testing with members was incorporated into the project.

A step-by-step process guides the practitioner through the requirements of the standards, providing suggested risk mitigation strategies relevant to the nature of the risks identified within their practice. By completing the tool, each member then creates a compliant and comprehensive risk management framework that benefits their practice by:

- Making compliance with APES 325 easier and faster
- Reducing risk for a member's individual practice
- Providing a simple guided process.

The Risk Management Framework tool was awarded Silver in the Melbourne Design Awards and has received strong positive feedback from members in public practice that have used the tool.

The Quality Control Manual Tool was designed to assist members working in public practice to comply with APES 320: Quality Control for Firms. Similar to the Risk Management Framework Tool, it is an easy-to-follow process that guides the practitioner through the requirements of the standard, providing suggested policies and procedures. Using this information, a click of a button then creates compliant and comprehensive quality control documentation.

We are pleased to see that public practitioners are finding these tools useful, with our rating for keeping them up to date with industry standards increasing.

PROFESSIONAL STANDARDS SCHEME

FIVE-YEAR SCHEME APPROVED

On 21 June 2019, the PSC approved CPA Australia's application for a five-year Scheme which commenced across Australia on 23 December 2019.

The Scheme is a legal instrument that may limit civil claims to the level of professional indemnity insurance (PII) set out in the scheme that public practitioners are required to hold in accordance with our By-Laws.

The new Scheme will enable all public practitioners who conduct public accounting services, hold a CPA or FCPA designation and have a current limited or full public practice certificate to participate.

However, the application of the limited liability will depend on the services provided and any legislative impediments. A limited liability cap will apply to a claim relating to the provision of public accounting services if there is no contrary legislation. Accordingly, the Scheme may not limit liability for those practitioners who are required to hold adequate PII as part of a statutory licence or condition of registration.

The Scheme's objectives are to protect, improve and help consumers and professionals by preserving the viability of the accounting profession by continually encouraging improved professional standards.

MY FIRM. MY FUTURE

My Firm. My Future is a research-based project designed to provide practical advice for members on how to make strategic decisions to set their practices up for success. The research involved insights from more than 500 public practitioners and more than 1000 consumers and SMEs to ensure we understand the demands that the future firm will need to meet. The report explores key forces reshaping the public accounting profession and proposes four themes that will enable members to build a sustainable practice for the future.

We also released two complimentary eLearning modules to support the findings of the research including:

- Engaging clients
- Segmenting your client base.

In 2020, we will continue to release eLearning modules, develop practical guides and run a series of workshops to help firms implement the report findings.

DIGITISATION OF THE QUALITY REVIEW PROGRAM

We are reducing the burden of our paper-based quality review system. Through a phased approach, CPA Australia has been digitising the quality review program to enable a better member experience and to reduce the significant costs associated with the existing paper-based archive system.

The first and second phases involve the development of electronic forms when members respond to a request for a quality review from CPA Australia. The digitisation of the form reduced the requirement for the member to populate certain data and enabled our database to be automatically updated with more accurate information once received from the member.

The final phase will be the development of the digital quality reviewer's tool. This tool will create the reviewer's working paper file, populate the exit meeting minutes and the quality review report. This tool will offer the following improved support for public practitioners:

- Ensure that reviewers review each member against the applicable and correct standards
- Allow CPA Australia to make amendments efficiently when changes to standards occur
- Ensure the final deliverables to the member in the form of the exit meeting minutes and quality review report are consistent in form and content.

PROFESSIONAL CONDUCT

Membership of CPA Australia means committing to the obligations spelt out in CPA Australia's Constitution and By-Laws, APES 110 Code of Ethics for Professional Accountants and applicable regulations.

To ensure all members uphold these standards, CPA Australia has a formal process that enables complaints about its members to be heard, evaluated and, where appropriate,

disciplinary action taken. Investigations and disciplinary processes are guided by the principles of procedural fairness (the right for a member to put forward their case), confidentiality, independence and the right to appeal. CPA Australia has undertaken to act in the public interest and has an obligation to ensure that complaints about members are investigated thoroughly in an impartial, timely manner and at all times striving to preserve the rights of members while acknowledging the public interest concern of complainants.

Details on complaints received and their outcomes are detailed in the tables below.

| Table 7: Complaints against members | 2017 | 2018 | 2019 |
|---|-------------|-------------|-------------|
| Total complaints received | 673 | 571 | 623 |
| Relevant complaints received | 196 | 212 | 300 |
| Complaints resolved in the year they were received | 568 | 461 | 471 |
| Total complaints resolved (including complaints from previous years) | 667 | 567 | 578 |

Notes:

Total complaints received refers to all complaints received (phone, email or complaint form), including those formally investigated and those dealt with by phone or email.

Relevant/viable complaints received refers to all complaints formally investigated, that is, they are not considered 'unviable'. An unviable complaint as defined in the By-Laws is one that concerns a matter that occurred more than five years prior to the date of the complaint, concerns a person who is not a member at the time the complaint is lodged, is not supported on the available evidence, or is primarily a fee dispute.

Complaints resolved refers to the viable complaints investigated and either closed or referred to a disciplinary tribunal for hearing, in addition to those resolved without a formal investigation.

| Table 8: Source of relevant complaint investigated | 2017 | 2018 | 2019 |
|--|-------------|-------------|-------------|
| Internal complaints from quality review and other CPA Australia business units | 64 | 79 | 134 |
| External complaints from the public | 124 | 122 | 106 |
| Complaints received from regulatory authorities* | - | - | 44 |
| Complaints initiated as a consequence of external media reports | 8 | 11 | 16 |
| TOTAL | 196 | 212 | 300 |

| Table 9: Resolution of complaints | 2017 | 2018 | 2019 |
|--|-------------|-------------|-------------|
| Complaints concluded through formal professional conduct investigation | 186 | 135 | 274 |
| Determined by disciplinary tribunal (not restricted to 2018/2019 complaints) | 37 | 29 | 27 |
| Internal reprimand | 0 | 5 | 30 |
| TOTAL | 223 | 169 | 331 |

Notes:

The increase in number of relevant complaints investigated in 2018 to 2019 is due to the January 2018 By-Law change whereby any members found to be breaching their CPD obligation are referred to Professional Conduct.

The above note explains the increase in complaints which are initiated as a consequence of an 'internal' referral.

| Table 10: Complaints heard at a disciplinary tribunal | 2017 | 2018 | 2019 |
|---|-------------|-------------|-------------|
| Breaches of Constitution, By-laws, Code of Professional Conduct, applicable regulations | 22 | 7 | 5 |
| Standard of professional care | 2 | 2 | 3 |
| Conduct derogatory to or not in the best interests of CPA Australia or its members | 2 | 8 | - |
| Become insolvent/bankrupt | 1 | 3 | 1 |
| Adverse finding by any statutory body, civil or criminal court | 14 | 10 | 19 |
| Failure to comply with request/determination from CPA Australia | 5 | 5 | 5 |
| TOTAL | 46 | 35 | 33 |

| Table 11: Sanctions ordered by disciplinary/appeals tribunals | 2017 | 2018 | 2019 |
|--|-------------|-------------|-------------|
| Forfeiture of membership | 15 | 13 | 10 |
| Suspension of membership | 3 | - | 2 |
| Severe reprimand | 29 | 20 | 13 |
| Admonishment | 3 | 2 | 5 |
| Complete a quality review* | - | - | 7 |
| Training and development | 1 | 1 | 12 |
| Fine | 6 | 11 | 8 |
| Undertaking | 8 | 5 | 3 |
| TOTAL | 65 | 52 | 60 |

Notes:

In addition to the penalties imposed, members are often required to meet certain criteria prior to any application for readmission. This may include but is not limited to undertakings to provide evidence of having repaid monies, of a medical certificate, etc.

* New data item introduced for 2019.

MOVING FORWARD

- A policy platform is being developed, forming the foundation for further advocacy for reform following on from our regulatory burden work
- My Firm. My Future practical guides to be released to support members in implementing the learnings from the research
- A new series of advisory eLearning modules supporting members to provide more value-added services to their clients, following the insights from the My Firm. My Future report and to complement the associated product suite
- Adapting My Firm. My Future with localised content for markets beyond Australia
- An updated quality review program following a best practice review and future state design

2

LEAD THE FUTURE OF THE ACCOUNTING PROFESSION

OBJECTIVES

- Understand the emerging changes in the accounting profession and the implications for members in the future
- Develop strategies, training and tools to support members through the future changes to the accounting profession
- Provide opportunities and pathways for business professionals wanting to develop their skills and employment options while ensuring high professional standards

PERFORMANCE

Thought leadership – 6.69/10





**"GLOBALISATION HAS
LED TO FAST AND
COMPLEX CHANGE.
IT'S IMPORTANT
TO EVOLVE AND
UNDERSTAND WHAT'S
GOING ON OUTSIDE
OF OUR INDUSTRY,
AND TAKE LEARNINGS
FROM BEST PRACTICE
AROUND THE WORLD."**

William Young CPA,
Executive Director – Head of Australia,
COS Capital

LEAD THE FUTURE OF THE ACCOUNTING PROFESSION

THOUGHT LEADERSHIP ▲ 6.69/10
(2018: 6.29/10; 2017: 5.71/10)

A key to the sustainability of our members and CPA Australia lies in meeting the changing expectations of the community and the landscape which organisations operate in. We look to do this by conducting research into issues facing the profession both by ourselves and with partners, supporting the development of the profession in under-represented areas and partnering with other professional accounting bodies to advance the future of the profession. We increased our thought leadership activity in 2019 and members have noted this through rating our activity (6.69/10) more highly than in previous years.

RESEARCH INTO THE FUTURE OF THE PROFESSION

The Global Research Perspectives Program is CPA Australia's annual research grants program. The Program's aim is to encourage and support quality applied research worldwide that is relevant to CPA Australia, instructive to our members, the wider accounting profession, the global business community, governments, regulators and policy setters. In 2020, CPA Australia will fund projects including *SDG governance in Australian firms: Developing an innovative SDG reporting framework*. The research will examine the factors that facilitate and deter SDG prioritisation, measurement and reporting. Another project to be funded is *Data analytics in external auditing*, which has a focus on gaining practical insights and implications for auditors, including how to prepare for operating in a data-driven environment.

A MODERN PUBLIC PRACTICE PATHWAY

The pathway to public practice certification has traditionally been a one-size-fits-all approach, often not aligned to a member's career needs and their goal to establish and grow a successful business.

The new Public Practice Program focuses on the future of public accounting and is more streamlined and flexible. It provides the technical and ethical requirements specific to public practice as well as the business management skills needed to operate a successful firm of the future.

The new program, available from January 2020, has two key components:

- Public Practice Program eLearning – the new online learning format is streamlined and on-demand, providing greater flexibility. It focuses on the technical and ethical requirements to become a public practitioner
- Public Practice Program workshop – a tailored workshop, with a practical and outcome driven focus to help set members up for success.

Once members obtain their public practice certificate, they will also have an option to undertake a peer review to help ensure their systems and processes support them in running a successful and compliant business.

RECONCILIATION ACTION PLAN

As part of the Board's dedication to supporting inclusion and diversity, CPA Australia was proud to launch our inaugural Reflect RAP which formalises our commitment to reconciliation with Australia's First Peoples and is endorsed by Reconciliation Australia.

We are committed to creating an inclusive environment and seek for both our employees and members to develop and foster a genuine respect for, and understanding of, Aboriginal and Torres Strait Islander peoples and their cultures.

Our objectives are to:

- Build organisational awareness of Aboriginal and Torres Strait Islander peoples, cultures, histories and achievements
- Promote the inclusion and diversity of our Aboriginal and Torres Strait Islander members and employees
- Educate, promote and support career opportunities for Aboriginal and Torres Strait Islander peoples in the accounting profession
- Celebrate significant events in Aboriginal and Torres Strait Islander peoples' calendars to promote awareness of histories and communities
- Establish and maintain a RAP working group to implement the initiatives outlined in the Reconciliation plan.

Successful launch events were held across Australia with more than 350 people attending events in Australia and more than 130 people registered to watch via livestream.

FINANCE LEADERS OF THE FUTURE

In November, we hosted the annual London Future Leaders' Luncheon at the London Stock Exchange, welcoming more than 100 guests.

Now in its fourth year, the Future Leaders' Luncheon offers young professionals the opportunity to network with senior business leaders. The luncheon is designed as a platform for connecting accounting and finance graduates with business professionals, and is a unique forum where graduates discuss their future career aspirations and learn from leaders' career journeys.

This year, companies represented included Barclays, Emirates Group, Goldenberg Hehmeyer LLP, HSBC, Huawei, Sony Music Entertainment, Adstream, Affinity Water, and Omnicon Media Group.

PARTNERING WITH THE PROFESSION



As careers become more mobile and accountants need to be able to work across jurisdictions, it is important that we continue to build our partnerships with accounting bodies, educational institutions and other bodies representing the interests of the broader business community.

In 2019, we announced a number of collaboration, recognition and pathway agreements with the following professional organisations:

- CPA Ireland – Renewal of existing Mutual Recognition Agreement for another five years
- British University Vietnam and the School of Economics and Business – Cooperation agreement
- Hanoi University of Science and Technology in Vietnam – Cooperation agreement
- Kampuchea Institute of Certified Public Accountants and Auditors and the National Accounting Council of the Ministry of Economy and Finance – Renewal of cooperation agreement
- Institute of Certified Public Accountants of Kenya – Member Pathway Agreement
- Lao Chamber of Professional Accountants and Auditors – Renewal of cooperation agreement
- National University of Management in Cambodia – Cooperation agreement
- State Audit of Vietnam – Renewal of Memorandum of Understanding
- Malaysian Institute of Accountants – Extension of the Memorandum of Understanding
- Sichuan Institute of Certified Public Accountants – Memorandum of Understanding
- Professional Regulation Commission of Philippines – Accredited as the first foreign CPD provider.

In November, a group of senior representatives from the Beijing National Accounting Institute visited our head office in Melbourne, where they took part in in-depth discussions on how digital transformation will affect professional accounting education. In the future, CPA Australia and the Beijing National Accounting Institute will proceed to deepen mutual cooperation and communication, jointly explore the blueprint of accounting education in the digital era and foster more business leaders equipped with strategic leadership and a digitised mindset.



SARAH RICHARDS CPA

Operations Manager, PwC Indigenous Consulting

Sarah loves the variety of her role in operations and believes that being a CPA has equipped her with a broad range of skills that have supported her professional career. “It really comes down to the professional development opportunities. I feel like it has given me a strong foundation of skills and a variety of different aspects you touch on when you are completing the CPA designation.”

The theme of opportunity is reflected in Sarah’s artwork titled “Endless Opportunity”, a piece created as part of the Reflect RAP. Sarah created the artwork as a representation of CPA Australia: “From the core services through to the reconciliation journey, how those two intertwined together, the impact that comes from CPA Australia coming on a reconciliation journey, and the endless opportunities that I believe will result from making that commitment to reconciliation.”

The Reflect RAP has been a highlight of Sarah’s experience with CPA Australia as it allowed her to contribute directly to the initiative and feel proud, “to see how far CPA Australia has come in that short amount of time, so that was a big highlight for me.”

Sarah is clear on the value of being a CPA. “It’s the trust that comes along with having that designation associated with your personal brand.”

MOVING FORWARD

- Rollout of the new Public Practice Program
- Considering a micro-credential framework to enable members to gain valuable, industry accepted awards for professional development courses that can be stacked to form certification

3

PROVIDE MEMBERS WITH PERSONALISED AND ENGAGING EXPERIENCES

OBJECTIVES

- Improve member experience and tailored communications based on individual member needs and feedback, enabled by data, technology and digital solutions
- Create a more effective local support model for members through divisions, branches and committees
- Develop a culture that enables a personalised and engaging member experience

PERFORMANCE

166,166 members

Member satisfaction – 6.63/10

Member retention – 98.1 per cent





**“AS OUR MEMBERS
PROGRESS
PROFESSIONALLY,
WE’RE VERY FOCUSED
ON UNDERSTANDING
WHAT THEY NEED
AS IT CHANGES
OVER TIME.”**

Samantha Lakmini CPA, Strategic
Management Accountant, CPA Australia

Scott Grimes CPA, Financial Planning &
Analysis Manager, Vision Eye Institute

MEMBER ENGAGEMENT AND SATISFACTION

Member engagement research is a key way in which we track the quality of the relationships we have with our members. The current study was undertaken in 2017, 2018 and 2019 through a third-party provider (Forethought). In 2019, this consisted of a 20-minute online survey which received a 5.7 per cent response rate (n = 8507 members).

Performance on satisfaction and value by designation, age and country/region for 2017, 2018 and 2019 are shown below.

Key themes from the research included:

- Members acknowledged that there had been efforts by CPA Australia over the past year to improve. This was reflected in ratings of key metrics which continued to trend upwards in 2019
- Reputation and future career development were still the most important drivers for member satisfaction.

Reputation metrics have seen significant improvement, particularly in Australia, but members continue to want to see more work done on products and services that will help them in their careers.

FIGURE 7: SATISFACTION BY DESIGNATION

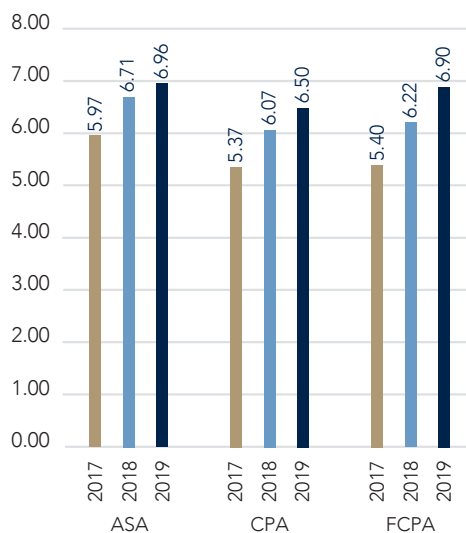


FIGURE 8: VALUE BY DESIGNATION

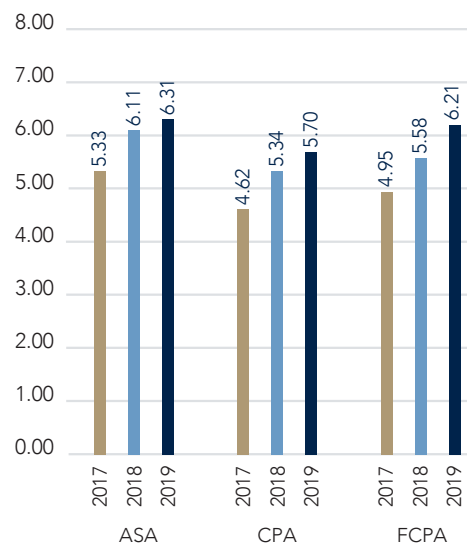


FIGURE 9: SATISFACTION BY AGE

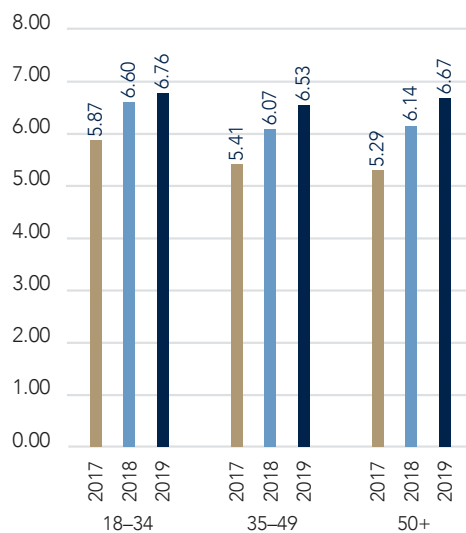


FIGURE 10: VALUE BY AGE

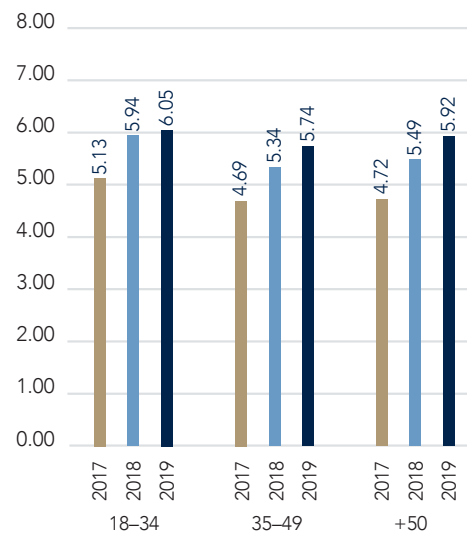


FIGURE 11: SATISFACTION BY COUNTRY/REGION

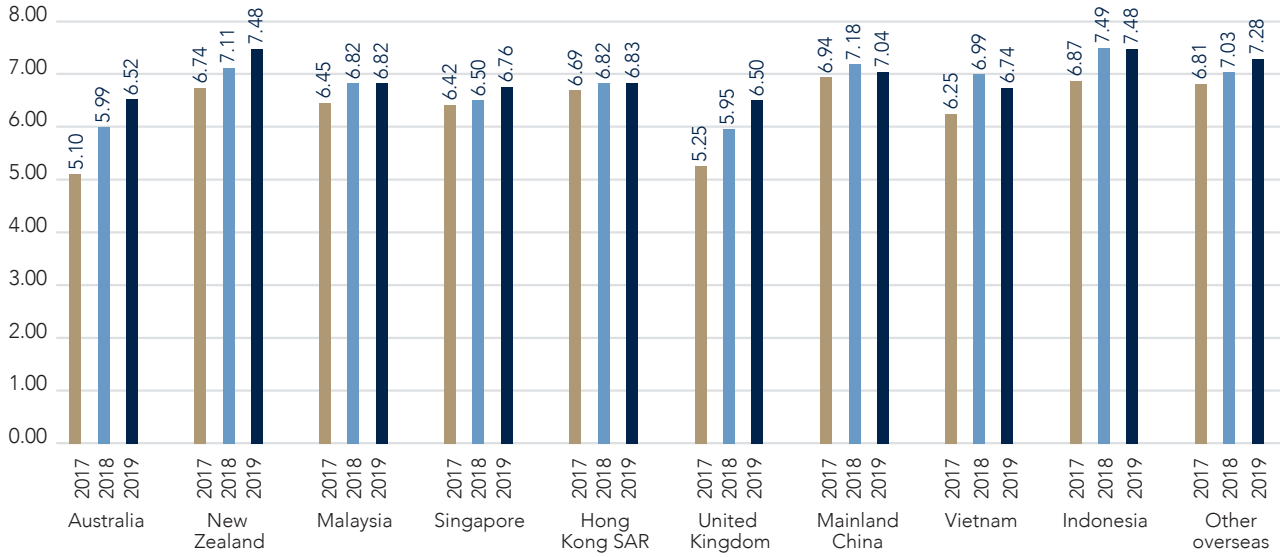
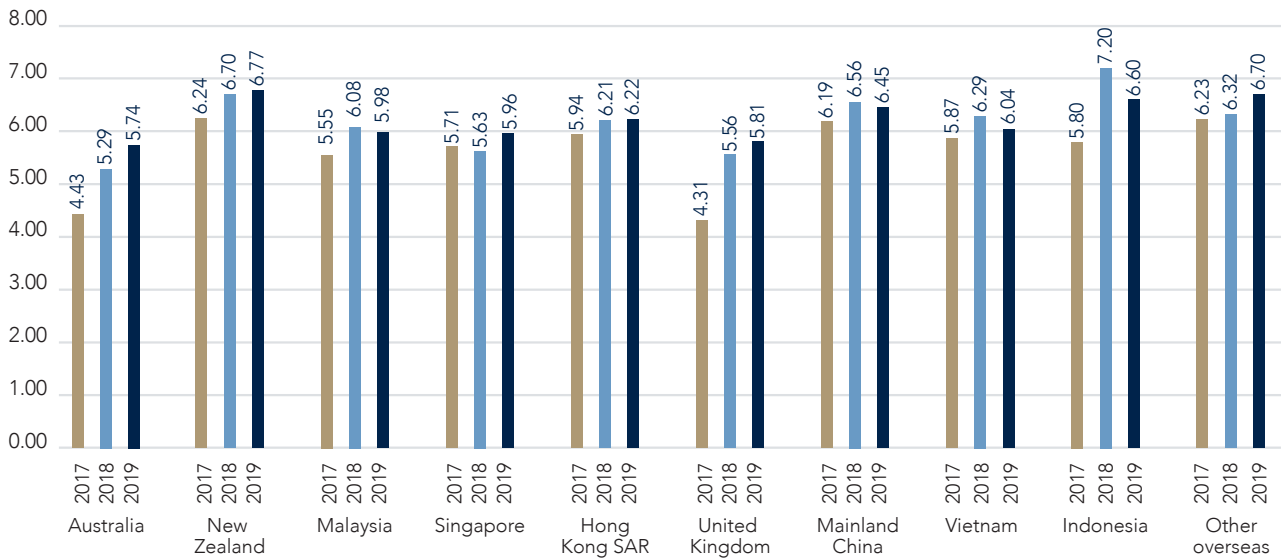
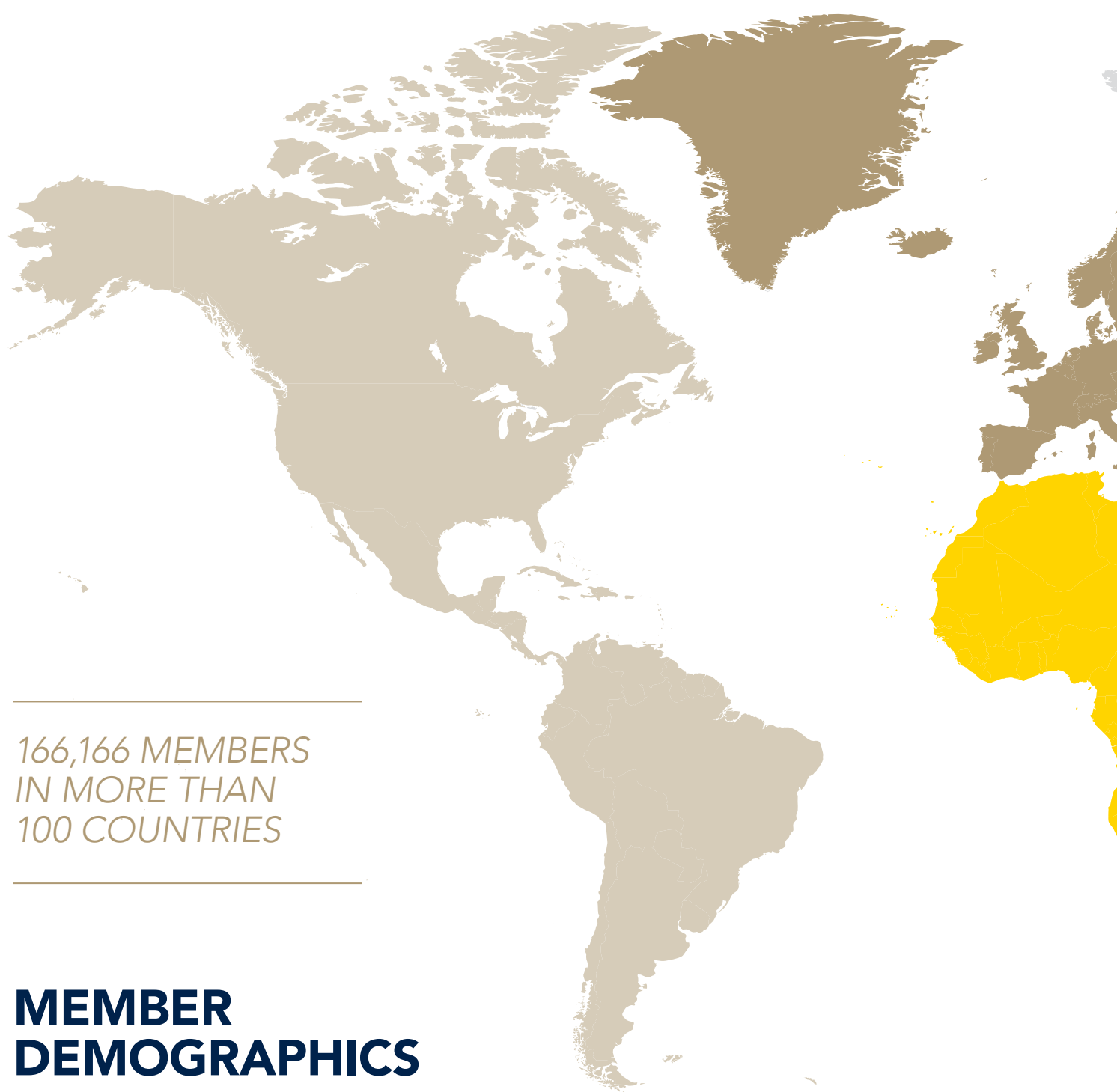


FIGURE 12: VALUE BY BY COUNTRY/REGION





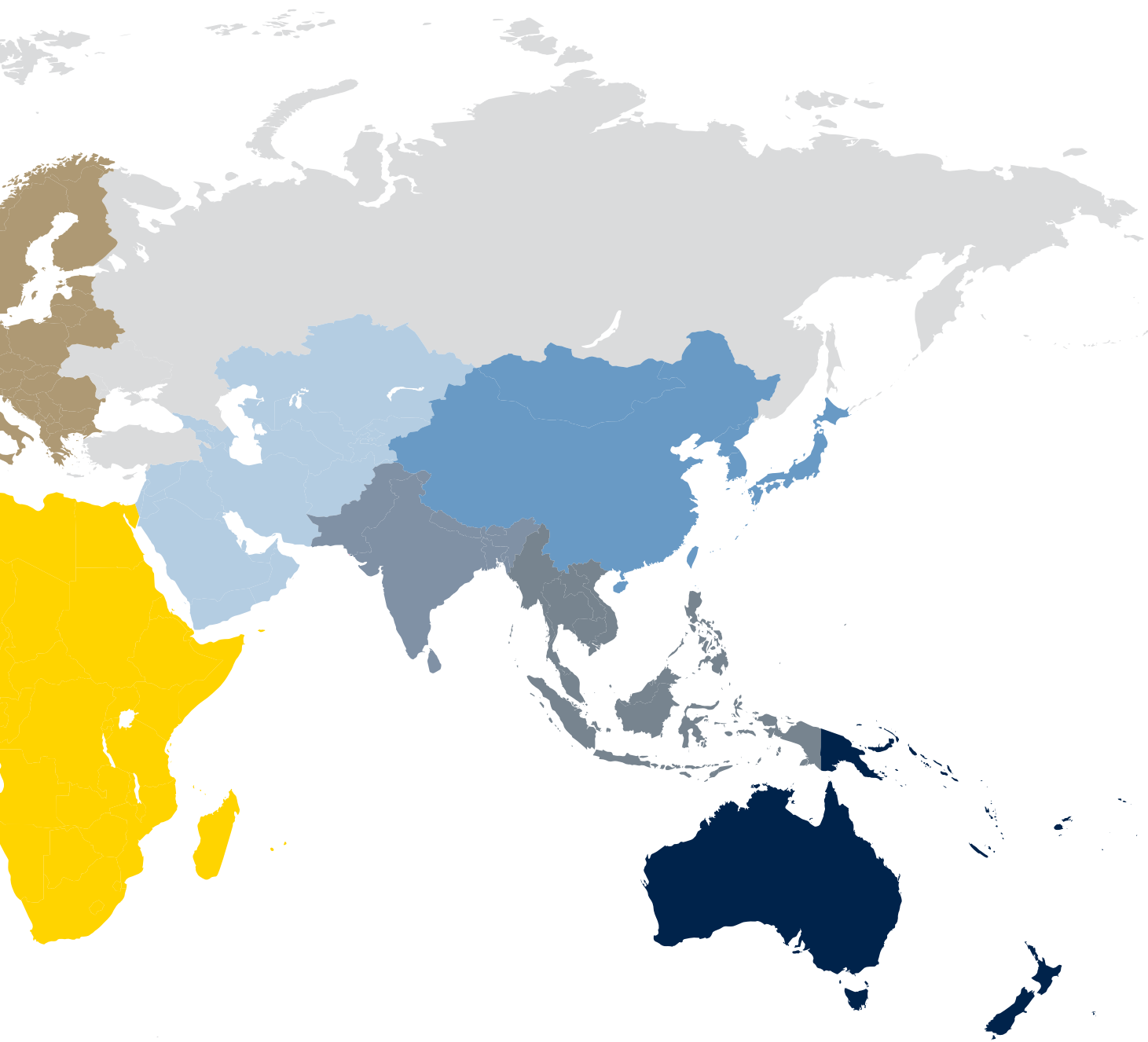
166,166 MEMBERS
IN MORE THAN
100 COUNTRIES

MEMBER DEMOGRAPHICS

| OCEANIA | 120,107 |
|-------------|----------|
| Australia | 116,953 |
| New Zealand | 2370 |
| Other | 784 |
| +481 | ▲ |

| AUSTRALIA | 116,953 |
|--------------------|----------|
| New South Wales | 42,506 |
| Victoria | 37,268 |
| Queensland | 16,246 |
| Western Australia | 10,146 |
| South Australia | 5384 |
| ACT | 3305 |
| Tasmania | 1499 |
| Northern Territory | 599 |
| +259 | ▲ |

| SOUTH-EAST ASIA | 20,832 |
|-----------------|----------|
| Malaysia | 10,374 |
| Singapore | 8532 |
| Vietnam | 1126 |
| Indonesia | 440 |
| Other | 360 |
| +287 | ▲ |



| EASTERN ASIA | | 20,260 |
|---------------------|--------|---------------|
| Hong Kong SAR | 12,933 | |
| Mainland China | 6157 | |
| Other | 1170 | |
| +712 | | ▲ |

| SOUTHERN ASIA | | 1364 |
|----------------------|-----|-------------|
| India | 816 | |
| Sri Lanka | 382 | |
| Other | 166 | |
| -5 | | ▼ |

| WESTERN ASIA | | 539 |
|---------------------|-----|------------|
| UAE | 330 | |
| Other | 209 | |
| -9 | | ▼ |

| EUROPE | | 1679 |
|---------------|------|-------------|
| UK | 1257 | |
| Other | 422 | |
| -7 | | ▼ |

| AMERICAS | | 1231 |
|-----------------|-----|-------------|
| USA | 726 | |
| Canada | 449 | |
| Other | 56 | |
| +42 | | ▲ |

| AFRICA | | 154 |
|---------------|--|------------|
| +8 | | ▲ |

MEMBER DEMOGRAPHICS

FIGURE 13: MEMBER DESIGNATION

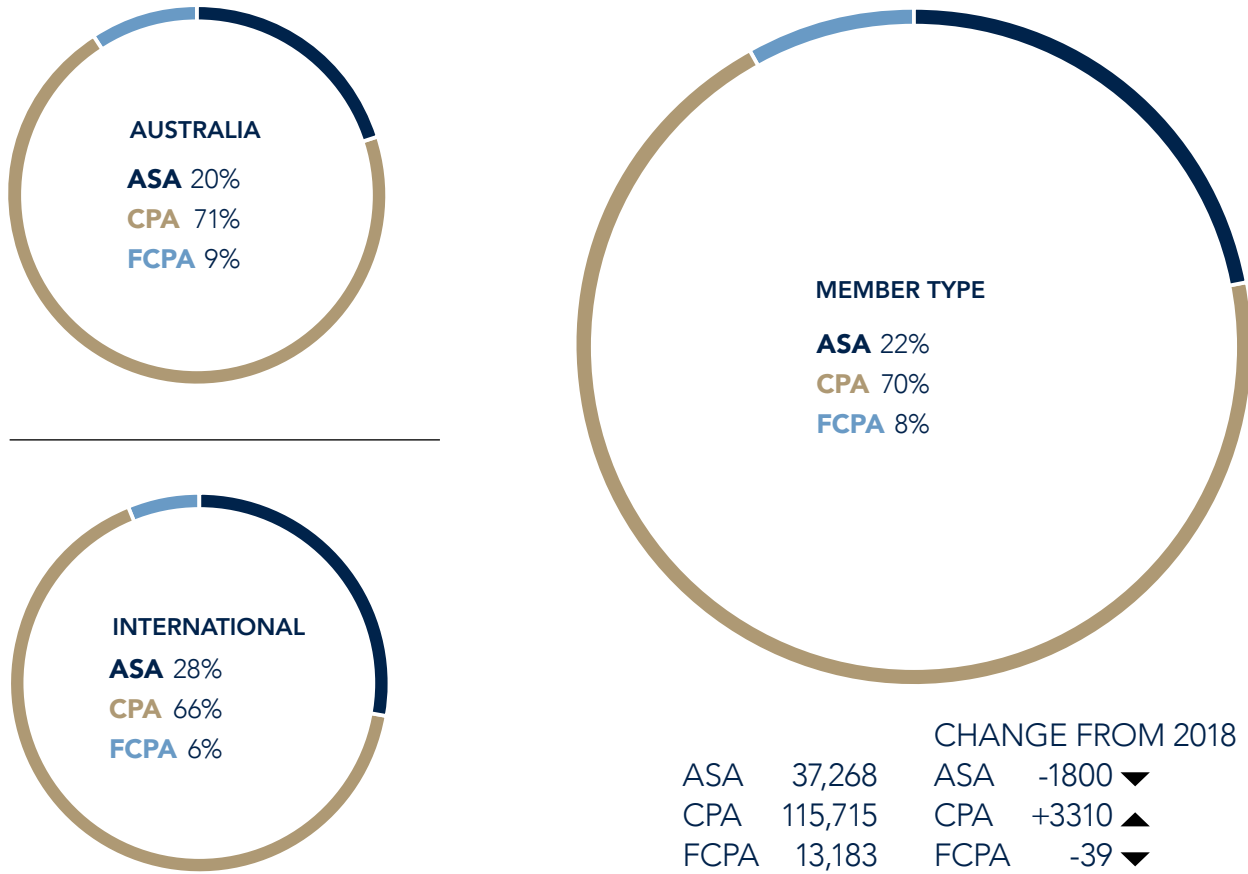


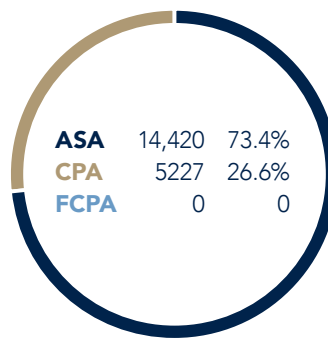
FIGURE 15: MEMBERSHIP BY AGE GROUP*

FEMALE 49%
MALE 51%

AGE*

| | |
|-------|-----|
| 20-29 | 12% |
| 30-39 | 33% |
| 40-49 | 27% |
| 50-59 | 16% |
| 60-69 | 8% |
| +70 | 5% |

AGE 20-29

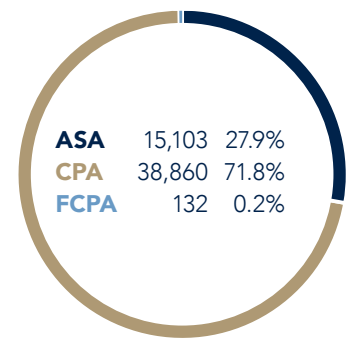


FEMALE 11,975 61.0%

MALE 7672 39.0%

TOTAL 19,647

AGE 30-39



FEMALE 31,714 58.6%

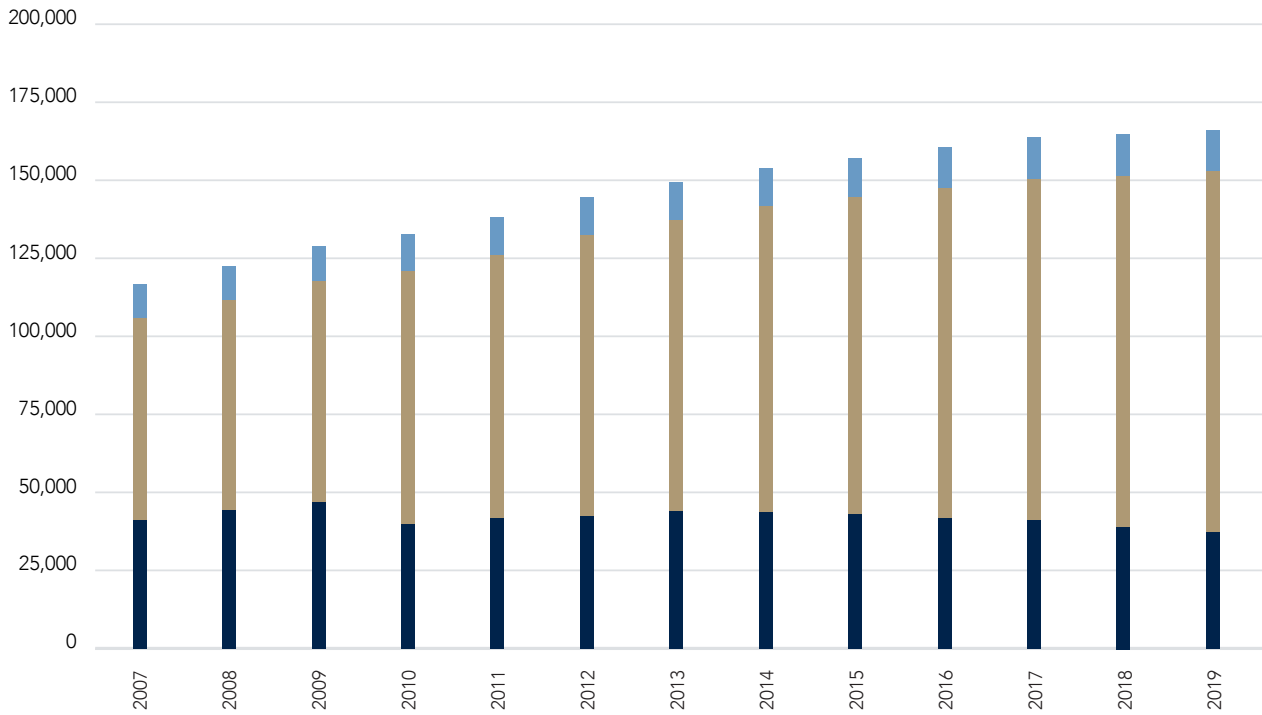
MALE 22,381 41.4%

TOTAL 54,095

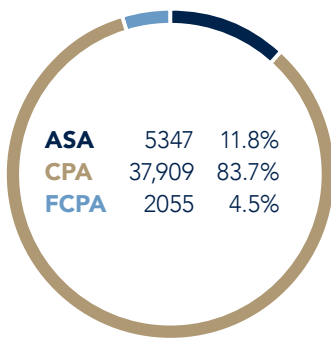
Note: Total membership includes 54 records that do not have an accurate birth date.
* Figures are rounded and may not equal 100 per cent.

ASA CPA FCPA

FIGURE 14: MEMBERSHIP GROWTH



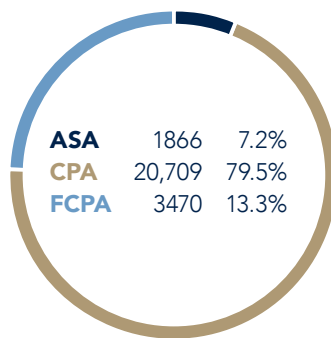
AGE 40-49



FEMALE 24,370 53.8%
MALE 20,941 46.2%

TOTAL 45,311

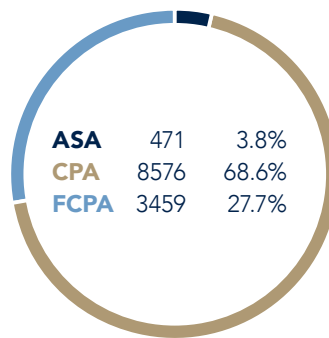
AGE 50-59



FEMALE 10,617 40.8%
MALE 15,428 59.2%

TOTAL 26,045

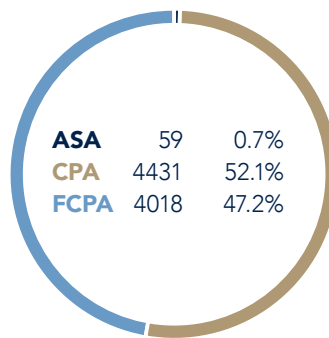
AGE 60-69



FEMALE 2705 21.6%
MALE 9801 78.4%

TOTAL 12,506

AGE 70+



FEMALE 634 7.5%
MALE 7874 92.5%

TOTAL 8508

MEMBER TRUST AND ENGAGEMENT

MEMBER SATISFACTION ▲ 6.63/10
(2018: 6.23/10; 2017: 5.52/10)

MEMBER RETENTION ▲ 98.1%
(2018: 97.5%; 2017: 98.1%)

Providing members with personalised and engaging experiences is one of the six goals set out in CPA Australia's strategy. We work to create meaningful interactions with members by offering professional service, timely access to information and resources via the website and relevant and engaging events that add value to members. As part of our commitment to deliver value to members, membership fees for 2020 have been held at the same level for the fourth consecutive year and the cost of the public practice certificate also did not change. Member retention remained high in 2019, members' overall satisfaction with CPA Australia continues to improve and members continue to value the service delivered by our employees.

PROVIDING ADVICE AND SUPPORT TO MEMBERS

STAFF WERE HELPFUL ▲ 7.59/10
(2018: 7.22/10; 2017: 6.93/10)

CPA Australia strives to deliver a premium level of service and build a strong rapport with members through our inbound and outbound channels. Timeliness and responsiveness are the cornerstone of our service ethos. In 2019, we handled more than 138,000 calls and 58,000 emails through the contact centre. In doing so, we achieved results of answering 89.5 per cent of calls within 20 seconds (KPI 80 per cent) and a turnaround of 2.16 days when replying to emails (KPI 3 days).

Our approach centres on offering helpful, friendly service. At the conclusion of each phone contact, callers are invited to complete a voluntary member service survey consisting of two questions. The response rate to this survey was 56.3 per cent, with 98.5 per cent of respondents rating the team member who assisted them as 'friendly' and 95.5 per cent responding affirmatively that their question was answered.

Providing members with opportunities to grow professionally and continue to develop their knowledge is a priority for CPA Australia. In 2019, we ran a pilot mentoring program with two streams – one for members in the early stage of their career and one for members in mid career. The pilot involved 60 pairs of people in New South Wales and Victoria. In each case members were paired with members of greater experience, with 89 per cent of participants reporting that they would recommend the program to a peer or colleague.

To support our members in India, four discussion groups in Delhi, Mumbai, Bangalore and Chennai have been started that focus on sharing topics ranging from management reporting, forensic accounting, India insolvency law and data security and opportunities for accountants.

DIVISIONAL ACTIVITY

Alongside the establishment of three new divisions (page 26), CPA Australia established two new regional branches in the UAE and the South Eastern Metropolitan area of Melbourne. The UAE branch, which is located in the Dubai Multi Commodities Centre, builds on CPA Australia's presence in the UAE and creates opportunities for members to connect and build relationships. The South Eastern Metropolitan Branch will service members who live or work in the region.

The Greater China Division established a new committee with the objective of enhancing awareness of female representation in the accounting profession and developing female business leaders. The Australian Consul-General to Hong Kong and Macau, Michaela Browning, has taken on the role as an Honorary Adviser for the Greater China Women in Leadership Committee.

Divisional Councils play an important role by engaging with CPA Australia members at a local level and provide a channel of communication with the Board. CPA Australia worked with the Divisions to implement protocols supporting direct email communication between Divisional Presidents and members. We are also looking to develop a new online digital platform that will complement existing social media channels and enable members to communicate and connect with each other. To support a consistent level of member engagement that is relevant for members in their respective divisions, each Divisional Council has developed member engagement plans that have been approved by the Member Engagement Committee and the Board.

TRANSFORMING THE MEMBER EXPERIENCE

Member Journey Mapping is a comprehensive research project designed to improve CPA Australia's understanding of members' needs at each stage of their membership journey. The work done so far has informed the member engagement initiatives the organisation is undertaking. Research has currently been conducted in Australia, China and Malaysia. Overall, the research highlighted that future career development and protecting the reputation of the CPA designation are the two issues that matter most to members. Further, it showed that CPA Australia needed to provide greater support and resources for members working in public practice, to be more active in policy, advocacy and thought leadership and to provide resources to assist members in their career development.

In response to these results, CPA Australia developed the Member Experience Transformation program – a major program of work that comprises a series of targeted projects specifically designed to drive improvements in these areas and enhance the member experience. These projects are:

- Regulatory Burden Report and project (page 33)
- Quality Control Manual tool (page 34)
- Risk Management Framework tool (page 34)
- My Firm. My Future (page 35)
- Quality review program (page 35)
- My Career Navigator (page 59)
- Member interest and policy (page 68)

MEMBER ENGAGEMENT EVENTS

One of the things our members value about belonging to a professional body is the opportunity to come together with peers to learn from each other and discuss the major issues impacting the profession. Divisional Councils are instrumental in convening activities to encourage engagement and dialogue at a local level. There are more than 180 discussion groups operating globally as well as special interest groups and regional networks, providing a touchpoint to the organisation for thousands of members.

In 2019, CPA Australia convened more than 2500 member events around the world, including forums and roundtables, discussion groups and information sessions, Divisional Council engagement evenings, networking events, industry tours, workshops, certificate presentations and member milestone awards.

Much anticipated events held in each Division are CPA Australia certificate presentation ceremonies. These events acknowledge and celebrate the achievements of members advancing from ASA to CPA status, CPA to FCPA status, and those achieving a significant membership milestone.

Some of the most popular events held in 2019 included:

- International Women's Day events in Australia focusing on the achievements of women in the accounting profession
- Launch of Sustainability and Employability Discussion Groups in Queensland
- The inaugural Indigenous Accounting Forum held in Brisbane
- Fintech and the Future of Finance in Singapore – a forum focused on how fintech is transforming the industry and broader economy
- CPA Week, held in Perth with more than 300 members from across government and commerce
- Digital Economy: Opportunities and Challenges for Management held in Shanghai that looked at the rise of the digital economy and the impact on government policies, taxation, risk management and the social structure
- A charity run in Hong Kong that brought close to 600 members and accounting professionals together to raise funds for the Hong Kong Cancer Fund
- Career panels that included corporate CFOs held in Auckland, Christchurch and Wellington
- Insights by the Malaysian Ministry of Finance on the thought process framing the 2020 Budget
- A member exclusive event in the Northern Territory featuring Chief Minister, the Hon. Michael Gunner
- A not-for-profit lunch and discussion group in Tasmania.



CLARE LEZAJA FCPA

**2018–19 President Victorian Divisional Council
2019 Chair Council of Presidents**

Clare Lezaja FCPA is well placed to appreciate the value of CPA Australia's Member Journey Mapping research. A member for 21 years, Clare has enjoyed a distinguished career in various executive finance roles and has served on the Victorian Divisional Council, including as President in 2018–19. During this time, she has built strong connections with members across a range of industry sectors.

By embarking on this research, Clare sees that CPA Australia is "acknowledging that members have different needs throughout their membership. Member Journey Mapping is a good strategic tool to guide the organisation into understanding more about the areas where they need to invest," she says.

"Industry and the profession is changing rapidly. To stay relevant, CPA Australia's offering needs to evolve and be tailored to people at different stages of their career."

This is reinforced by the results. "The research shows the areas where CPA Australia is servicing members well, but also identifies gaps. For example, we have a good offering for members in the early stages of their career, but we also need to provide support for FCPAs and members further advanced in their careers."

For Clare, one of the key learnings the organisation can take from the research is to "recognise the critical moments and experiences where members most need support and to help them think about having a strategy to assist them at these junctures."

"There are already tangible outcomes, like the My Career Navigator tool and the introduction of new channels for ongoing education and professional development. Members want to receive value from their membership," says Clare, highlighting why it is important for CPA Australia to invest in understanding more about their needs.

ENHANCING OUR TECHNOLOGY TO SERVICE MEMBERS

Members increasingly look to engage with CPA Australia through digital channels and we aim to facilitate this by continuously enhancing the technology platforms that facilitate our service to members. This year we have begun work on a new website strategy that will deliver an enhanced experience for our members. We also introduced a new event management system to provide a more streamlined process for members to book and attend events. The self-serve system includes an integrated event app and has greater flexibility, enabling members to register for events, provide payment, select or change sessions, or cancel and process a refund without having to contact CPA Australia's service centre. During the implementation, it was necessary to stagger the move of events from legacy systems into the new system and this created an inconsistent service experience for some members across different events.

CREATING CONTEMPORARY MEMBER SPACES

In 2019, we opened a new London office in a central location close to the Victoria Underground Station, the London Overground and bus hubs. Members were welcomed to the new venue at a reception held in September. The move to premises within a new vibrant and efficiently designed co-working hub provides spaces and opportunities to engage and accommodate members locally, as well as those visiting London from other locations.

Work is currently underway to refresh or relocate four other CPA Australia offices in 2020.

MOVING FORWARD

- To support an increasingly digital future we need to ensure our key systems can enable a seamless member experience. In 2020 and beyond, we will be making major investments in updating our customer relationship management and finance systems. While members may not initially see much change from this, they are key updates that will enable us to implement technologies that will improve our service to members
- In 2020, we will relocate our offices in Auckland and Darwin. We will also undertake a refresh of the Malaysia office and a major refurbishment of the Melbourne office. These relocations and updates will allow us to offer better facilities for members and also enable a more collaborative workspace for our employees
- Following on from the development of our website strategy, we will improve the content, layout, user experience and accessibility of the website. We are looking to develop a platform that enhances opportunities for digital learning and is relevant to all members
- Members in remote and regional areas have unique challenges in accessing CPA Australia services. In 2020, we will continue to enhance our engagement and communication plans for these members, and we are exploring options to livestream or record events and presentations to make them more accessible to members
- With the success of the mentoring pilot, we will expand the program to 500 pairs across Australia and New Zealand and start to introduce the program into other international locations. The international program will be run as a pilot to better understand the needs of members before further roll-out

OUR PEOPLE

REGRETTED TURNOVER OF LEADERS ▲ 11%
(2018: 14%; 2017: 14%)

EMPLOYEES OUTSIDE AUSTRALASIA ▲ 20%
(2018: 21%; 2017: 19%)

ROLES FILLED INTERNALLY
30% ▲ (2018: 28%; 2017: 25%)

CPA Australia aims to foster an engaged and motivated workforce that is empowered to deliver on our strategy and organisational objectives. To achieve this, we have contemporary policies and workplace practices that are centred around attracting, developing and retaining talent. Considerable organisational change continued during 2019 and we carry on supporting our people through change, while focusing on our strategy to deliver value to members.

REMUNERATION FRAMEWORK



The remuneration framework outlines the principles and approach to remuneration components (fixed and variable) and a process for applying these remuneration components for all employees.

The framework links remuneration with key performance indicators enabling CPA Australia to focus employees on key member experience and service outcomes and to reward employee commitment to the achievement of the organisational strategy through an at-

risk incentive component. To ensure a continued member focus in 2019, a new member satisfaction KPI was introduced for all employees to drive accountability for contributing to member satisfaction across every role in the organisation.

Further information on remuneration of the Board and other Key Management Personnel can be found in Note 20 to the Financial Statements on pages 120 to 124 of this report and in the Schedule of Directors' Remuneration on pages 143 to 146. Table 13 on page 55 shows the remuneration for the 20 highest paid individuals in the organisation.

In 2019, we made further progress towards our commitment to close the gender pay gap of like-for-like roles.

The annual remuneration process and targeted interventions identified roles where pay equity adjustments were required. The current pay equity position is 0.96 to 1.04, an improvement on 2018. The competition for talent and a gender balanced candidate pool in a number of technical specialist roles, primarily in our technology and digital solutions business unit, does impact this ratio. We have set a 2020 target for a ratio of between 0.9 to 1.0 across all remuneration grade levels.

Further information on our gender balance can be found in the Workplace Gender Equality Agency report which is available on our website.

CULTURE AND ENGAGEMENT

In June 2019, we undertook a culture survey with all our people with a response rate of 90 per cent.

The Denison Culture Framework is based on a model of organisational performance and is benchmarked against global organisations. The diagnostic measures four core domains: adaptability, mission, involvement and consistency.

Insights from the survey indicate a need for clarity around roles and responsibilities, technology to better support role functions and collaboration, streamlined programs of work to remove silos and improvement to culture.

Results in mission and adaptability (including member focus) scored the highest, reflecting the increased emphasis on member engagement and experience aligned to our strategic direction.

Involvement and consistency domains received the lowest scores indicating an opportunity to redefine and reinforce core values, systems and processes that create speed and quality for the organisation and its members.

To address the issues identified with the involvement and consistency domains, a culture blueprint has been developed identifying the areas of focus as capability development, empowerment, shared core values, coordination and integration.

Table 12: CPA Australia employees (including casuals) by region*

| | 2017 | | | 2018 | | | 2019 | | |
|--------------|------------|------------|-------------|------------|------------|-------------|------------|------------|-------------|
| | Female | Male | Total | Female | Male | Total | Female | Male | Total |
| Australia | 63% | 37% | 80% | 65% | 35% | 79% | 64% | 36% | 79% |
| China | 87% | 13% | 9% | 89% | 11% | 9% | 86% | 14% | 9% |
| Malaysia | 89% | 11% | 4% | 86% | 14% | 4% | 88% | 13% | 4% |
| Singapore | 54% | 47% | 4% | 47% | 53% | 4% | 60% | 40% | 4% |
| Other | 64% | 36% | 5% | 76% | 24% | 5% | 79% | 21% | 4% |
| Total | 66% | 34% | 100% | 68% | 32% | 100% | 67% | 33% | 100% |

*Figures are rounded and may not equal 100 per cent.

INCLUSION AND DIVERSITY

GENDER COMPOSITION OF WORKFORCE

67% FEMALE/33% MALE
(2018: 68% FEMALE/32% MALE;
2017: 66% FEMALE/34% MALE)



CPA Australia values and promotes an inclusive and diverse culture by fostering an environment that focuses on:

- Gender equality
- Celebrating diversity and promoting a culture of inclusion
- Creating a flexible workplace.

CPA Australia employs 554 people (full time – 89 per cent, part time – nine per cent, casual – three per cent and maternity/paternity leave – three per cent) and we are committed to attracting and retaining employees whose composition reflects a diversity of backgrounds, knowledge, experience and abilities. The executive management team currently has a 50/50 gender balance. The gender balance across our locations is shown in Table 12.

Table 13: Total remuneration of highest 20 paid employees 2019

| 2019 SALARY AND FEES BAND | 2018 | 2019 |
|---------------------------|-----------|-----------|
| \$200,000–\$300,000 | 12 | 11 |
| \$300,001–\$400,000 | 5 | 3 |
| \$400,001–\$500,000 | 2 | 5 |
| \$500,001–\$600,000 | - | - |
| \$600,001–\$700,000 | - | - |
| \$701,001–\$800,000 | 1 | - |
| \$800,001–\$900,000 | - | - |
| \$900,001–\$1,000,000 | - | 1 |
| \$1,700,001–\$1,800,000 | - | - |
| Total number | 20 | 20 |

The above bands are based on fixed salary including employer superannuation contribution and variable component. Fringe benefits and fringe benefits tax have been included where applicable. Leave accrued (not taken) as at 31st December, as reported in Note 20 (c) pages 123 to 124 is not included in the above table.

Table 14: Ratio of female to male remuneration (Australia only)*

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|----------------------------|------|------|------|------|------|------|
| Administration and support | 1.05 | 1.02 | 0.96 | 0.96 | 0.98 | 1.04 |
| Supervisor/technician | 0.95 | 0.95 | 0.94 | 0.95 | 0.96 | 0.94 |
| Professional specialist | 0.89 | 0.95 | 0.94 | 0.95 | 0.94 | 0.96 |
| Senior management (L6) | 0.88 | 0.88 | 0.92 | 0.88 | 0.90 | 0.98 |
| Senior management (L7) | 1 | - | - | - | 0.91 | 0.97 |

*Only Australia data is supplied as many overseas offices have a majority of female staff which results in ratios that lack relevance.

MOVING FORWARD

- A culture transformation program of work has commenced to address the feedback raised by employees through the culture survey. Key initiatives will include:
 - Employee values developed and launched to provide us with a shared language and common view of our culture in a simple, memorable way
 - Enterprise learning solutions to ensure the ongoing development of employees' skills in order to meet ongoing business needs
 - Improved business and collaboration tools and technology infrastructure to enable employees to effectively work together and deliver in their roles
 - Organisational redesign of some business areas
 - Delivery of high-quality organisational design, capability, culture and change functions and services that are required for our business to succeed

4

PROVIDE RELEVANT LEARNING AND DEVELOPMENT CONTENT RESOURCES AND TOOLS

OBJECTIVES

- Improve value for money, relevance and flexibility of CPD
- Develop and deliver high quality products and services to build careers of specific member groups

PERFORMANCE

Value for money CPD – 5.34/10

Satisfaction with INTHEBLACK
– 7.00/10

CPA Congress attendees – >7700





“LEARNING IS A CHOICE I MAKE EVERY DAY. IT’S ABOUT PERSONAL GROWTH AND GETTING MYSELF OUT OF MY COMFORT ZONE. I’M CONSTANTLY SEEKING OUT NEW INFORMATION AND EXPERIENCES.”

Melville Yates FCPA,
Director of Reporting, Red Tape Reduction
& ACNC Corporate Services, Australian
Charities and Not-for-profits Commission

PROFESSIONAL DEVELOPMENT AND KNOWLEDGE



The value of the CPA designation stems not only from the technical expertise and understanding of business strategy gained through completing the CPA Program, but also through the ongoing learning that our members undertake to ensure their knowledge remains relevant.

EVOLVING OUR CPD OFFER

VALUE FOR MONEY CPD* 5.34/10

(2018: N/A, 2017: N/A/10)

PARTICIPATION OF ELIGIBLE MEMBERS IN CPA AUSTRALIA CPD ▲ 27.3%

(2018: 20.7%; 2017: 17.1%)

While performance in terms of how members rate our CPD improved in 2019, this remains one of the poorest performing areas in the views of members. Given the importance of CPD to members, we will continue to evolve our offer to better meet member needs.

As part of our commitment to providing value for members, we've made changes to the pricing of our CPD products for 2019 and beyond. The CPD activities affected by these changes include conferences, workshops, webinars and self-paced learning courses (online, recorded webinars and learning manuals).

Members are also able to access a range of complimentary CPD through the website, including courses, professional resources, podcasts, live chats and webinars. The amount of free CPD available exceeds what is required for a member to meet their CPD requirements and includes:

- CPA Q&A which covers a wide range of finance, accounting, business and leadership topics where members can earn 16.5 CPD hours per annum after completing all monthly multiple-choice assessments (accessed by more than 11,750 members)
- Global Leaders' Insights which provides access to a monthly selection of bite-sized videos featuring some of the world's greatest leaders. Videos now include downloadable transcripts and translation in simplified Chinese, traditional Chinese and Vietnamese (accessed by more than 10,900 members).

We also introduced Harvard Manage Mentor and Harvard Executive Education. The online leadership course enables members from all over the world to share their professional views and insights online with professors and other experts from Harvard. In its first offering in 2019, the 50-participant program was fully sold within two weeks.

*2017 and 2018 is N/A due to change in measurement method (refer page 1).

CONGRESS AND CONFERENCES

CPA CONGRESS ATTENDEES ▲ >7700

(2018: >6500; 2017: >8700)

CPA Congress 2019 had the theme of 'Business as Unusual' reflecting changes impacting the business community. Two key topics showcased this approach: 'Accounting for the Robots' and 'The Future of Digital Money'. Speakers from the USA, UK, New Zealand, Germany, Hong Kong SAR and South Africa accompanied local speakers in delivering talks that encouraged positive impact for individuals, their organisations and the community.

More than 7700 delegates attended CPA Congress in 13 cities across the globe to connect with peers and explore emerging industry trends. The virtual reality experience developed by CPA Australia was a highlight that allowed attendees to travel through the past, present and future of the profession. In addition to CPA Congress, 12 conferences complemented the annual schedule of events. These included the Public Practice Conference, CPA Week, Management Accounting Conference, Not-for-profit Conference and regional conventions.

CPA Congress attendance is down, partly due to a shift in marketing messaging, which highlighted the benefits of one and two-day Congress packages which provide a more holistic experience for delegates.

*CPA Congress was not run in NSW in 2018 due to the World Congress of Accountants. Due to a change in the system used to record CPA Congress delegates, we have restated the 2017 number from more than >9000 as reported in our 2018 report.

INTHEBLACK

SATISFACTION WITH INTHEBLACK ▲ 7.00/10

(2018: 6.73/10; 2017: 6.31/10)

VISIT TO INTHEBLACK.COM ▼ > 1.3 million

(2018: 2.1M; 2017: 1.2M)

INTHEBLACK is one of the most frequently accessed touchpoints we have with our members whether this be through the print publication, intheblack.com, social media, e-newsletters or podcasts.

The strategy and focus of INTHEBLACK changed in 2019, and as a result the number of visits to intheblack.com dropped. This was due to InPractice content moving to our main website, reduction in the advertising budget driving a broader business audience to the site and a back-end systems upgrade that impacted search rankings.

In July, following input from members, INTHEBLACK was redesigned. The content is now more focused on policy and technical knowledge, emerging trends impacting the accounting profession and career advice to help members progress in their chosen specialisations.

We featured 227 members, including 56 member profiles. In addition to member profiles, INTHEBLACK quoted 124 CPA Australia members as subject matter experts across taxation, accounting, technology, audit, public practice and more.

In response to member input we also developed a monthly program of audiocasts and articles delivered in audio format, which was launched in June with Mandarin language audiocasts launching in October. To date, more than 5300 have been downloaded.

MY CAREER NAVIGATOR

During the Member Journey Mapping project, it was made clear that members are looking to CPA Australia to provide more guidance and support on how to best manage and develop their career, supporting them in transitioning between roles or staying relevant and at the forefront of industry trends in their existing position. In response to this, we have developed My Career Navigator, which is the first phase of an overarching career development strategy for members to be developed and delivered over the coming years.

Utilising a data set from Burning Glass Technologies, a leader in real-time labour market analytics, we have developed an application that will allow members within Australia to see the top skills employers have advertised for when they recruit staff, with the ability to focus on specific roles, locations or industries. Alternatively, the member may select their top skills and the application will show them the roles that tend to require those skills to help them better understand the potential career pathways available.

The application launched at the end of November and the information collected will be consolidated and used to support future enhancements for the tool as well as supporting the ongoing review and update of our CPD offer.

MOVING FORWARD

- CPD products will continue to be reviewed to ensure they are fit for purpose
- Successful partnerships, such as the Harvard Business School courses, will continue to be explored
- A capability framework for the profession will continue to be developed
- A micro-credential framework is being considered that will enable members to gain valuable, industry-accepted awards for professional development courses that can be stacked to form certification
- CPD will be developed to support new skill requirements emerging from artificial intelligence, Big Data, analytics, and cloud computing

5

ATTRACT AND DEVELOP THE NEXT GENERATION OF CPAs

OBJECTIVES

- Maintain the high standards and relevance of the CPA Program for the global digital future
- Improve the support model for CPA Program students to attain full membership
- Attract high-calibre Associate members (ASAs) globally through a compelling content offer and experience for prospective members

PERFORMANCE

ASA satisfaction – 6.96/10
>44,000 CPA Program exams delivered
9891 new members





"I CHOSE CPA AUSTRALIA BECAUSE THEY FOCUS ON THE BIG PICTURE AND HAVE A STRATEGIC APPROACH TO ACCOUNTING. CPA AUSTRALIA HAS ALSO INSPIRED AND NURTURED ME TO BECOME A BETTER LEADER."

Sanchi Kariyawasam CPA,
Owner, A360 Accounting. Consultant,
Finance and Standards, AUSTSWIM

ATTRACT AND DEVELOP THE NEXT GENERATION OF CPAs

ATTRACTING NEW MEMBERS

NEW MEMBERS ▼ 9891
(2018: >10,350; 2017: >11,000)

Attracting new members is key to the sustainability of the organisation as older members retire and leave the profession. Our expectations are that new member growth will remain lower than previous years as competition from local and global bodies increases and the changing higher education landscape leads to lower numbers of accounting graduates.

During 2019, CPA Australia evolved our enrolment campaign activity and expanded a partnership with the BBC that highlighted the role members play in business and the community. Key themes of innovation in industry, continuous learning, collaboration and technology highlighted the diverse career directions that the CPA designation can support. The activity generated more than 25,000 page views and more than 5000 clicks to the CPA Australia website where prospective members could find out more information about becoming a CPA.

We also extended our media exposure in 2019 by introducing a partnership with CNN which expanded our audience reach across TV in the Asia-Pacific region and was complemented by a digital content series titled "The Competitive Advantage". The series aimed to inspire the next generation of CPAs by showcasing the stories of members and the benefits they've derived from being a CPA. Our presence across the CNN digital network has delivered more than 26,000 page views and more than 35,000 clicks to our website.

CPA Australia's social media following increased in 2019, with LinkedIn followers increasing to more than 89,000, (a 35 per cent increase) from 65,800 in 2018. Facebook followers increased to more than 184,000, an 18 per cent increase from 155,860 in 2018. By using greater data insights, we have been able to deliver tailored information that is specific to a geographical location and aligned to prospective member interests.

In Hong Kong, we collaborated with PwC and Ernst & Young to offer internship and graduate programs for high-calibre students. This collaboration will be extended to Deloitte, the Hong Kong Hospital Authority and RSM in 2020.



PATRICK ZHU FCPA

Country Head of Global Liquidity and Cash Management, HSBC China

For Patrick, a 20-year career in commercial banking has been largely supported by the community he was introduced to as part of his CPA Australia membership: "When I joined CPA Australia, I realised it's a broad connection and network where I get to learn about my clients and people from a variety of industries from the CPA Australia network."

He has, in return, taken on an active role in supporting CPA Australia events by sharing his industry insights as well as career experience, especially with younger members who seek consultation and tips: "I always say to those early in their career to try different things. If you don't try, you never know, be open minded and bring a new perspective to your career."

Patrick notes that being forward thinking and able to learn quickly is increasingly important to a career in the finance industry as technology is changing at a rapid pace. "Established models are being disrupted all the time, you need to foresee what's coming to make your business successful."

As a member of CPA Australia, Patrick is proud to witness the continued growth of the membership on the international front. "Being able to connect with other members and learn from their personal experiences is critical to advancing our understanding of global trends, and overcoming common challenges."

MEMBER-FOCUSED PARTNERSHIPS

In 2019, our partnership with Qantas was enhanced to move beyond a print magazine arrangement. A 12-month program was launched that was designed to encourage prospective members to find out about becoming a CPA and for business people to consider a public practitioner. The program included interviews with members that featured across Qantas lounges and terminals, the Qantas in-flight portal, business publications such as *Business Insider* and CPA Australia's website.

Research conducted within the airport environment showed that 56 per cent of business travellers recalled seeing the campaign and that our brand awareness increased significantly throughout the campaign period. Key measures of brand sentiment also increased, including a 32 per cent increase in the number of respondents agreeing that "CPA Australia members are forward-thinking leaders."

RECOGNISED EMPLOYER PROGRAM

Being a Recognised Employer Partner means organisations have shown they meet high standards for the professional development of their finance and accounting staff.

In 2019, new Recognised Employer Partners included the Australian Federal Police, Moore Stephens, United Overseas Bank China Limited and KPMG Indonesia.

Members working for a Recognised Employer Partner benefit from:

- Recognition of the experience requirement of the CPA Program
- A supportive relationship with an assigned mentor
- Working for an organisation committed to career development
- Simplified maintenance and recording of continuing professional development.

A full list of our Recognised Employer Partners is available on our [website](#).

MOVING FORWARD

- Focusing on a customer centric, account based approach by acquiring and retaining valued employers and universities that employ our members and educate our prospective members
- Creating more personalised experiences for those key organisations by creating tailored content and events dedicated to that organisation, rather than the industry as a whole

CPA PROGRAM AND CERTIFICATION

CPA PROGRAM

44,000 EXAMS DELIVERED ▼
(2018: 46,000 EXAMS,
2017: >51,000 EXAMS)

97.7% CANDIDATES SAT A
COMPUTER BASED EXAM ▲
(2018: 97.2%; 2017: 96%)

5653 ASAs PROGRESSED
TO CPA STATUS ▼
(2018: 5901; 2017: 5693)



The CPA Program is a comprehensive postgraduate education program designed

to provide candidates with a thorough grounding in accountancy, finance and business knowledge. In addition to technical accounting skills, it focuses on strategy, leadership, ethics and governance with a view to developing agile and adaptable accounting professionals who are ready to meet the challenges of a changing business world.

There has been a trend away from accounting degrees to more general business and commerce offerings. In addition, the number of overseas students coming onshore to study for an accounting degree has declined. As a result, there is a smaller pool of graduates looking to undertake the CPA Program, and of those that do, there is an increased lag in them undertaking their first certification course while they seek employment.

CPA Australia is looking to address these changes through continuing evolution of the CPA Program to ensure it meets the future needs of members and their employers. In addition, we have invested heavily in increased learning support to ensure that students that do become ASAs have the best opportunity to progress through the program.

SUPPORT THROUGH THE CPA PROGRAM

ASA SATISFACTION 6.96/10 ▲
(2018: 6.71/10; 2017: 5.97/10)

Feedback from ASAs highlighted the need to provide greater value in the learning support provided through the CPA Program.

Members specifically mentioned:

- The need to balance work, life and study
- Needing help to keep on track through the semester
- If they failed, needing more guidance to know where they went wrong.

In response to this feedback, we introduced two new teaching and learning products in 2019, Guided Learning and Quitch.

Guided Learning was launched in semester two and provides members with an approach that maps out a learning journey to follow through the semester. The offering guides members through the subject content by using weekly recorded tuition webinars, short videos, quizzes, practice exams and exam preparation and study technique videos. Members using Guided Learning received better results on their exams with a 16 per cent average increase in scores compared to those who didn't utilise the offer.

Quitch is a mobile learning app that uses gaming and design elements, such as timed questions and scoring for successful answers, to help keep learning on track and front of mind. Members can choose to use the app anonymously or be part of a competitive leader board to see how their knowledge compares to their peers. Quitch was piloted with Ethics and Governance and Practice Management in semester one, and extended to all compulsory subjects in semester two.

As a result of these measures we have seen an increase in pass rates for eight subjects: Advanced Audit and Assurance, Contemporary Business Issues, Ethics and Governance, Financial Risk Management, Practice Management, Investment Strategies, Australia Taxation and Australia Taxation – Advanced.

IMPROVING OUR PROCESSES

During semester one, study materials for two subjects within the CPA Program, Strategic Management Accounting and Australia Taxation, had a number of errors identified which included incorrect calculations and typographical errors. The impact on candidates was managed by issuing notes identifying the errors and providing updates on the relevant areas. Full communications were published to inform candidates. During the semester two exam period, it became apparent that questions within four subjects had minor errors. These subjects were Financial Reporting, Global Strategy and Leadership, Strategic Management Accounting and Australia Taxation – Advanced. The errors included an incorrect percentage rate, and a mismatch of hours and minutes within a question.

We have subsequently reviewed and updated both our internal and external supplier review processes for study materials and reviewed and updated existing quality measures and introduced additional checks for exam questions. The impact on candidates was managed by full disclosure to those taking the subjects impacted. A full review of all exam scores showed that no candidate's exam result was adversely impacted by these errors.



EVERLYN LAU ASA

Executive Director, Flickpost

Everlyn began her career in corporate banking and has since taken the trajectory of an established entrepreneur, co-founding Flickpost: a dynamic cross-border e-commerce solutions provider based in Malaysia which assists e-commerce sellers and SMEs to save time and reduce shipping costs. "It's never been a more exciting time to start your own business," she said.

Everlyn cautions anyone looking to transition from the corporate world to entrepreneurship to be mentally and emotionally prepared for the challenges that come with starting your own business. "It can be a very lonely journey. You're starting out from nowhere, starting from scratch, you have to be prepared for two or three years without seeing success."

Joining CPA Congress as a speaker has been the highlight of Everlyn's experience with CPA Australia so far. "It was beyond my imagination. I got to meet people from all walks of life. You never know who you'll meet."

Everlyn speaks about the value that participating in CPA Australia events and networking has given her professionally, advising others to make the most of this. "I never realised there were so many events. Keep an open mind and be more active in participating in events. Get connecting with people to get the best experience," she explained.

FASEA RECOGNITION

The Financial Advisor Standards and Ethics Authority (FASEA) has confirmed that the CPA Program will be recognised as approved study as part of its new education standards for financial advisers. This comes after strong representation from CPA Australia and other professional accounting bodies.

It means that members who are existing financial advisers with a FASEA relevant degree and who have completed the CPA Program (from 1989) now only need complete a maximum of two bridging units, being FASEA's Bridging Course – Ethics for Professional Advisers and one other of their choice.

Furthermore, additional submissions have been made to FASEA for the accreditation of the CPA Program from 1985–1988 and the Financial Planning Specialisation exam and we are waiting on the outcome.

CPA Australia is currently exploring options to support those part way through their education requirements and also to support those wanting to become members and also financial planners in the future.

MOVING FORWARD

- Developing a 'Digital Learning Ecosystem', combining products, tools and offerings with analytics that personalise the learning environment
- Using real-time data about the job market to help identify learning content that will be most relevant
- Continuing rollout of digital ebooks across all CPA Program subjects
- Developing new CPA Program electives to focus on areas increasing in importance to the profession
- Reviewing our examination approach to enable students to take resit exams more efficiently
- Considering a micro-credential framework to enable members to gain valuable, industry accepted awards for professional development courses that can be stacked to form certification

6

IMPACT POLICY GLOBALLY AND BE ACTIVE IN COMMUNITY ADVOCACY

OBJECTIVES

- Enhance and extend the amount of policy work that CPA Australia undertakes for the benefit of members and the community they serve, to build recognition of the CPA Australia brand
- Advocate for member and public interests through local and international policy work

PERFORMANCE

Australian media favourability
– 56.7

68 submissions to governments,
standard setters and regulators





“BEING PART OF CPA AUSTRALIA CONNECTS ME WITH THE ISSUES AND CONVERSATIONS THAT MATTER, AS WELL AS MY PEERS IN THE INDUSTRY. IT’S A REAL NETWORK OF INFLUENCE.”

Judy Gao CPA,
Strategic Communications Support
Advisor, Major Road Projects Victoria

Patrick Viljoen CPA,
Strategy and Business Planning Analyst,
CPA Australia

POLICY AND ADVOCACY

BEING ACTIVE IN POLICY, ADVOCACY AND THOUGHT LEADERSHIP

FAVOURABILITY RATING IN AUSTRALIAN MEDIA ▲ 56.7 (2018: 52.9; 2017: 47.5)

One of CPA Australia's key strategic goals is to impact policy globally and be active in community advocacy. To work towards achieving this goal, CPA Australia adopts a multifaceted approach incorporating research and member and stakeholder engagement, that:

- Focuses on public policies that encourage good business, investment, raise living standards and are both in the public interest and of benefit to members
- Actively engages with governments, regulators, government agencies and standard setters
- Influences economic and social policy in areas and markets of interest to our members.

CPA Australia is active in influencing international and national standard setting and participates in a broad range of stakeholder, advisory and liaison groups in areas such as taxation, financial reporting, retirement savings, auditing and assurance, ethics and governance.

A key aspect of promoting the policies and views of the organisation and advocating on matters of relevance to members is maintaining a strong and positive media presence. In 2019, we received widespread coverage in national, metro and regional media, including more than 800 media mentions in Australia across digital, press, radio and television, with digital making up the highest proportion. Our favourability rating includes media analysis of over 400 Australian organisations and collates the average favourability of over one million media items to provide a benchmark for any organisation.

Topics that garnered the greatest media interest were:

- The Federal Budget
- Government proposals to limit cash transactions
- Policies of the major parties for the Australian federal election
- Tax tips
- Regulatory burden on public practitioners.

There was also strong media coverage across international markets with more than 2300 media mentions. Of particular interest was the release of CPA Australia's tenth annual Asia-Pacific Small Business Survey and the China and Hong Kong SAR Economic Sentiment Surveys.

ENGAGING WITH MEMBERS

Engaging with members is central to developing CPA Australia's policy positions. Our COEs draw on the expertise of members and industry specialists to help us develop policy positions and offer insights on issues affecting the profession. In 2019, we established two new COEs to cover Digital Transformation and Ethics and Professional Standards.

In 2019, CPA Australia held more than 40 presentations across Australia and New Zealand to meet with members and discuss current topics affecting the profession.

More than 1600 members registered to attend face-to-face presentations, a LiveStream or webinar. Topics included:

- Policies of the major parties for the Australian federal election
- The Federal Government's tax and superannuation policy agenda post-election
- Financial planning, superannuation, retirement savings and aged care reviews
- Parliamentary Committee Inquiry into the regulation of auditing in Australia
- Regulatory burden
- Financial reporting
- Climate change policy.

We produced 5 webinars and 12 podcasts, covering a diverse range of topics relevant to our members. Collectively, these webinars and podcasts were accessed more than 26,600 times. Member events focused on policy and advocacy were also held in Malaysia, Singapore, Hong Kong SAR, the UAE and UK.

SUPPORT FOR MEMBERS

In 2019, we produced a range of **guidance and other materials** relevant to members and the profession. These included:

- Two joint publications with CA ANZ on behalf of the Australian Auditing and Accounting Public Policy Committee
- Two guides to understanding auditing and assurance in Australia and New Zealand
- Australia tax tips 2019
- Australian tax whistleblower protections
- Malaysian Service Tax on digital services
- Charities – a guide to financial reporting and assurance requirements
- Policy statement – business and the environment
- Summary of the tax and superannuation election policies of the major Australian parties.

REPRESENTING THE PROFESSION

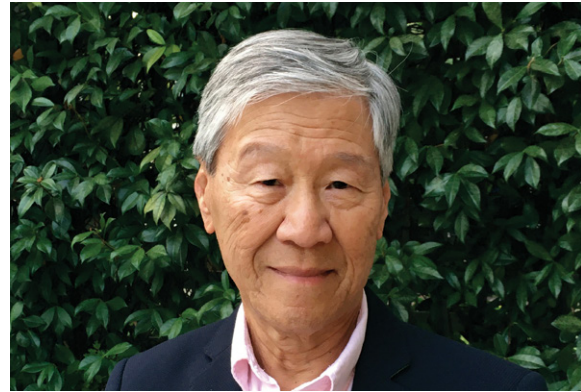
68 SUBMISSIONS TO GOVERNMENTS, STANDARD SETTERS AND REGULATORS ▲

(2018: 67; 2017: >80)

Representing the views of members to policymakers, standard setters and regulators is a key aspect of CPA Australia's activities. We prepare **submissions** in response to calls for comment which includes member input sought through multiple channels. Additionally, during 2019 we prepared an increasing number of submissions jointly with CA ANZ, with the aim of providing a single professional voice on key issues. We did not provide commentary and submissions on all areas in 2019 where members may have an interest, when draft legislation or regulatory changes were announced that diverted resources from other priority areas.

Major submissions in 2019 included:

- Pre-Budget submission to the Australian Government
- ASIC – Cost recovery and search fees
- Tax Practitioners Board Review
- FASEA – Relevant Providers Exam Draft Legislative Instrument
- Commonwealth Climate Change Authority Consultation Paper
- Parliamentary Joint Committee inquiry on regulation of auditing in Australia
- Brydon Review: Submission on Independent Review into the Quality and Effectiveness of Audit
- A range of submissions to international standard setting boards.



ANDREW KOO AM FCPA BEc Chairman, Order of Australia Association UK/Europe

Andrew's 50-year tenure as a CPA Australia member is impressive, not only for its duration, but for what he achieved in his professional career and how he achieved it. "You have to use your 50 years and make it count."

In addition to roles across a number of industries including manufacturing, newspaper, media industries and the public sector, Andrew has invested heavily in community work throughout his longstanding career, leveraging his CPA designation to do this work. "My CPA background can give people a little confidence into what I can contribute. It indicates governance and financial strength."

His key advice for CPAs beginning their career is to include community service as part of their professional and personal agenda. "Apart from achieving, include contribution. Make time to give the community some of your expertise."

Reflecting on his very first job at Cadbury Schweppes in 1968, Andrew recalls that undergoing the CPA Program equipped him with the necessary skills, knowledge and discipline to undertake the tasks and role requirements very quickly. "Most importantly, it's the discipline," he said. "You have been through very good training and a disciplined upbringing in terms of study."

Andrew notes that the value of being a CPA Australia member comes with both professional and commercial recognition. "A CPA carries a lot of weight, it opens doors for you, and if you're going to pursue a career anywhere in finance, advancing through the corporate ladder, it means a lot."

PROVIDING VIEWS ON GOVERNMENT BUDGETS

>31,500 PAGE VIEWS OF FEDERAL BUDGET ARTICLES ON INTHEBLACK.COM
(2018: 31,400; 2017: >24,500)

CPA Australia provided commentary and views to members on the budgets delivered by the governments of Australia, Hong Kong SAR, Malaysia and Singapore. Comprehensive coverage of the Australian 2019–20 Federal Budget featured in-depth analysis on the night across our various channels, including articles published in CPA Tax News, intheblack.com and CPA Update. Coverage included a look at the various winners and losers and a summary of how the budget affected small businesses, investors, individuals and families, superannuation and the accounting profession, as well as areas of missed opportunity. INTHEBLACK has improved on the performance of its budget related content each year since 2015 and in 2019 time spent on budget related pages rose from four to 15 minutes, showing greater engagement with the content. We also produced a podcast on the federal budget that has been downloaded more than 2600 times.

ENGAGING WITH CURRENT ISSUES

In 2019, we commissioned research on topics important to our members and the profession. This led to the development and publication of a range of guides and resources to assist members, as well as webinars and podcasts with experts from across the profession which included:

- 10th Annual Asia-Pacific Small Business Survey
- Hong Kong SAR Economic Sentiment Survey 2020
- 2019 Mainland China Economic and Business Sentiment Survey
- Gender Equality in the Malaysian Workplace
- Commentary on the final report of the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry
- Technology and the Future of the Profession
- Podcasts and presentation on how data analytics, AI and automation are being integrated into external audit
- Regulating transparency and disclosures on modern slavery in global supply chains
- Implementing AASB 16/IFRS 15 – Are Preparers Ready?

MOVING FORWARD

- Increase our focus on international markets with new policy advisers located in Hong Kong SAR and Malaysia
- Continue to enhance member engagement through delivery of the policy update series, presentations and involvement in conferences and events
- Reinvigorate the Centres of Excellence
- Increase focus on technology and digital transformation and the impact on the accounting profession
- Continue to enhance collaboration with other key stakeholders on critical matters for members and the accounting profession
- Explore new ways for members to provide input into policy and advocacy positions



Independent Limited Assurance Report to the Directors of CPA Australia Limited

Conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the CPA Australia Integrated Report 2019 for the year ended 31 December 2019 (CPAA Integrated Report) is not prepared, in all material respects, in accordance with the Content Elements of the International Integrated Reporting Council's International Integrated Reporting <IR> Framework (<IR> Framework).

Information Subject to Assurance

Information subject to assurance comprises the CPA Australia Integrated Report 2019 for the year ended 31 December 2019.

Criteria Used as the Basis of Reporting

The criteria used as the basis of reporting is the the Content Elements of the <IR> Framework as disclosed in the CPAA Integrated Report.

Basis for Conclusion

We conducted our work in accordance with the Australian Standard on Assurance Engagements ASAE 3000 (Standard). In accordance with the Standard we have:

- used our professional judgement to plan and perform the engagement to obtain limited assurance that we are not aware of any material misstatements in the CPAA Integrated Report, whether due to fraud or error;
- considered relevant internal controls when designing our assurance procedures, however we do not express a conclusion on their effectiveness; and
- ensured that the engagement team possess the appropriate knowledge, skills and professional competencies.

We have not been engaged to provide an assurance conclusion on the fitness for purpose or the operating effectiveness of the CPA Australia strategy or how CPA Australia creates value, including the governance, strategic management and other key business processes. The procedures we have performed in relation to the CPA Australia strategy and how CPA Australia creates value are outlined below.

Summary of Procedures Performed

Our limited assurance conclusion is based on the evidence obtained from performing the following procedures:

- Interviews with executives, senior management and staff to understand the internal controls, governance structure and reporting process relevant to the CPAA Integrated Report.
- Reviewing the description of the CPA Australia strategy and how CPA Australia creates value in the CPAA Integrated Report and enquiring of management as to whether the description accurately reflects their understanding.
- Assessment of the suitability and application of the Content Elements of the <IR> Framework in respect of the CPAA Integrated Report.
- Reviewing CPA Australia's processes underlying the identification of material issues and considering CPA Australia's own materiality assessment with reference to multiple sources of information including internal assurance findings, print and social media, external framework requirements and peer and industry reporting trends.
- Assessment of the alignment between the CPA Australia strategy and the disclosures on how CPA Australia creates value and what matters most to CPA Australia stakeholders.
- Reviewing Board minutes to check consistency with the CPAA Integrated Report.



- Agreeing the CPAA Integrated Report to relevant underlying documentation on a sample basis.
- Analytical procedures over the key metrics in the CPAA Integrated Report.
- Review of the CPAA Integrated Report in its entirety to ensure it is consistent with our overall knowledge obtained during the assurance engagement.
- Obtaining a letter of representation from management dated 5 March 2020 on the content of the CPAA Integrated Report.

How the Standard Defines Limited Assurance and Material Misstatement

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for a reasonable assurance engagement. Consequently the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Misstatements, including omissions, are considered material if, individually or in the aggregate, they could reasonably be expected to influence relevant decisions of the Directors of CPA Australia.

The Limitations of our Review

The CPAA Integrated Report includes prospective information. Inherent to prospective information, the actual future results are uncertain. We do not provide any assurance on the assumptions and achievability of prospective information in the CPAA Integrated Report.

Use of this Assurance Report

This report has been prepared for the Directors of CPA Australia for the purpose of providing an assurance conclusion on the CPAA Integrated Report and may not be suitable for another purpose. We disclaim any assumption of responsibility for any reliance on this report, to any person other than the Directors of CPA Australia, or for any other purpose than that for which it was prepared.

Management's responsibility

Management are responsible for:

- determining that the <IR> Framework is appropriate to meet their needs and the needs of other intended users;
- preparing and presenting the CPAA Integrated Report in accordance with the <IR> Framework,
- ensuring the CPA Australia strategy is well-presented in the CPAA Integrated Report and reflects how CPA Australia creates value as they operate in practice
- identifying stakeholders and stakeholder requirements;
- identifying material issues and reflecting those in the CPAA Integrated Report; and
- establishing internal controls that enable the preparation and presentation of the CPAA Integrated Report that is free from material misstatement, whether due to fraud or error.

Our Responsibility

Our responsibility is to perform a limited assurance engagement in relation to the CPAA Integrated Report and to issue an assurance report that includes our conclusion.

Our Independence and Quality Control

We have complied with our independence and other relevant ethical requirements of the *Code of Ethics for Professional Accountants* issued by the Australian Professional and Ethical Standards Board, and complied with the applicable requirements of Australian Standard on Quality Control 1 to maintain a comprehensive system of quality control.

KPMG

KPMG

Julia Bilyanska

Director

Melbourne

5 March 2020

GOVERNANCE AND FINANCIAL REPORT

BOARD OF DIRECTORS

The Board of Directors is the governing body for CPA Australia and is responsible for strategy development, independently and objectively assessing the organisation's decisions and overseeing the performance and activities of management under the approved strategy.

Information on our approach to this area including our governance framework and structures can be found in the Corporate Governance Statement on our website and in the governance section on pages 26 to 28 of this report.

BOARD DIVERSITY

The Nomination Committee recommends to the Board the skills and competencies required on the Board and assesses the extent to which those skills are represented on the Board. The Nomination Committee regularly considers diversity issues and advises on the diversity of the Board and its committees. The Board recommends that a minimum of 50 per cent of directors on the Board should be female, which is reflected in the current composition. The diversity of the current Board is shown in Table 15 below with the skills represented on the Board and its committees in Table 5, on page 27.

Table 15: Board diversity as at 31 December*

2019

| AGE GROUPS | TOTAL | | FEMALE | | MALE | |
|--------------|-----------|-------------|----------|------------|----------|------------|
| | Number | % | Number | % | Number | % |
| Under 30 | 0 | 0% | 0 | 0% | 0 | 0% |
| 30–50 | 1 | 10% | 1 | 10% | 0 | 0% |
| Over 50 | 9 | 90% | 5 | 50% | 4 | 40% |
| Total | 10 | 100% | 6 | 60% | 4 | 40% |

2018

| AGE GROUPS | TOTAL | | FEMALE | | MALE | |
|--------------|-----------|-------------|-----------|------------|-----------|------------|
| | Directors | % | Directors | % | Directors | % |
| Under 30 | 0 | 0% | 0 | 0% | 0 | 0% |
| 30–50 | 2 | 20% | 2 | 20% | 0 | 0% |
| Over 50 | 8 | 80% | 4 | 40% | 4 | 40% |
| Total | 10 | 100% | 6 | 60% | 4 | 40% |

2017

| AGE GROUPS | TOTAL | | FEMALE | | MALE | |
|--------------|-----------|-------------|----------|------------|----------|------------|
| | Number | % | Number | % | Number | % |
| Under 30 | 0 | 0% | 0 | 0% | 0 | 0% |
| 30–50 | 1 | 9% | 1 | 9% | 0 | 0% |
| Over 50 | 10 | 92% | 5 | 45% | 5 | 45% |
| Total | 11 | 100% | 6 | 55% | 5 | 45% |

*Figures are rounded and may not equal 100%.

BOARD OF DIRECTORS



Peter Wilson AM FCPA,
President and Chair of the Board
BCom (Hons) MA (Melb) FCPHR FAICD
FAHRILife FCIPD (UK)

Peter Wilson is Chair of the Australian HR Institute Limited.

He is a non-executive director of Vision Super.

Peter is an Adjunct Professor in Management at the Monash Business School, Monash University, Melbourne, and is an accredited PhD Supervisor at the Latrobe Business School, Latrobe University.

He has honorary roles as the Chair of the Australian Network on Disability and the Advisory Council of the Victorian Institute of Strategic Economic Studies at Victoria University.

Peter held senior executive roles in the Commonwealth and Victorian Treasuries and group executive roles at ANZ Bank, Amcor Limited and as CEO of Energy 21. He has held non-executive director appointments on Boards of Dalgety Farmers Ltd, Kimberly-Clark Australia, and the Commonwealth Safety Rehabilitation and Compensation Commission as Chair.

Peter Wilson was made a Member of the Order of Australia in 2005 for services to workplace relations and safety and community service and was awarded a Centenary Medal in 2004.



Merran Kelsall FCPA,
Deputy President
BCom (Hons) FCA MBA FAICD FFIN

Merran is a professional independent non-executive, with considerable directorship and corporate governance experience, having served on numerous boards and committees in the private and public sectors.

She operated in public practice for 20 years, including 10 years as a partner at BDO. Her industry experience includes financial and professional services, insurance, health, retail, education, contract management and major infrastructure projects.

Her current appointments include Director RACV Ltd, Deputy Chair of Melbourne Water Corporation, Director of Vic Super and TarraWarra Museum of Art. Merran is also a Professor of Practice in the School of Accounting at the UNSW Business School. Her former appointments include Chair, AUASB, Member IAASB and Director of Superpartners.



Chin Aik Wong FCPA,
Deputy President
BEc (Monash) MBA (Hull)
CA (M) FCTIM

Chin Aik Wong is a senior finance and commercial leader with extensive experience gained through progressively senior positions in assurance and advisory, banking, oil and gas, shared services, manufacturing and sales and marketing. He previously worked for Deloitte, United Overseas Bank and BP. He was with BP for over 20 years where he held senior leadership positions in commercial and industrial sales, human resources, finance and accounting and global business services. He is currently the executive director of PHHP Group of Companies which he co-founded in 1995.

Chin Aik was a councillor of the Malaysian Division of CPA Australia from 2010 to 2016. He was the Malaysian Divisional President for 2015 and 2016. In October 2018, Chin Aik was appointed to the Asean Federation of Accountants (AFA) Council where he represents CPA Australia.



Louise Cox FCPA,

Director
BBus(Mgt) BBus(Accy) LLB(Hons)
GradDipLegalPrac LLM MTax

Louise Cox is a well-respected accountant and lawyer with more than 30 years' experience as a CEO, General Manager and non-executive director across the legal, accounting, architecture, education and mental health sectors. Louise is currently Chief Operating Officer of the leading architectural practice, Thomson Adsett.

As an experienced Board member, Louise has served in a range of roles including Chair, Deputy Chair, Chair of Finance and Risk and Chair of Governance in various commercial, public sector and not-for-profit boards.

Currently, Louise is Chair of Open Minds Australia and the Griffith University Department of Accounting, Finance and Economics Advisory Committee. She is also a member of the Executive Committee of the Caxton Legal Centre and a member of the QUT School of Accountancy Advisory Board.

Having previously served as a Director of TAFE Queensland, Thomson Adsett and as a member and Chair of the Metropolitan South Institute of TAFE Council, Louise brings strong corporate governance experience to the Board. She has been active with CPA Australia as a member of the Public Practice Advisory Committee and served for five years as a member of the Queensland Divisional Council, including as its President in 2012.

Ric De Santi FCPA,

Director
BBus GAICD

Ric has extensive public sector experience, mainly in audit, and also brings expertise in financial reporting, governance and executive management in the not-for-profit and public sectors, of the profession both nationally and internationally.

Ric is presently the Deputy Auditor General and Chief Operating Officer of the Tasmanian Audit Office. He is also a member of the Australasian Council of Auditors-General's (ACAG) technical group and Chairs the ACAG Heads of Financial Audit Group. He was previously a member of CPA Australia's External Reporting Centre of Excellence and has been a registered company auditor since 1982.

He has served on a number of not-for-profit boards and is currently a Commissioner with Catholic Education Tasmania and Chair of its Resources and Sustainability Standing Committee.

Ric served on CPA Australia's Tasmanian Divisional Council from 2005 to 2014 and was President of the Division in 2009. In 2017, he returned to Council and has served as Deputy President since 2018. He continues as a member of CPA Australia's Public Sector Network, which he joined in 2012.

Robyn Erskine FCPA,

Director
BBus CA RITF

Robyn is a partner in Brooke Bird, a specialist restructuring insolvency and turnaround firm and has been actively involved in the public practice sector for over 30 years.

Robyn was Deputy President of CPA Australia's Victorian Divisional Council in 2017, and in 2019 finished her six-year term on the Council. Robyn has previously served on the Victorian Public Practice Committee and the Insurance Committee. In 2014, Robyn was awarded the Henry Fox Award for outstanding service to public practice in Victoria.

In January 2015, Robyn was appointed to the International Federation of Accountants (IFAC) Small and Medium Practices Committee on the nomination of CPA Australia and Chartered Accountants Australia and New Zealand. She is currently the Deputy Chair of this committee and the Chair of its Ethics Task Force.

In 2011, Robyn became the first female to be appointed as the National President of the Insolvency Practitioners Association of Australia, now known as the Australian Restructuring Insolvency and Turnaround Association (ARITA) and served as a director of ARITA until May 2019. In 2017, Robyn was awarded Life Membership to ARITA for long, dedicated and distinguished service to ARITA and the profession.

Robyn is a current councillor of the Australian Institute of Credit Management's Victorian Tasmanian Division.

BOARD OF DIRECTORS



Helen Lorigan,

Director
BCom GAICD SF Fin

Helen Lorigan is a Venture Partner of Sapien Ventures, a venture capital company with partners based in Sydney, Silicon Valley, Melbourne and Shanghai. Helen originally commenced as an Executive-in-Residence at Sapien Ventures in 2016 which led to her subsequent appointment to three fintech company Advisory Boards: HashChing, Investfit and Moroku. Helen is leading a number of key initiatives across superannuation, self-directed advice, funds management and online marketplaces which involve the identification, sourcing and curating of high quality fintech and online marketplace start-ups for potential investment.

Helen was appointed to the position of CEO of Elders Financial Planning, formed as a Joint Venture between ANZ and Elders, an Australian global agricultural corporation, in 2009. Helen has also held senior executive leadership roles in wealth management and banking with the ANZ Group, CBA and MLC.

Helen holds a Bachelor of Commerce from UNSW, is a Graduate of the AICD, a Senior Fellow of FINSIA, a UNSW Alumni Leader and has served as a Director, Responsible Manager and Advisory Board member on numerous financial services Boards and Australian Financial Services Licences. Helen has been a Director of the Financial Services Institute of Australasia since 2019 and in 2020 was appointed as a member of the Finance Committee of the Board of the SP Jain School of Global Management.

Professor Dale Pinto FCPA,

Director
PhD (Law) (Melb) MTax (Hons) (Syd)
PGradDipBus (Dist) (Curtin) BBus (Dist)
(Curtin) FTMA FAAL CA CTA-Life
AFAIM MAICD

Dale is currently Professor of Taxation Law in the Curtin Law School, as well as being the Chair of the Academic Board and member of the University Council at Curtin University. Dale is the author and co-author of numerous books, refereed articles and national and international conference papers. He sits on the editorial board of a number of peer-reviewed journals as well as being the Editor-in-Chief of several refereed journals.

He is a Fellow of CPA Australia and formerly served as a member and President of the WA Divisional Council before being elected to the Board on 1 October 2018.

Dale is also a Fellow of the Australian Academy of Law as well as being a Chartered Accountant, Chartered Tax Adviser and Honorary Life Member of the Tax Institute. He is also a Life Member of the Australasian Tax Teachers Association and the Australasian Law Teachers Association.

Dale has been a registered tax agent for more than 25 years and was appointed by the Assistant Treasurer as one of the inaugural members of the National Tax Practitioners Board. He is a current member of the Board of Taxation's high-level Advisory Panel and the ATO's Public Advice and Guidance Panel as well as the Chamber of Commerce and Industry's Economic Development Forum in Western Australia.

Dale is a member of the Tertiary Education and Quality Standards Agency Register of Experts.



Rosemary Sinclair AM FCPA,

Director

BA LLB BBus MCom FAICD FCPA

Rosemary Sinclair has extensive experience at CEO and senior executive level in the communications, media, publishing, higher education and energy sectors. Roles have included significant stakeholder engagement responsibilities as CEO of the Australian Telecommunications Users Group, Director of External Relations for the Australian Business School UNSW and CEO Energy Consumers Australia, an organisation created in 2015 by the COAG Energy Council of Ministers. Rosemary became CEO of auDA, the .au domain administration company in March 2020.

Rosemary's Board-level experience spans private sector companies, public sector and not-for-profit organisations and includes roles as member or Chair of Audit and Risk Committees for more than 20 years. Rosemary has international experience in telecommunications and internet policy development committees.

Rosemary held the role of member (part-time) of the Australian Communications and Media Authority until August 2019 and was a Member of the Board and Chair of the Risk and Audit Committee of the Wests Tigers Rugby League Football Club until December 2017.

Rosemary was made a Member of the Order of Australia in June 2018 for significant service to business, particularly through leadership and administrative roles in the telecommunications industry.



Su-Yen Wong,

Director

BA MBA MAICD FSID

Su-Yen currently serves on the boards of several public, private and not-for-profit organisations and Chairs or is a member of various nominating, remuneration and audit committees. Recognised as a Board and C-Suite advisor on strategy, human capital, leadership development, and the future of work, she brings a unique blend of experience in technology, business, and organisation development gleaned over 25 years across Asia and North America.

Previously she was CEO of the Human Capital Leadership Institute, and prior to that, Chair (Singapore) for Marsh & McLennan Companies, and Senior Partner and Managing Director, Southeast Asia at Mercer. Earlier, she was Asia Managing Partner for the Communications, Information and Entertainment Practice at Oliver Wyman.

Su-Yen is a highly regarded keynote speaker and moderator and is also a regular guest lecturer and visiting expert at universities such as IESE Business School (Spain), INSEAD (France), IPADE Business School (Mexico), National University of Singapore, Singapore Management University and Yale University (USA).

She is a Vice Chair and a Fellow of the Governing Council, Singapore Institute of Directors and an active member of Women Corporate Directors and the Young Presidents' Organization.

COUNCILS AND COMMITTEES

AUSTRALIAN CAPITAL TERRITORY

Emily Canning FCPA, President
Rodney Miller FCPA, Deputy President
Kym Partington FCPA, Deputy President
Greg Field FCPA
Matthew Geysen CPA
Lawrence Hosking FCPA
Michael Jeremenko CPA
Cha Jordanoski FCPA
Habib Khan FCPA
Gaye Lindfield CPA
Annie Ryan FCPA
Marvin Wee FCPA

NEW SOUTH WALES

David Crook FCPA, President
Erica Blythe FCPA, Deputy President
David Ferri FCPA, Deputy President
Susanne Ainsworth FCPA
Vittoria Anderson FCPA
Maria Balatbat FCPA
Jennifer Dalitz FCPA
Rosalie Degabriele FCPA
Lisa Gill CPA
John M Hutcheson FCPA
Ruyi Jin FCPA
Mark Jones FCPA
Richard Morton FCPA
Stephanie Perkiss CPA
Lynette Pinder CPA
Karen Pitt CPA
Shan Wu CPA
Ying Zhang FCPA

NORTHERN TERRITORY

Randle Walker FCPA, President
Lisa Blakeley FCPA, Deputy President
Donna Moore CPA, Deputy President
Michele Bain CPA
Anil Basnet CPA
Benjamin Inglis FCPA
Derek Mayger FCPA
Ali Rkein CPA
Suyana Shrestha CPA
Ross Springolo FCPA

QUEENSLAND

Peta Shipley FCPA, President
Deborah Nisbet FCPA,
Deputy President
Kerry Phillips FCPA, Deputy President
Douglas Dunstan FCPA
Tanya Feekings FCPA
Melissa Georgiou FCPA
Cissy Ma FCPA
Robert McDowall CPA
Theresa O'Connor FCPA
Grant Tanham-Kelly FCPA
Tim Timchur FCPA

SOUTH AUSTRALIA

Glenn Bain CPA, President
Chau Chiem FCPA, Deputy President
Andrew McInerney FCPA,
Deputy President
Karen Conlon FCPA
Andrew Dow FCPA
Judy Horsfall CPA
Philip Mann FCPA
Nicole Rantanen Reynolds FCPA
Stephen Warren FCPA
Scott Williams FCPA
Jodi Wright CPA
Denis Yengi CPA

TASMANIA

Andrew Pearce FCPA, President
Ric De Santi FCPA, Deputy President
Fiona Stagg FCPA, Deputy President
Paul Gimpl FCPA
Brad Hilder FCPA
James Hipwood CPA
Roger Lu CPA
Gary O'Donovan FCPA
Eleanor Patterson FCPA
Donna Powell CPA
Meg Richards FCPA

VICTORIA

Clare Lezaja FCPA, President
Jacquetta Griggs FCPA,
Deputy President
Piotr Jakubicki FCPA, Deputy President
Richard Blakeman FCPA
Robyn Erskine FCPA

Devini Goonetilleke FCPA
Justin Gordon CPA
Kerry Harris FCPA
Anne La Fontaine FCPA
Brent Szalay FCPA
Edward Turner CPA
Katrina Watt CPA
Melville Yeates FCPA

WESTERN AUSTRALIA

Quentin Hooper FCPA, President
Andrew Seinor FCPA, Deputy President
John Dawson FCPA, Deputy President
Kylie Coulson FCPA
Thomas Griebel FCPA
Tanvi Haria FCPA
Mark Narustrang FCPA
Timothy Spencer CPA
Paul Tiernan FCPA
Kerri Warner CPA

CHINA – GREATER CHINA

Roy Lo FCPA, President
Janssen Chan FCPA, Deputy President
Anthony Lau FCPA, Deputy President
Bong Chan FCPA
Vickie Fan FCPA
Paul Ho FCPA
Johnny Lam CPA
John Lo FCPA
Grace Ng CPA
Wilson Pang FCPA
Raymond Tam FCPA
Eden Wong FCPA

CHINA – EAST AND CENTRAL CHINA

Lily Ho FCPA, President
Michael Yu FCPA, Deputy President
Patrick Zhu FCPA, Deputy President
Charlie Chan FCPA
Stan He FCPA
John Hung FCPA
Kenny Lam FCPA
Tom Lin FCPA
Michelle Sun FCPA
Danny Tong FCPA
David Chen Wang FCPA
David Xiong Wang FCPA
Charles Yang FCPA
Raymond Zhu FCPA

CHINA – NORTH CHINA

Derek Chan FCPA, President
Len Jui FCPA, Deputy President
Justin Qiu FCPA, Deputy President
Henry Chan FCPA
Lily Chen FCPA
Michael Liu FCPA
Wilson Liu FCPA
Kevin Ng FCPA
Lloyd Peng FCPA
Dora Song FCPA
Sun Cui FCPA
Jessie Wong FCPA
Zhou Ning FCPA

CHINA – SOUTH CHINA

William Huang FCPA, President
Tony Chan FCPA, Deputy President
John Lo FCPA, Deputy President
Ken Cai FCPA
Ken Chen FCPA
Fiona He FCPA
Lawrence Lam FCPA
Alfred Leong FCPA
Rebecca Wong FCPA
Winson Woo FCPA
Ryan Wu FCPA

EUROPE

Warren McRae FCPA, President
Warwick Syphers FCPA,
Deputy President
Rajeev Adrian FCPA
Garth Britton CPA
Christopher Burke FCPA
Christopher Crellin FCPA
Nigel Garrow FCPA
Kerry Huggler CPA
Catherine Riney FCPA

MALAYSIA

Sharman Arumugam FCPA, President
Gark Chee Jin FCPA, Deputy President
Jimmy Lai FCPA, Deputy President
Dato' Mohammad Azlan Abdullah FCPA
Bryan Chung FCPA

Koh Ree Nie CPA
Zulkiflee Mohamed FCPA
Dato' Feizal Mustapha FCPA
Tan Lay Keng FCPA
Toh Beng Siew FCPA
Surin Segar FCPA
Jagdev Singh FCPA

NEW ZEALAND

Mat Croad FCPA, President
Tracy Hickman FCPA, Deputy President
Matthew Needham FCPA,
Deputy President
Lyndon Bain CPA
Gillian Craig CPA
John Gill FCPA
Brad Golchin FCPA
Darby Healey CPA
Emily Hewat CPA
Liz Plowman CPA
Paul Shallard CPA

SINGAPORE

Chng Lay Chew FCPA, President
Max Loh FCPA, Deputy President
Tony Alizzi FCPA
Cheung Pui Yuen FCPA
Chia-Tern Huey Min FCPA
Andrew Han FCPA
Ho Yew Kee FCPA
Koh Kah Sek FCPA
Lo Wei Min FCPA
Ong Pang Thye FCPA
Stanley Sia Swie Kean FCPA
Yeoh Oon Jin FCPA

BOARD COMMITTEES

As at 31 December 2019

AUDIT, RISK AND COMPLIANCE COMMITTEE

Chin Aik Wong FCPA, Chair
Ric De Santi FCPA
Robyn Erskine FCPA
Dale Pinto FCPA
Rosemary Sinclair FCPA

FINANCE AND POLICY COMMITTEE

Merran Kelsall FCPA, Chair
Peter Wilson FCPA
Helen Lorigan
Chin Aik Wong FCPA
Su-Yen Wong

INDEPENDENT REVIEW IMPLEMENTATION COMMITTEE*

Peter Wilson FCPA, Chair
Merran Kelsall FCPA
Dale Pinto FCPA
Chin Aik Wong FCPA
Shabnam Amirbeaggi FCPA
Ivan Au FCPA

MEMBER ENGAGEMENT COMMITTEE

Peter Wilson FCPA, Chair
Louise Cox FCPA
Ric De Santi FCPA
Robyn Erskine FCPA
Merran Kelsall FCPA

NOMINATION COMMITTEE

Peter Wilson FCPA, Chair
Piotr Jakubicki FCPA
Kerry Phillips FCPA
Dale Pinto FCPA
Geoff Rees
Leanne Rowe

PEOPLE, REMUNERATION AND CULTURE COMMITTEE

Merran Kelsall FCPA, Chair
Louise Cox FCPA
Helen Lorigan
Rosemary Sinclair FCPA
Su-Yen Wong

*The Board accepted a proposal to disband the Independent Review Implementation Committee at its meeting on 9 December 2019. It has been included as it was in operation for the majority of the year.

ADVISORY COMMITTEES

As at 31 December 2019

APPOINTMENTS COUNCIL

Peter Wilson FCPA, Chair (non-voting)
Chia-Tern Huey Min FCPA
Andrew Dow FCPA
Paul Gimpl FCPA
Paul Ho FCPA
Piotr Jakubicki FCPA
Cha Jordanoski FCPA
Richard Morton FCPA
Kerry Phillips FCPA
Timothy Spencer CPA
Ross Springolo FCPA
Warwick Syphers FCPA
Tan Lay Keng FCPA

COUNCIL OF PRESIDENTS

Clare Lezaja FCPA, Chair
Quentin Hooper FCPA, Deputy Chair
Sharman Arumugam FCPA
Glenn Bain CPA
Emily Canning FCPA
Chng Lay Chew FCPA
Matthew Croad FCPA
David Crook FCPA
Roy Lo FCPA
Warren McRae FCPA
Andrew Pearce FCPA
Peta Shipley FCPA
Randle Walker FCPA

PROFESSIONAL QUALIFICATIONS ADVISORY COMMITTEE

Mary Dunkley FCPA, Chair
Weina Ang FCPA
Mandy Cheng FCPA
Bryan Howieson FCPA
Jason Kotkin CPA
Steven Ngaifei Hui FCPA
Gary O'Donovan FCPA
Gabriel Teo FCPA
Carla Wilkin CPA

PUBLIC PRACTICE ADVISORY COMMITTEE

Sharman Arumugam FCPA
Terrence Cheong FCPA
Andrew Pearce FCPA
Gavin Swan FCPA
Brent Szalay FCPA
Shanna Hunter FCPA
Hugh Zimmerman CPA
Prue McStay CPA

QUALITY REVIEW ADVISORY COMMITTEE

Greg Sharpley, Chair
Phil McCann FCPA
Julie Norris CPA
Margot Thompson CPA
Leanne Oliver CPA

DISCIPLINARY PANEL

Gerry Schembri FCPA, Chair
Daen Soukseun FCPA, Deputy Chair
David Morgan, Deputy Chair

LIFE MEMBERS

Elizabeth Alexander AO FCPA
Patrick Barrett AO FCPA
David Baulch FCPA
Brian Blood FCPA
David Boymal AM FCPA
John Cahill FCPA
Denis Cortese FCPA
Mark Coughlin FCPA
Clyde Dickens AM FCPA
Kenneth Eastwood AM FCPA
Scott Henderson AM FCPA
Robert Jeffery FCPA
Jim Kropp FCPA
Robert Shiu-Hung Lee FCPA
Loh Hoon Sun FCPA
Low Weng Keong FCPA
Graeme McGregor AO FCPA*
Ian McPhee AO FCPA
Paul Meiklejohn FCPA

John Miller AO FCPA
Joycelyn Morton FCPA
Graham Paton AM FCPA
Des Pearson AO FCPA
Patrick Ponting FCPA
Poon Wing Cheung FCPA
Trevor Russell AM FCPA
Brian Waldron OAM FCPA
Bernard Wright AM FCPA

*Passed away January 2020

CENTRES OF EXCELLENCE

ESG

Vladimir Malcik FCPA, Chair
Andrew Amer
Mark Brown FCPA
Sharon Ditchburn FCPA
Desti Kannaiah FCPA
Paul Mather FCPA
Michael Mugford CPA
Kathleen O'Sullivan FCPA
Jean Raar CPA

EXTERNAL REPORTING

Jessie Wong FCPA, Chair
Dean Hanlon CPA
Mark Hucklesby FCPA
Peter Kerr FCPA
Jude Lau FCPA
Vanessa Lim CPA
Andrew Marks FCPA
Leonie Navara CPA
Julie Sinclair FCPA
Siva Sivanantham CPA

RETIREMENT SAVINGS

Noelle Kelleher CPA, Chair
Andrew Albury FCPA
David Denison CPA
Alex Harken-Yumru CPA
Bruce Mackley CPA
Suzanne Maloney FCPA
Neil Marshall CPA
Paul May CPA
Eileen Newby CPA
Murray Wyatt FCPA

TAXATION

Ken Fehily CPA
Alexis Kokkinos CPA
Sue Williamson FCPA

OTHER BOARDS AND COMMITTEES

ASEAN FEDERATION OF ACCOUNTANTS (AFA)

Chin Aik Wong FCPA

CONFEDERATION OF ASIAN AND PACIFIC ACCOUNTANTS (CAPA)

Priya Terumalay FCPA

INTERNATIONAL FEDERATION OF ACCOUNTANTS BOARD**

Richard Petty FCPA

IFAC NOMINATING COMMITTEE**

Michael Codling

IFAC PLANNING AND FINANCE COMMITTEE**

Richard Petty FCPA

IFAC SMALL AND MEDIUM PRACTICES COMMITTEE (SMP)**

Robyn Erskine FCPA

INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS BOARD (IPSASB)**

Mike Blake FCPA

INTERNATIONAL ETHICS STANDARDS BOARD FOR ACCOUNTANTS (IESBA)**

Ian McPhee FCPA

IFAC PROFESSIONAL ACCOUNTANTS IN BUSINESS (PAIB)**

Paul Urquhart FCPA

INTERNATIONAL INTEGRATED REPORTING COUNCIL

Nicholas Diss CPA

**CPA Australia shares representation on these bodies with CA ANZ.

REPORT OF THE BOARD OF DIRECTORS

DIRECTORS

The directors submit the annual financial report of CPA Australia Ltd ("CPA Australia") and its controlled entities ("the Group") for the financial year ended 31 December 2019. In order to comply with the *Corporations Act 2001* and Australian Accounting Standards, the directors present the report as follows. The directors in office at the end of the financial year are set out on pages 76 to 79 together with their qualifications, experience and special responsibilities. Details of meeting attendance are set out on pages 85 to 87 and their remuneration is included in Note 20 on pages 120 to 124.

COMPANY SECRETARY

Kerrell Ma LLB, LLM (First Class Honours), legal practitioner, was appointed as Company Secretary on 15 June 2018.

PRINCIPAL ACTIVITIES

The principal activities of the Group during the financial year remain unchanged and were as an association representing financial, accounting and business advisory professionals: providing high standards of professional entry and continuing education, stimulating informed debate on issues within the areas of professional competence, setting and maintaining the highest professional and technical standards, and promoting the role of its members for the benefit of the community.

CONSOLIDATED RESULTS

The consolidated surplus before income tax for the year was \$4,419,000 (2018: \$6,723,000). The consolidated surplus after tax for the year was \$5,025,000 (2018: \$5,992,000).

REVIEW OF OPERATIONS

A review of the operations of the Group during the financial year and the results of those operations are contained in the discussion and analysis of the financial results – see pages 91 to 93.

CORPORATE GOVERNANCE

The Board met on nine occasions in 2019 with three directors elected in August commencing their three-year term on 1 October 2019. During 2019, the Board maintained a strong focus on consolidating the governance changes that had been implemented during the previous year, with particular emphasis on strengthening risk management and internal controls, implementing the recommendations of the IRP and continuing a comprehensive member engagement program.

In 2019, six Board Committees of directors operated: Audit, Risk and Compliance; Finance and Policy;

Nomination; Member Engagement; People, Remuneration and Culture; and Independent Review Implementation. In October 2019, the IRIC completed a final update report for the Board. The committee was satisfied that all of the IRP's 29 recommendations are now either complete or are embedded into management's business-as-usual work programs. In December 2019, the Board reviewed and accepted the IRIC's recommendations, thanked the Committee for its work and resolved to wind it up.

During 2019, a modification was made to CPA Australia's Constitution after members voted at the Annual General Meeting to amend Article 60 of the Constitution, requiring the Board to call a meeting of members within three months of exercising its emergency powers to appoint directors. This resolution was proposed by a member and was supported by the Board as it provides an additional layer of protection to members.

Further information on the governance of the Company is included in the corporate governance statement on our website and on pages 26 to 28 of this report.

DIRECTORS' MEETINGS

The tables on pages 85 to 87 set out the number of Board and Board Committee meetings held and the number of meetings attended by each director during 2019.

CHANGES IN STATE OF AFFAIRS

CPA Australia Advice Pty Ltd, a wholly owned subsidiary of CPA Australia Ltd, no longer carries on its financial services business; the Australian Financial Service Licence and Australian Credit Licence were handed back to ASIC during 2019.

Conditions set out by the Australian Financial Complaints Authority require continued membership for two years from the time of licence cancellation. Under these conditions, CPA Australia Advice cannot be wound up until the end of June 2021, therefore the legal entity remains in place until such time.

There were no other significant changes in the state of affairs of the Group, other than referred to in the financial statements or notes thereto.

SUBSEQUENT EVENTS

The outbreak of the coronavirus (COVID-19) will have a financial impact on the Group in 2020, as the organisation has had to cancel member events in several locations and it will potentially cause the deferral of end-of-semester exams. The impact is difficult to quantify at this stage as it is contingent on how many locations are impacted and the duration of the outbreak.

Apart from the above, there has been no other matter or circumstance occurring since the end of the financial year to the date of this report that has affected or may significantly affect the activities of the Group, the results of those activities or the state of affairs of the Group in the ensuing or any subsequent financial year.

FUTURE DEVELOPMENTS

Likely developments in the activities of the Group are noted elsewhere in this report, with the Group working towards the achievement of its objectives under the strategy.

INDEMNIFICATION OF OFFICERS AND AUDITORS

During the year, the Group paid professional indemnity and directors' and officers' liability insurance for all of its directors and officers. The nature of the insurance contract providing this cover does not allow CPA Australia to disclose either the extent of cover or the premium paid.

AUDITOR INDEPENDENCE

The auditor's independence declaration is included on page 88 and forms part of this report.

ROUNDING OF AMOUNTS

The statements are presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000) unless otherwise stated under the option available under ASIC Legislative Instrument 2016/191.

BOARD OF DIRECTORS MEETINGS 2019

| DIRECTORS | Scheduled meetings | | Ad hoc meetings | | Total 2019 meetings | |
|-------------------------------------|--------------------|----------|-----------------|----------|---------------------|----------|
| | ELIGIBLE | ATTENDED | ELIGIBLE | ATTENDED | ELIGIBLE | ATTENDED |
| Peter Wilson, Chair | 9 | 9 | 2 | 2 | 11 | 11 |
| Merran Kelsall | 9 | 9 | 2 | 2 | 11 | 11 |
| Chin Aik Wong | 9 | 9 | 2 | 2 | 11 | 11 |
| Ric De Santi | 9 | 9 | 1 | 1 | 10 | 10 |
| Robyn Erskine | 9 | 9 | 2 | 2 | 11 | 11 |
| Helen Lorigan | 9 | 9 | 2 | 2 | 11 | 11 |
| Dale Pinto | 9 | 9 | 2 | 2 | 11 | 11 |
| Louise Cox ⁽²⁾ | 2 | 2 | 0 | 0 | 2 | 2 |
| Rosemary Sinclair | 9 | 7 | 2 | 2 | 11 | 9 |
| Caroline Spencer ^{(1) (3)} | 2 | 2 | 1 | 1 | 3 | 3 |
| Su-Yen Wong | 9 | 9 | 2 | 2 | 11 | 11 |

AUDIT, RISK AND COMPLIANCE COMMITTEE MEETINGS 2019

| DIRECTORS | Scheduled meetings | | Ad hoc meetings | | Total 2019 meetings | |
|-------------------------------------|--------------------|----------|-----------------|----------|---------------------|----------|
| | ELIGIBLE | ATTENDED | ELIGIBLE | ATTENDED | ELIGIBLE | ATTENDED |
| Chin Aik Wong, Chair | 5 | 5 | 2 | 2 | 7 | 7 |
| Ric De Santi | 5 | 5 | 2 | 2 | 7 | 7 |
| Robyn Erskine | 5 | 5 | 2 | 2 | 7 | 7 |
| Dale Pinto | 5 | 5 | 2 | 2 | 7 | 7 |
| Caroline Spencer ^{(1) (3)} | 1 | 1 | 1 | 1 | 2 | 2 |
| Rosemary Sinclair ⁽⁶⁾ | 1 | 1 | 0 | 0 | 1 | 1 |

FINANCE AND POLICY COMMITTEE MEETINGS 2019

| DIRECTORS | Scheduled meetings | | Ad hoc meetings | | Total 2019 meetings | |
|--------------------------------------|--------------------|----------|-----------------|----------|---------------------|----------|
| | ELIGIBLE | ATTENDED | ELIGIBLE | ATTENDED | ELIGIBLE | ATTENDED |
| Peter Wilson, Chair ⁽⁴⁾ | 5 | 4 | 1 | 1 | 6 | 5 |
| Merran Kelsall, Chair ⁽⁷⁾ | 5 | 4 | 1 | 1 | 6 | 5 |
| Helen Lorigan | 5 | 5 | 1 | 1 | 6 | 6 |
| Rosemary Sinclair ⁽⁵⁾ | 4 | 2 | 1 | 1 | 5 | 3 |
| Chin Aik Wong | 5 | 5 | 1 | 1 | 6 | 6 |
| Su-Yen Wong ⁽⁶⁾ | 1 | 1 | 0 | 0 | 1 | 1 |

NOMINATION COMMITTEE MEETINGS 2019

| DIRECTORS | Scheduled meetings | | Ad hoc meetings | | Total 2019 meetings | |
|--|--------------------|----------|-----------------|----------|---------------------|----------|
| | ELIGIBLE | ATTENDED | ELIGIBLE | ATTENDED | ELIGIBLE | ATTENDED |
| Merran Kelsall, Chair ^{(4) (5)} | 5 | 5 | 1 | 1 | 6 | 6 |
| Dale Pinto ⁽⁶⁾ | 1 | 1 | 0 | 0 | 1 | 1 |
| Helen Lorigan ⁽⁵⁾ | 5 | 5 | 1 | 1 | 6 | 6 |
| Kerry Phillips ⁽⁹⁾ | 6 | 6 | 1 | 1 | 7 | 7 |
| Geoff Rees ⁽⁸⁾ | 6 | 6 | 1 | 1 | 7 | 7 |
| Leanne Rowe ⁽⁸⁾ | 6 | 5 | 1 | 1 | 7 | 6 |
| Piotr Jakubicki ⁽⁹⁾ | 6 | 6 | 1 | 1 | 7 | 7 |
| Peter Wilson ^{(6) (7)} | 1 | 1 | 0 | 0 | 1 | 1 |

MEMBER ENGAGEMENT COMMITTEE MEETINGS 2019

| DIRECTORS | Scheduled meetings | | Ad hoc meetings | | Total 2019 meetings | |
|-------------------------------------|--------------------|----------|-----------------|----------|---------------------|----------|
| | ELIGIBLE | ATTENDED | ELIGIBLE | ATTENDED | ELIGIBLE | ATTENDED |
| Robyn Erskine, Chair ⁽⁴⁾ | 7 | 7 | 1 | 1 | 8 | 8 |
| Ric De Santi | 7 | 7 | 1 | 1 | 8 | 8 |
| Dale Pinto ⁽⁵⁾ | 6 | 6 | 0 | 0 | 6 | 6 |
| Rosemary Sinclair ⁽⁵⁾ | 6 | 3 | 0 | 0 | 6 | 3 |
| Su-Yen Wong ⁽⁵⁾ | 6 | 5 | 0 | 0 | 6 | 5 |
| Peter Wilson ^{(6) (7)} | 1 | 1 | 1 | 1 | 2 | 2 |
| Louise Cox ^{(2) (6)} | 1 | 1 | 1 | 1 | 2 | 2 |
| Merran Kelsall ⁽⁶⁾ | 1 | 1 | 1 | 1 | 2 | 2 |

INDEPENDENT REVIEW IMPLEMENTATION COMMITTEE MEETINGS 2019 ⁽¹²⁾

| DIRECTORS | Scheduled meetings | | Ad hoc meetings | | Total 2019 meetings | |
|------------------------------------|--------------------|----------|-----------------|----------|---------------------|----------|
| | ELIGIBLE | ATTENDED | ELIGIBLE | ATTENDED | ELIGIBLE | ATTENDED |
| Peter Wilson, Chair | 1 | 1 | 0 | 0 | 1 | 1 |
| Shabnam Amirbeaggi ⁽¹⁰⁾ | 1 | 1 | 0 | 0 | 1 | 1 |
| Ivan Au ⁽¹⁰⁾ | 1 | 1 | 0 | 0 | 1 | 1 |
| Merran Kelsall | 1 | 1 | 0 | 0 | 1 | 1 |
| Dale Pinto ⁽¹¹⁾ | 1 | 1 | 0 | 0 | 1 | 1 |
| Chin Aik Wong | 1 | 1 | 0 | 0 | 1 | 1 |

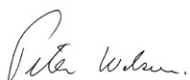
PEOPLE, REMUNERATION AND CULTURE COMMITTEE MEETINGS 2019

| DIRECTORS | Scheduled meetings | | Ad hoc meetings | | Total 2019 meetings | |
|-------------------------------------|--------------------|----------|-----------------|----------|---------------------|----------|
| | ELIGIBLE | ATTENDED | ELIGIBLE | ATTENDED | ELIGIBLE | ATTENDED |
| Merran Kelsall, Chair | 4 | 4 | 0 | 0 | 4 | 4 |
| Helen Lorigan | 4 | 4 | 0 | 0 | 4 | 4 |
| Peter Wilson ⁽⁵⁾ | 2 | 2 | 0 | 0 | 2 | 2 |
| Caroline Spencer ^{(1) (3)} | 1 | 1 | 0 | 0 | 1 | 1 |
| Su-Yen Wong | 4 | 4 | 0 | 0 | 4 | 4 |
| Louise Cox ^{(2) (6)} | 2 | 2 | 0 | 0 | 2 | 2 |
| Rosemary Sinclair ⁽⁶⁾ | 2 | 1 | 0 | 0 | 2 | 1 |

Notes:

- (1) Term as a director concluded 30 September 2019
- (2) Appointed as director effective 1 October 2019
- (3) Leave of absence from Board and Committee meetings approved by the Board effective 29 January 2019 to 30 June 2019
- (4) Term as Chair of Committee ended on 9 October 2019
- (5) Term on Committee ended on 9 October 2019
- (6) Term on Committee commenced on 10 October 2019
- (7) Term as Chair of Committee commenced on 10 October 2019
- (8) Independent non-director Committee members
- (9) Appointments Council representative on the Nomination Committee - term ended on 31 December 2019
- (10) Divisional President representatives (non-directors)
- (11) Divisional President representative (appointed as a director subsequent to appointment to this Committee)
- (12) Committee was wound up by the Board effective 9 December 2019

Signed in accordance with a resolution of the directors made pursuant to s298 (2) of the *Corporations Act 2001* on behalf of the directors.



Peter Wilson AM FCPA

Director

5 March 2020



Merran Kelsall FCPA

Director



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of CPA Australia Ltd

I declare that, to the best of my knowledge and belief, in relation to the audit of CPA Australia Ltd for the financial year ended 31 December 2019 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Chris Sargent

Partner

Melbourne

5 March 2020

OVERVIEW OF FINANCIAL RESULTS

FOR THE YEAR ENDED 31 DECEMBER 2019

| | | 2019 | 2018 |
|--|----------------------|-----------------|-----------------|
| | | \$'000s | \$'000s |
| STRATEGIC PILLARS | | | |
| Protect, promote and enhance the integrity of the profession | Revenue | 940 | 930 |
| | Cost | (19,248) | (20,628) |
| | Result | (18,308) | (19,698) |
| Lead the future of the accounting profession | Revenue | 3,444 | 3,706 |
| | Cost | (1,779) | (1,310) |
| | Result | 1,665 | 2,396 |
| Provide members with personalised and engaging experiences | Revenue | 84,904 | 84,591 |
| | Cost | (21,792) | (20,782) |
| | Result | 63,112 | 63,809 |
| Provide relevant learning and development content, resources and tools | Revenue | 13,386 | 13,076 |
| | Cost | (31,296) | (28,345) |
| | Result | (17,910) | (15,269) |
| Attract and develop the next generation of CPAs | Revenue | 65,227 | 68,013 |
| | Cost | (34,609) | (34,130) |
| | Result | 30,618 | 33,883 |
| Impact policy globally and be active in community advocacy | Revenue | - | - |
| | Cost | (5,171) | (4,635) |
| | Result | (5,171) | (4,635) |
| Corporate services and governance | Revenue | 4,995 | 5,170 |
| | Cost | (45,199) | (51,506) |
| | Result | (40,204) | (46,336) |
| CPA Australia Advice | Revenue | - | 134 |
| | Cost | (1,865) | (3,391) |
| | Result | (1,865) | (3,257) |
| Total CPA Australia excluding strategic projects | Revenue | 172,896 | 175,620 |
| | Cost | (160,959) | (164,727) |
| | Tax credit/(expense) | 606 | (731) |
| | Result | 12,543 | 10,162 |
| Strategic projects | Revenue | - | - |
| | Cost | (7,518) | (4,170) |
| | Result | (7,518) | (4,170) |
| Total CPA Australia including strategic projects | Revenue | 172,896 | 175,620 |
| | Cost | (168,477) | (168,897) |
| | Tax credit/(expense) | 606 | (731) |
| | Result | 5,025 | 5,992 |
| Other comprehensive income/(expense) for the year, net of tax | | 2,043 | (447) |
| Total comprehensive income for the year | | 7,068 | 5,545 |

CPA Australia has a member-centric strategy that in 2019 completed its first full year.

Considerable investment under the new strategy was made in 2019 which included: Member Journey Mapping in China and Malaysia, guided learning delivered by KnowledgEquity to provide better support through the CPA Program and enhancement of tools and resources for public practitioners through a risk management tool and quality management tool for compliance with APES 325 and APES 320 respectively. Additionally, the My Career Navigator tool was developed to assist members understand the skills required for career development. CPA Australia also continued to enhance our thought leadership in advocating for our members and the public interest.

In addition to these strategic investments, the overview of financial results has been presented to align with the six strategic pillars of the strategy along with financials for corporate services, CPA Australia Advice and strategic projects which is consistent with 2018.

Protect, promote and enhance the integrity of the profession's core activities includes managing and developing the brand, professional standards and quality assurance.

Lead the future of the accounting profession includes the development of strategies, training and tools to support members through the future changes to the profession and the development of membership pathways for skilled business professionals from non-accounting backgrounds.

Provide members with personalised and engaging experiences is a core activity that includes the delivery of the membership offer; administration and assessment of members' admissions and advancements, member engagement including increased support at branch level, member communications, member benefits and membership retention.

Provide relevant learning and development content, resources and tools includes the development and delivery of CPD products including training workshops and congress, a structured mentoring program, library services and publications such as INTHEBLACK, CPA Update and Australian Accounting Review.

Attract and develop the next generation of CPAs includes development and delivery of the CPA Program and Public Practice Program, development of meaningful and effective relationships with employers, academics and universities to support students and early career professionals to become ASAs and CPAs and the development of career pathways for students studying outside their home country.

Impact policy globally and be active in community advocacy includes policy and research, advocacy and government relations and support for the profession locally (AASB, AUASB and APESB) and internationally (IFAC, AFA, CAPA, etc.).

Corporate services and governance include internal support activities such as finance, legal, procurement, property management, technology, organisational development, human resources and planning. It also includes activities associated with the Board, Board Committees and Board secretariat.

CPA Australia Advice includes all activities associated with the operation of the wholly owned subsidiary, which previously provided an independent licencing solution for CPA Australia members engaged in the provision of financial planning services to clients. After conducting a review of the viability of this business in 2018, the Board of CPA Australia decided to exit the CPA Australia Advice business and this entity is in the process of being wound up and no longer holds an Australian Financial Services Licence or Australian Credit Licence.

Strategic projects include costs associated with Member Journey Mapping, development of public practitioner tools, costs of the guided learning system delivered by KnowledgEquity, My Career Navigator tool, a policy and advocacy roadshow, foundational work to inform renewal of core business systems and phase one of the development of the education ecosystem.

DISCUSSION AND ANALYSIS OF THE FINANCIAL RESULTS 2019

FINANCIAL RESULTS

In 2019, the Group delivered an operating surplus before tax of \$4.4m (2018: \$6.7m) and an overall comprehensive income of \$7.1m (after tax, defined benefit, FX and unrealised gain on investments) (2018: \$5.5m). The surplus for 2019 was delivered while continuing to invest in new tools and resources to support members, consistent with the goals and objectives of the 2018 – 2021 strategy developed in conjunction with members. The surplus was also delivered without increasing membership fees and through improving the value for money of CPD products for members. The surpluses achieved over the past 10 years provides an opportunity to further invest in member services and in the strategic initiatives identified under the strategy. The disclosures in the financial statements and accompanying notes have been further enhanced for 2019 with additional disclosures included in respect of tax and the adoption of new lease accounting standards.

REVENUE

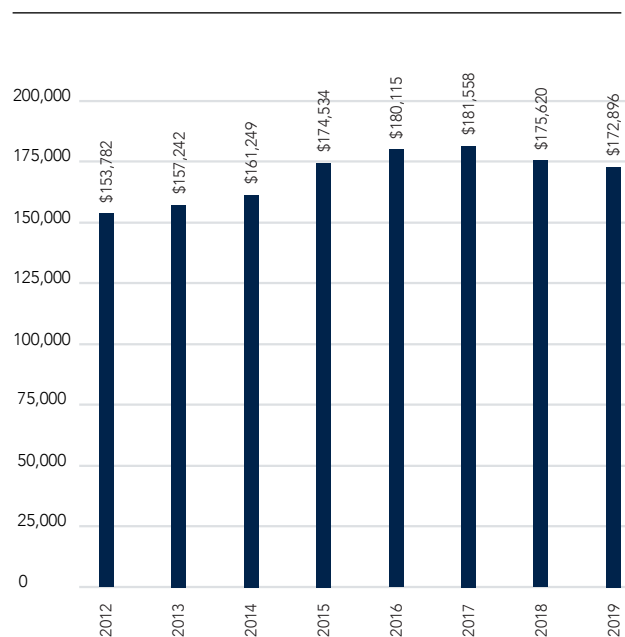
In 2019, membership subscriptions were held constant for the third year and CPA Program fees were held constant with 2018 and in some markets reduced. Overall revenue decreased by \$2.7m or 1.6 per cent over the 2019 financial year to \$172.9m (2018: \$175.6m). This was primarily due to lower CPA Program sales and lower income from sponsorships. The introduction of embedded guided learning delivered by KnowledgeEquity for the CPA Program free of charge also resulted in a reduction in the royalties received from learning partners.

The Group ended the year with **166,166** members (2018: 164,695) which was driven by an improved membership retention rate compared to 2018 and new member growth. This resulted in an improvement in membership revenue partially offsetting the lower revenue outlined above.

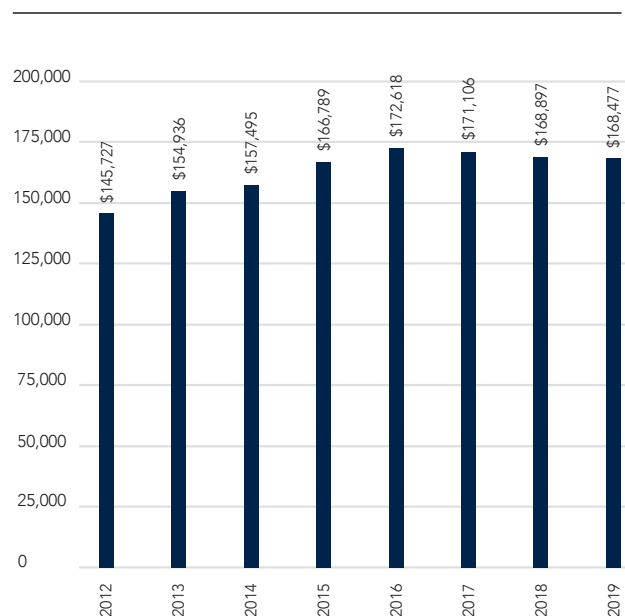
EXPENDITURE

Expenditure before tax was \$0.4m or 0.2 per cent lower than 2018 at \$168.5m (2018: \$168.9m). The decrease is primarily attributable to lower advertising and promotions expense, which was higher in 2018 due to production costs of the public practice campaign and lower depreciation and amortisation costs. The reduction was partially offset by higher education and CPA Program expense with the introduction of the embedded guided learning offer and higher event costs related to reinstatement of Sydney CPA Congress. Further details are outlined in Note 6 to the accounts.

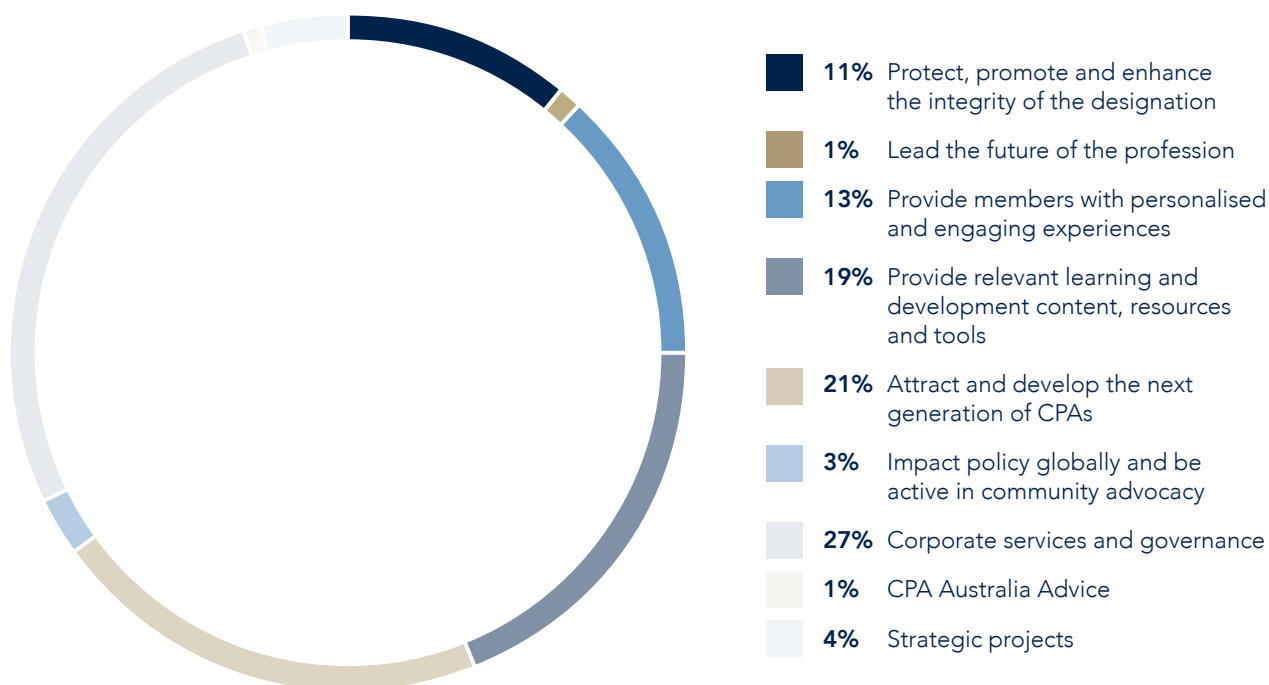
TOTAL REVENUE (\$'000s)



TOTAL EXPENDITURE EXCLUDING TAX (\$'000s)



EXPENDITURE BY STRATEGIC GOALS



TAXATION

The income tax benefit recognised in profit or loss for 2019 is \$0.6m (2018: income tax expense \$0.7m). The total income tax expense recognised in other comprehensive income for the year is \$1.0m (2018: expense of \$0.6m). This is primarily attributable to the deferred tax recognised on temporary differences at balance date.

Further details are contained in Note 7 on pages 107 to 110.

FOREIGN EXCHANGE

Foreign currency cash is held to meet the short-term working capital requirements of foreign operations. Any excess cash is returned to Australia to reduce the Group's exposure to fluctuations in exchange rates. Exchange rate fluctuations contributed to a foreign exchange gain on translation of cash of \$0.1m for the full year (2018: \$0.4m). A foreign exchange loss of \$0.2m (2018: \$0.2m gain) on translation of foreign operations for the year ended 31 December 2019 is recognised in Other Comprehensive Income.

CASH FLOW

The Group's cash flow and liquidity improved in 2019 with net cash inflows from operating activities of \$13.6m (2018: \$1.4m). Due to the adoption of AASB 16 *Leases*, rental payments on leased properties which would have previously been disclosed under cash flows from operating activities are now disclosed as cash flows from financing activities. Note 3 sets out the impact on net cash flows from operating activities as a result of the adoption of AASB 16. Had AASB 16 not been adopted, net cash inflows from operating activities would have been \$5.4m.

The net increase in cash and cash equivalents of \$16.4m (2018: decrease of \$17.3m) during the year was primarily due to increase in cash flow from investments.

INVESTMENTS

The Group's investment portfolio returned \$4.9m (2018: \$5.2m) of revenue and an unrealised gain of \$5.3m in 2019 (2018: \$3.3m loss). This was due to the strengthening of global investment markets in 2019.

BALANCE SHEET

The Group's balance sheet reflects net assets increasing by \$0.5m or 0.4 per cent compared to 2018, which is largely attributable to the surplus delivered in 2019 reduced by the opening retained earnings adjustment required by AASB 16 Leases as outlined in Note 3.

Cash and cash equivalents increased by \$16.4m compared to 2018, mainly due to increased investment in financial assets, deposits at call.

Trade and other receivables have decreased by \$0.4m to \$2.6m in 2019 (2018: \$3m); this is due to the lower payments received from member benefit partners with greater focus on core services that deliver member value.

Other current assets are \$0.7m lower than the prior year due to lower prepaid expenses.

Current and non-current other financial assets are lower than 2018 by \$3.1m which is directly attributable to an increase in deposits at call in cash and cash equivalents.

Property, plant and equipment has increased by \$0.7m to \$10.9m (2018: \$10.2m) which is directly attributable to the depreciation charged during the year offset by additions of assets of \$3.1m.

Intangible assets are lower than 2018 by \$1.1m, which is directly attributable to the amortisation charged during the year.

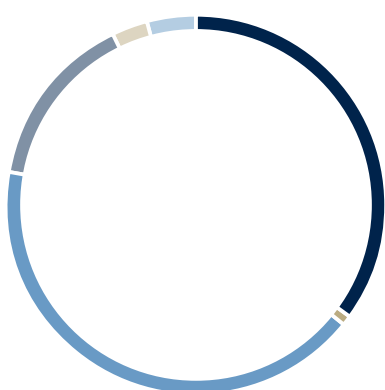
Other non-current assets are \$0.1m higher than 2018 due to additional security deposits resulting from new lease arrangements.

Trade and other payables were higher by \$0.6m compared to the previous year; this is due to a timing difference in payments to trade creditors.

Current and non-current provisions ended the year \$2.0m higher than 2018. This is mainly due to an increase in the make good provision for property leases.

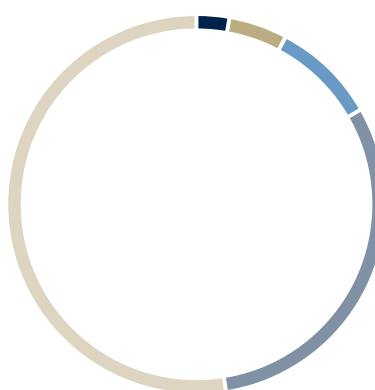
Other current liabilities were \$2.3m higher than 2018 which is due to higher subscriptions and fees received in advance.

ASSETS



- 35%** Cash and cash equivalents
- 1%** Trade and other receivables
- 42%** Other financial assets
- 15%** Right-of-use asset
- 3%** Other assets (incl. intangibles)
- 4%** Property, plant and equipment

LIABILITIES



- 2%** Non-current provisions
- 5%** Current provisions
- 9%** Trade and other payables
- 31%** Lease liabilities
- 53%** Subscriptions and fees in advance

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

| | Note | CONSOLIDATED | |
|--|-------------|-----------------|-----------------|
| | | 2019 \$'000s | 2018 \$'000s |
| Revenue | 4 | 167,996 | 170,407 |
| Finance income | 5 | 4,900 | 5,213 |
| Employee benefits expense | 6(a) | (66,305) | (63,082) |
| Education and CPA Program expense | 6(b) | (17,767) | (16,833) |
| Advertising and promotion expense | 6(c) | (9,793) | (12,919) |
| Rent and outgoings expense | 3 | (5,860) | (14,446) |
| Computer hardware and software licences expense | | (4,287) | (4,275) |
| Event delivery expense | 6(d) | (12,138) | (10,624) |
| Professional services expense | 6(e) | (16,174) | (14,467) |
| Printing and communication expense | 6(f) | (6,834) | (6,294) |
| Travel and catering expense | 6(g) | (6,054) | (5,885) |
| Other staff costs | 6(h) | (4,645) | (4,675) |
| Depreciation and amortisation expense | 12, 13 & 14 | (12,235) | (7,136) |
| Finance costs | | (1,549) | (5) |
| Net foreign exchange gain/(loss) | | 105 | 354 |
| Gain/(loss) on sale of financial assets at FVTPL | | (118) | 589 |
| Changes in the fair value of financial assets at FVTPL | | 3,043 | (1,944) |
| Impairment gain/(loss) | | (42) | (43) |
| Loss allowance for trade receivables | | (58) | (59) |
| Gain/(loss) on sale of property, plant and equipment | | - | (3) |
| Other expenses | 6(i) | (7,766) | (7,150) |
| Surplus before income tax | | 4,419 | 6,723 |
| Tax (expense)/income | 7 | 606 | (731) |
| Surplus for the year | | 5,025 | 5,992 |
| OTHER COMPREHENSIVE INCOME | | | |
| <i>Items that will not be reclassified subsequently to profit or loss:</i> | | | |
| Actuarial gain/(loss) on defined benefit plan | 23 | (49) | (29) |
| Changes in the fair value of equity investments at FVOCI | | 2,298 | (1,295) |
| Gain/(loss) on sale of financial assets at FVOCI | | (20) | 712 |
| <i>Items that may be reclassified subsequently to profit or loss:</i> | | | |
| Exchange differences on translating foreign operations | | (187) | 215 |
| Changes in the fair value of debt instruments at FVOCI | | 1 | (50) |
| Other comprehensive income for the year, net of tax | | 2,043 | (447) |
| Total comprehensive income for the year | | 7,068 | 5,545 |

CPA Australia 2019 financial statements

The Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the notes to the financial statements set out on pages 98 to 136.

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

| | Note | CONSOLIDATED | |
|--------------------------------------|-------|----------------|----------------|
| | | 2019 | 2018 |
| | | \$'000s | \$'000s |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 8 | 88,486 | 72,128 |
| Trade and other receivables | 9 | 2,596 | 2,983 |
| Other financial assets | 11 | 30,270 | 38,562 |
| Other assets | 10 | 5,625 | 6,324 |
| Total current assets | | 126,977 | 119,997 |
| NON-CURRENT ASSETS | | | |
| Other financial assets | 11 | 77,487 | 72,332 |
| Deferred tax assets | 7(d) | 67 | - |
| Property, plant and equipment | 12 | 10,929 | 10,178 |
| Intangible assets | 13 | 1,229 | 2,338 |
| Right-of-use asset | 14(a) | 38,150 | - |
| Other assets | 10 | 299 | 238 |
| Total non-current assets | | 128,161 | 85,086 |
| Total assets | | 255,138 | 205,083 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | | 12,953 | 12,356 |
| Provisions | 15 | 6,889 | 5,938 |
| Lease liabilities | 14(b) | 2,609 | - |
| Other liabilities | 16 | 78,730 | 76,404 |
| Total current liabilities | | 101,181 | 94,698 |
| NON-CURRENT LIABILITIES | | | |
| Provisions | 15 | 3,612 | 2,573 |
| Lease liabilities | 14(b) | 42,956 | - |
| Other liabilities | 16 | - | 888 |
| Total non-current liabilities | | 46,568 | 3,461 |
| Total liabilities | | 147,749 | 98,159 |
| Net assets | | 107,389 | 106,924 |
| MEMBERS' FUNDS | | | |
| Reserves | | 6,431 | 4,319 |
| Retained surplus | | 100,958 | 102,605 |
| Total members' funds | | 107,389 | 106,924 |

CPA Australia 2019 financial statements

The Statement of Financial Position is to be read in conjunction with the notes to the financial statements set out on pages 98 to 136.

STATEMENT OF CHANGES IN MEMBERS' FUNDS

FOR THE YEAR ENDED 31 DECEMBER 2019

| | CONSOLIDATED | | | | TOTAL |
|---|--------------------------------------|---|---------------------|----------------|-------|
| | INVESTMENT REVALUATION RESERVE | FOREIGN CURRENCY TRANSLATION RESERVE | RETAINED SURPLUS | | |
| Note | \$'000s | \$'000s | \$'000s | \$'000s | |
| Balance at 1 January 2018 | 5,034 | 415 | 95,930 | 101,379 | |
| Other comprehensive income | (1,345) | 215 | 683 | (447) | |
| Surplus for the year | - | - | 5,992 | 5,992 | |
| Balance at 1 January 2019 | 3,689 | 630 | 102,605 | 106,924 | |
| Transition to AASB 16 adjustment | 3 | - | (6,603) | (6,603) | |
| Restated balance at 1 January 2019 | 3,689 | 630 | 96,002 | 100,321 | |
| Other comprehensive income | 2,299 | (187) | (69) | 2,043 | |
| Surplus for the year | - | - | 5,025 | 5,025 | |
| Balance at 31 December 2019 | 5,988 | 443 | 100,958 | 107,389 | |

CPA Australia 2019 financial statements

The Statement of Changes in Members' Funds is to be read in conjunction with the notes to the financial statements set out on pages 98 to 136.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

| | Note | CONSOLIDATED | |
|--|----------|-----------------|-----------------|
| | | 2019 \$'000s | 2018 \$'000s |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts from operations | | 182,567 | 180,744 |
| Payments to suppliers and employees | | (167,465) | (179,387) |
| Interest on leases | 14(b) | (1,507) | - |
| Net cash inflows from operating activities | 8 | 13,595 | 1,357 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Payment for property, plant and equipment and intangible assets | 12 & 13 | (3,115) | (2,179) |
| Net receipts/(payments) for deposits less than 1 year but greater than 90 days | | 8,291 | (24,813) |
| Net receipts/(payments) for deposits greater than 1 year | | 203 | (203) |
| Proceeds from sale of investments | | 5,891 | 19,325 |
| Purchase of investments | | (4,924) | (15,636) |
| Investment interest and dividends received | | 4,954 | 5,073 |
| Net cash (outflows)/inflows from investing activities | | 11,300 | (18,433) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Payment of lease liabilities | 14(b) | (8,238) | - |
| Net cash outflows from financing activities | | (8,238) | - |
| Net increase/(decrease) in cash and cash equivalents held | | 16,657 | (17,076) |
| Cash and cash equivalents at the beginning of the financial year | | 72,128 | 89,433 |
| Effects of exchange rate changes in the balance of cash held in foreign currencies | | (299) | (229) |
| Cash and cash equivalents at the end of the financial year | 8 | 88,486 | 72,128 |

CPA Australia 2019 financial statements

The Statement of Cash Flows is to be read in conjunction with the notes to the financial statements set out on pages pages 98 to 136.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

1. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

The Group adopts all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the operations and effective for the current annual reporting period.

In the current year, the Group adopted the following new Australian Accounting Standards, Interpretations and Amendments issued by the AASB which were mandatorily effective for accounting periods on or after 1 January 2019.

AASB 16 *Leases* replaces AASB 117 *Leases* and some lease-related interpretations, providing a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. The accounting model for lessees requires lessees to recognise all leases on the balance sheet, except for short-term leases and leases of low value assets.

The impact of the changes due to the adoption of AASB 16 *Leases* is outlined in Note 3 Changes in significant accounting policies.

Standards issued but not yet effective

A number of Australian Accounting Standards, Interpretations and Amendments are in issue but are not yet effective and have not been applied in preparing these financial statements. These are not expected to have a material impact on the Group's financial statements when applied.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation

The general purpose consolidated financial statements have been prepared on an accruals basis and are based on historical costs. They do not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets. The accounting policies have been consistently applied, unless otherwise stated.

The report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000) unless otherwise stated under the option available under ASIC Legislative Instrument 2016/191.

b) Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards, Interpretations and other authoritative pronouncements of the AASB. CPA Australia is a not-for-profit entity for the purpose of preparing the financial statements; however, there is no impact on the recognition and measurement of amounts from applying paragraphs specific to not-for-profit entities. Therefore, compliance with Australian Accounting Standards results in full compliance with the IFRS as issued by the IASB.

CPA Australia is limited by guarantee and domiciled in Australia.

The consolidated financial statements for the year ended 31 December 2019 were authorised by the Board of Directors on 5 March 2020.

c) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company. Control is achieved where the Company has the power to govern the financial and operating policies of an entity to obtain benefits from its activities.

All intercompany transactions, balances, income and expenses are eliminated in full on consolidation.

d) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except:

- Where the GST incurred on purchases of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable
- Receivables and payables are stated inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, is classified as operating cash flows.

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

e) Foreign currency

All foreign currency transactions are shown in Australian dollars.

Foreign currency transactions

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currency are retranslated at the rate of exchange ruling at the balance sheet date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date the fair value was determined.

Exchange differences are recognised in profit or loss in the period they occur.

Foreign currency operations

The assets and liabilities of the Group's overseas operations are translated at the exchange rates prevailing at the reporting date. Income and expense items are translated at the average exchange rate for the period unless exchange rates fluctuate significantly. Exchange differences arising, if any, are charged/credited to other comprehensive income and recognised in the foreign currency translation reserve in equity.

f) Comparative amounts

When a change in accounting policy is applied retrospectively in accordance with Australian Accounting Standards, we have adjusted the opening balance of each affected component of equity for the earliest prior period presented and the other comparative amounts disclosed for each prior period presented as if the new accounting policy had always been applied. Certain amounts in the comparative information have been reclassified to conform with current period financial statement presentations.

g) Critical judgements in applying the Group's accounting policies

The following are the critical judgements that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

Employee entitlements

Management judgement is applied in determining the following key assumptions used in the calculation of long service leave at balance date:

- Future increases in wages and salaries
- Future on-cost rates
- Experience of employee departures and period of service
- Defined benefit plan.

Intangible and other assets

Management's judgement is applied to depreciation/amortisation rates, useful lives and residual values.

Deferred tax assets

Deferred tax assets in respect of current and prior period accumulated tax losses are not (unless related to overseas jurisdictions) recognised at balance sheet date as management has assessed that it is not probable that sufficient taxable surplus will be available to allow all or part of the deferred income tax asset to be utilised.

3. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

AASB 16 Leases

The Group has applied AASB 16 from 1 January 2019 using the modified retrospective approach. Under this method, the cumulative effect of initial application is recognised as an adjustment to the opening balance of retained earnings at 1 January 2019 and comparatives are not restated. On initial application, the following has been recognised:

- A lease liability measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate as at 1 January 2019
- A right-of-use asset measured at the carrying amount as if the Standard had been applied since the lease commencement date, but using the incremental borrowing rate as at 1 January 2019
- An adjustment to retained earnings for the difference between the value of the lease liability and the right-of-use asset.

In applying the modified retrospective approach, the Group has taken advantage of the following practical expedients:

- A single discount rate has been applied to portfolios of leases with reasonably similar characteristics. The Group discounted lease payments using its incremental borrowing rate at 1 January 2019 of 3.92 per cent
- Leases with a remaining term of 12 months or less from the date of application have been accounted for as short-term leases (i.e. not recognised on balance sheet) even though the initial term of the leases from lease commencement date may have been more than 12 months
- Initial direct costs have not been included in the measurement of the right-of-use asset as at the date of initial application
- For the purposes of measuring the right-of-use asset, hindsight has been used. Therefore, it has been measured based on prevailing estimates at the date of initial application and not retrospectively by making estimates and judgements (such as the term of leases) based on circumstances on or after the lease commencement date.

The following table summarises the impact of transition to AASB 16 on retained earnings at 1 January 2019:

| | CONSOLIDATED | | |
|---|--------------------|----------------------------------|---|
| | OPENING BALANCE | IMPACT OF ADOPTING AASB 16 | NEW OPENING BALANCE UNDER AASB 16 |
| Note | \$'000s | \$'000s | \$'000s |
| Retained surplus | | | |
| Balance as reported at 31 December 2018 | 102,605 | | |
| Recognition of leases under AASB 16 | 14(a) & (b) | (8,443) | |
| Derecognition of lease incentives prior to AASB 16 implementation | | 1,500 | |
| Deferred tax asset recognised on transition to AASB 16 | | 340 | |
| Balance at 1 January 2019 | 102,605 | (6,603) | 96,002 |

RECONCILIATION OF LEASE LIABILITIES AT 1 JANUARY 2019

| | CONSOLIDATED |
|--|---------------|
| | \$'000s |
| Operating lease commitments at 31 December 2018 as disclosed under AASB 117 | 58,283 |
| Discounted using the incremental borrowing rate at 1 January 2019 | 48,445 |
| Adjustments for outgoings not included in lease liability calculation under AASB 16 | (13,901) |
| Recognition exemption for leases of low-value assets | (17) |
| Recognition exemption for leases with less than 12 months remaining term at transition | (627) |
| Adjustment for lease incentive recognised under AASB 117 | (1,500) |
| Foreign exchange movements | 32 |
| Lease liabilities recognised under AASB 16 at 1 January 2019 | 32,432 |

The following tables summarise the impact of adopting AASB 16 on the Group's Statement of Financial Position as at 31 December 2019, its Statement of Profit or Loss and other Comprehensive Income and Statement of Cash Flows for each of the line items affected.

Statement of Financial Position (extract) as at 31 December 2019

| | CONSOLIDATED | | |
|-------------------------------|----------------|-----------------|---------------------|
| | AS REPORTED | ADJUSTMENTS | BALANCES WITHOUT |
| | 2019 | 2019 | ADOPTION OF AASB 16 |
| | \$'000s | \$'000s | 2019 |
| | | | \$'000s |
| Total non-current assets | 128,161 | (38,150) | 90,011 |
| Total assets | 255,138 | (38,150) | 216,988 |
| Total current liabilities | 101,181 | (2,537) | 98,644 |
| Total non-current liabilities | 46,568 | (42,956) | 3,612 |
| Total liabilities | 147,749 | (45,493) | 102,256 |
| Net assets | 107,389 | 7,343 | 114,732 |
| Members' funds | | | |
| Reserves | 6,431 | - | 6,431 |
| Retained surplus | 100,958 | 7,343 | 108,301 |
| Total members' funds | 107,389 | 7,343 | 114,732 |

Statement of Profit or Loss and Other Comprehensive Income (extract) for the year ended 31 December 2019

| | CONSOLIDATED | | |
|--|--------------|-------------|---------------------|
| | AS REPORTED | ADJUSTMENTS | BALANCES WITHOUT |
| | 2019 | 2019 | ADOPTION OF AASB 16 |
| | \$'000s | \$'000s | 2019 |
| | | | \$'000s |
| Rent and outgoings | (5,860) | (8,318) | (14,178) |
| Depreciation and amortisation expense | (12,235) | 7,243 | (4,992) |
| Finance costs | (1,549) | 1,507 | (42) |
| Foreign exchange movements | - | (32) | (32) |
| Surplus before income tax | 4,419 | 400 | 4,819 |
| Tax (expense)/income | 606 | 340 | 946 |
| Total comprehensive income for the year | 7,068 | 740 | 7,808 |

Statement of Cash Flows (extract) for the year ended 31 December 2019

| | Note | CONSOLIDATED | | |
|---|----------|-----------------------------------|--------------------------------|---|
| | | AS REPORTED 2019 \$'000s | ADJUSTMENTS 2019 \$'000s | BALANCES WITHOUT ADOPTION OF AASB 16 2019 \$'000s |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Receipts from operations | | 182,567 | - | 182,567 |
| Payments to suppliers and employees | | (167,465) | (9,745) | (177,210) |
| Interest on leases | 14b | (1,507) | 1,507 | - |
| Net cash inflows from operating activities | 8 | 13,595 | (8,238) | 5,357 |
| Net cash (outflows)/inflows from investing activities | | 11,300 | - | 11,300 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | |
| Payment of lease liabilities | 14b | (8,238) | 8,238 | - |
| Net cash outflows from financing activities | | (8,238) | 8,238 | - |
| Net increase/(decrease) in cash and cash equivalents held | | 16,657 | - | 16,657 |
| Cash and cash equivalents at the beginning of the financial year | | 72,128 | - | 72,128 |
| Effects of exchange rate changes in the balance of cash held in foreign currencies | | (299) | - | (299) |
| Cash and cash equivalents at the end of the financial year | 8 | 88,486 | - | 88,486 |

4. REVENUE

| | CONSOLIDATED | |
|--|-----------------|-----------------|
| | 2019 \$'000s | 2018 \$'000s |
| REVENUE FROM CONTRACTS WITH CUSTOMERS | | |
| Member fees and subscriptions | 86,950 | 84,693 |
| Education and CPA Program | 58,045 | 60,022 |
| Professional development | 13,972 | 13,551 |
| Other services | 5,541 | 6,066 |
| Marketing, promotion and publications | 3,488 | 6,075 |
| | 167,996 | 170,407 |

(a) Disaggregation of revenue from contracts with customers

In the following table, revenue from contracts with customers is disaggregated by major products and service lines and the timing of revenue recognition.

| | CONSOLIDATED | | | | | TOTAL |
|---------------------------------------|-------------------------------|---------------------------|--------------------------|----------------|---------------------------------------|----------------|
| | MEMBER FEES AND SUBSCRIPTIONS | EDUCATION AND CPA PROGRAM | PROFESSIONAL DEVELOPMENT | OTHER SERVICES | MARKETING, PROMOTION AND PUBLICATIONS | |
| 2019 | \$'000s | \$'000s | \$'000s | \$'000s | \$'000s | \$'000s |
| Revenue from contracts with customers | 86,950 | 58,045 | 13,972 | 5,541 | 3,488 | 167,996 |
| Timing of revenue recognition | | | | | | |
| At a point in time | 2,321 | 2,380 | 13,972 | 5,541 | 3,488 | 27,702 |
| Over time | 84,629 | 55,665 | - | - | - | 140,294 |
| TOTAL | 86,950 | 58,045 | 13,972 | 5,541 | 3,488 | 167,996 |
| 2018 | | | | | | |
| Revenue from contracts with customers | 84,693 | 60,022 | 13,551 | 6,066 | 6,075 | 170,407 |
| Timing of revenue recognition | | | | | | |
| At a point in time | 2,223 | 2,531 | 13,551 | 6,066 | 6,075 | 30,446 |
| Over time | 82,470 | 57,491 | - | - | - | 139,961 |
| TOTAL | 84,693 | 60,022 | 13,551 | 6,066 | 6,075 | 170,407 |

Member fees and subscriptions

The membership subscription year runs from 1 January to 31 December, with subscriptions payable annually in advance. Only those membership fees and subscriptions that are attributable to the current financial year are recognised as revenue over time. Fees and subscription payments that relate to future periods are shown in the Statement of Financial Position as subscriptions and fees in advance under the heading of current liabilities – other liabilities.

Education and CPA Program

Education and CPA Program revenue is recognised as the associated performance obligations are satisfied. Payments are received in advance except in a small number of cases where customers are invoiced and payment is due within 30 days. Revenue that relates to future periods is shown in the Statement of Financial Position as subscriptions and fees in advance under the heading of current liabilities – other liabilities.

Professional development

Professional development revenue is recognised at a point in time as events are delivered or as goods are transferred to customers. Payments are generally received in advance; where customers are invoiced, payment is due within 30 days. Revenue that relates to future periods is shown in the Statement of Financial Position as subscriptions and fees in advance under the heading of 'current liabilities – other liabilities.'

Marketing, promotion and publications

Revenue from marketing, promotion and publications activity is recognised at the time of the sponsored event or publication issue. Payment is due from customers within 30 days of invoicing. Where payment is received in advance, it is recognised as a liability until the performance obligation is satisfied.

Other revenue-generating activities

Revenue from other contracts with customers is transferred at a point in time when performance obligations are satisfied by transferring promised goods or services to customers. Payment is due from customers within 30 days of invoicing.

(b) Contract balances

The following table provides information about receivables and contract liabilities from contracts with customers.

| | CONSOLIDATED | |
|---|--------------|---------|
| | 2019 | 2018 |
| | \$'000s | \$'000s |
| Receivables (included in 'trade and other receivables') | 2,519 | 2,816 |
| Loss allowance | (49) | (42) |
| Total receivables | 2,470 | 2,774 |
| Subscriptions and fees received in advance | 78,730 | 75,792 |

Subscriptions and fees in advance are shown in the Statement of Financial Position under the heading of 'current liabilities – other liabilities'; this represents advance consideration received from customers for which revenue is recognised in accordance with the satisfaction of performance obligations.

Significant changes in contract balances during the period are as follows:

| | CONSOLIDATED | |
|---|--------------|----------|
| | 2019 | 2018 |
| | \$'000s | \$'000s |
| Revenue recognised that was included in the subscriptions and fees received in advance balance at the beginning of the period | 75,792 | 74,744 |
| Increases due to cash received, excluding amounts recognised as revenue during the period | (78,730) | (75,792) |

(c) Transaction price allocated to the remaining performance obligations

The following table includes revenue expected to be recognised in the future related to performance obligations that are unsatisfied (or partially unsatisfied) at 31 December 2019.

| | CONSOLIDATED | |
|-------------------------------|--------------|--|
| | 2020 | |
| | \$'000s | |
| Member fees and subscriptions | 59,978 | |
| Education and CPA Program | 18,541 | |
| Professional development | 120 | |
| Other services | 91 | |
| | 78,730 | |

5. FINANCE INCOME

| | CONSOLIDATED | |
|--------------------------------------|--------------|---------|
| | 2019 | 2018 |
| | \$'000s | \$'000s |
| Dividends and distributions | 2,882 | 3,067 |
| Interest income on: | | |
| Financial assets held as investments | 1,943 | 2,025 |
| Bank deposits | 75 | 121 |
| | 4,900 | 5,213 |

Dividends and distributions

Dividends are recognised as finance income in profit or loss when the right to receive payment is established.

Interest

Interest is recognised as finance income in profit or loss using the effective interest rate method.

6. EXPENDITURE

| | CONSOLIDATED | |
|---|--------------|---------|
| | 2019 | 2018 |
| | \$'000s | \$'000s |
| A. EMPLOYEE BENEFITS EXPENSE | | |
| Salaries and other benefits | 60,860 | 58,004 |
| Defined contribution | 5,055 | 4,676 |
| Fringe benefits tax | 341 | 373 |
| Defined benefit plan | 49 | 29 |
| | 66,305 | 63,082 |
| B. EDUCATION AND CPA PROGRAM EXPENSE | | |
| Exam delivery | 11,814 | 10,822 |
| Exam and content development | 5,696 | 5,500 |
| Exam support | 257 | 511 |
| | 17,767 | 16,833 |
| C. ADVERTISING AND PROMOTION EXPENSE | | |
| Acquisition advertising | 5,569 | 6,635 |
| Sponsorships | 2,003 | 2,628 |
| Public practice program campaign | 709 | 2,174 |
| Member engagement activity | 376 | 373 |
| Other ¹ | 374 | 240 |
| Business development activity | 324 | 506 |
| Brand activity | 231 | 33 |
| Research prizes and grants | 182 | 196 |
| Media monitoring | 25 | 134 |
| | 9,793 | 12,919 |
| D. EVENT DELIVERY EXPENSE | | |
| Professional development events | 9,323 | 8,121 |
| Member engagement events | 2,440 | 1,995 |
| Education events | 280 | 326 |
| Recruitment events | 95 | 182 |
| | 12,138 | 10,624 |

¹ For the purpose of comparison, Member benefit expense of \$3000 reported in 2018 has been added to other expenses.

6. EXPENDITURE (continued)

| | CONSOLIDATED | |
|---|--------------|---------|
| | 2019 | 2018 |
| | \$'000s | \$'000s |
| E. PROFESSIONAL SERVICES EXPENSE | | |
| Strategic investment | 5,530 | - |
| Corporate support | 3,070 | 3,117 |
| Technology projects | 2,670 | 3,683 |
| Publications | 934 | 1,040 |
| Business development activity | 809 | 798 |
| Product development and delivery ² | 756 | 593 |
| Legal | 730 | 1,183 |
| Governance | 663 | 870 |
| Member Journey Mapping | 340 | 543 |
| Professional conduct activity | 331 | 252 |
| AGM | 270 | 401 |
| Risk management and PSC Scheme | 71 | 613 |
| Strategic review | - | 1,374 |
| | 16,174 | 14,467 |
| F. PRINTING AND COMMUNICATION EXPENSE | | |
| Publications | 3,701 | 3,468 |
| Telephone, internet and WAN costs | 1,025 | 1,106 |
| Printing and stationery | 905 | 713 |
| Postage | 775 | 627 |
| Other | 428 | 380 |
| | 6,834 | 6,294 |
| G. TRAVEL AND CATERING EXPENSE | | |
| Business development activity | 1,372 | 1,305 |
| Member engagement activity | 1,278 | 1,019 |
| Corporate support | 755 | 616 |
| Education and professional development activity | 566 | 553 |
| Board and internal audit | 906 | 809 |
| Public practice activity | 492 | 499 |
| Advocacy | 475 | 683 |
| Professional conduct activity | 108 | 91 |
| Strategic projects | 102 | - |
| Strategic review | - | 310 |
| | 6,054 | 5,885 |

² For the purpose of comparison, social media expense of \$4000 reported in 2018 has been reallocated to product development and delivery.

6. EXPENDITURE (continued)

| | CONSOLIDATED | |
|--------------------------------|--------------|--------------|
| | 2019 | 2018 |
| | \$'000s | \$'000s |
| H. OTHER STAFF COSTS | | |
| Agencies employment expense | 2,203 | 2,466 |
| Staff recruitment | 1,325 | 1,018 |
| Staff training and development | 668 | 672 |
| Other staff costs | 449 | 519 |
| | 4,645 | 4,675 |
| I. OTHER EXPENSES | | |
| QA review | 2,405 | 2,207 |
| Merchant fees and bank fees | 2,475 | 2,459 |
| Memberships and contributions | 2,531 | 2,288 |
| Other | 355 | 196 |
| | 7,766 | 7,150 |

7. TAXATION

(a) Income tax recognised in profit or loss

As an organisation that is carried on for the benefit of its members collectively, not individually, the Group applies the principle of mutuality which is a common law principle based on the premise that individuals (members in the case of CPA Australia) cannot derive taxable income from themselves.

In applying the principle of mutuality, revenue in the form of member receipts represents mutual income and is not subject to income tax. Expenses associated with such mutual income are likewise not tax deductible for income tax purposes. The principle of mutuality does not extend to all other receipts and payments of the Group and as such need to be classified for income tax purposes in accordance with Australian income tax legislation.

Expenditure of the Group has been apportioned between mutual and non-mutual income using an appropriate methodology which has been validated by external tax advisors.

In addition to its Australian operations, the Group also operates in a number of overseas jurisdictions. The revenue derived by the foreign branches of CPA Australia are generally not subject to Australian income tax. Expenses associated with the activities of the foreign branches of CPA Australia are similarly not tax deductible under Australian income tax law.

| | CONSOLIDATED | |
|--|--------------|------------|
| | 2019 | 2018 |
| | \$'000s | \$'000s |
| CURRENT TAX EXPENSE/(INCOME) | | |
| Current year tax expense/(income) | - | - |
| DEFERRED TAX EXPENSE/(BENEFIT) | | |
| Deferred tax expense/(benefit) (refer 7 (d)) | (665) | 591 |
| Tax expense overseas entities | 59 | 140 |
| Total income tax expense/(income) | (606) | 731 |

(b) Reconciliation of prima facie income tax

The assessable income of the Group for income tax purposes comprises only certain income deemed to be derived from non-member activities. Allowable deductions for income tax are limited to certain expenses incurred in deriving non-member income and statutory deductions.

The prima facie income tax expense on pre-tax accounting surplus from operations reconciles to the income tax expense in the financial statements as follows:

| | CONSOLIDATED | |
|--|--------------|------------|
| | 2019 | 2018 |
| | \$'000s | \$'000s |
| Surplus before income tax | 4,419 | 6,723 |
| Income tax expense calculated at 30% | 1,326 | 2,017 |
| TAX EFFECT OF AMOUNTS WHICH ARE NOT DEDUCTIBLE/(TAXABLE) IN CALCULATING TAXABLE INCOME: | | |
| Mutual revenue | (47,612) | (47,000) |
| Mutual expenses | 39,966 | 38,090 |
| Foreign operations revenue | (1,195) | (827) |
| Foreign operations expenditure | 7,373 | 6,203 |
| Non-deductible expenses | (1,106) | 1,517 |
| | (1,248) | - |
| TAX EFFECT OF: | | |
| Temporary differences | 497 | (641) |
| Derecognition of prior year tax losses as deferred assets | - | 974 |
| Current year unused tax losses not recognised as deferred assets | 86 | 258 |
| Impact of tax foreign jurisdiction | 59 | 140 |
| | 642 | 731 |
| Total income tax expense/(income) | (606) | 731 |

Non-mutual operating and investment revenue totalled \$22.2m in 2019. Non-mutual operating expenditure totalled \$21.6m in 2019. This gives rise to a non-mutual taxable surplus of \$1.3m prior to any tax adjustments.

The tax rate used in the above reconciliation is the corporate tax rate of 30 per cent payable by Australian corporate entities on taxable profits under Australian tax law.

There has been no change in the corporate tax rate when compared with that of the previous reporting period.

(c) Income tax recognised in other comprehensive income

| | CONSOLIDATED | |
|---|--------------|--------------|
| | 2019 | 2018 |
| | \$'000s | \$'000s |
| Deferred tax expense/(benefit) arising on the fair value remeasurement of equity investments at FVOCI (refer 7 (d)) | 986 | (554) |
| Deferred tax expense/(benefit) arising on the fair value remeasurement of debt instruments at FCOVI (refer 7 (d)) | - | (21) |
| Total income tax recognised in other comprehensive income | 986 | (575) |

The deferred tax expense arising on the fair value measurement of equity investments and debt instruments is included in the changes in the fair value of equity investments and debt instruments in other comprehensive income in the Statement of Profit or Loss and Other Comprehensive Income.

d) Deferred tax assets/(liabilities) arise from the following:

| | CONSOLIDATED | | | | | | | | | | |
|-------------------------------|----------------------|------------------------------|--|-----------------|----------------------|------------------------------|--|-------------------------------------|-----------------------------------|-----------------|----------------------|
| | OPENING BALANCE 2018 | RECOGNISED IN PROFIT OR LOSS | RECOGNISED IN OTHER COMPREHENSIVE INCOME | FX RE-VALUATION | CLOSING BALANCE 2018 | RECOGNISED IN PROFIT OR LOSS | RECOGNISED IN OTHER COMPREHENSIVE INCOME | RECOGNISED ON TRANSITION TO AASB 16 | RE-CLASSIFICATION TO DEFERRED TAX | FX RE-VALUATION | CLOSING BALANCE 2019 |
| Investments | (2,640) | 583 | 575 | - | (1,482) | (912) | (986) | - | - | - | (3,380) |
| Property, plant and equipment | (391) | 187 | - | - | (204) | 204 | - | - | - | - | - |
| Employee benefits | 379 | (102) | - | - | 277 | 31 | - | - | - | - | 308 |
| Provisions | 117 | (27) | - | - | 90 | (55) | - | - | - | - | 35 |
| Leases | - | - | - | - | - | 230 | - | 340 | - | - | 570 |
| Tax losses | 2,537 | (1,232) | - | - | 1,305 | 1,162 | - | - | - | - | 2,467 |
| Foreign subsidiaries | - | - | - | - | - | 19 | - | - | 48 | - | 67 |
| FX Revaluation | (2) | - | - | 16 | 14 | (14) | - | - | - | - | - |
| | - | (591) | 575 | 16 | - | 665 | (986) | 340 | 48 | - | 67 |

CPA Australia Ltd and its Australian subsidiary CPA Australia Advice Pty Ltd formed a tax consolidated group with effect from 1 April 2016. Members of the tax consolidated group have entered into a Tax Sharing and Funding Agreement.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax assets are recognised for all deductible temporary differences. The Group has recognised a deferred income tax asset for all carry forward tax losses to such an extent so that total net deferred income tax assets and liabilities are nil. Any deferred tax asset related to other tax jurisdictions are recognised in the balance sheet. Further details on the deferred tax assets not brought to account are outlined below.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date 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 deferred income tax asset to be utilised.

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

Income taxes relating to items recognised directly in equity are recognised in equity and not in the Statement of Profit or Loss and Other Comprehensive Income.

(e) Deferred tax assets not brought to account

Deferred tax assets not brought to account are as follows:

| | CONSOLIDATED | |
|------------------------------------|--------------|---------|
| | 2019 | 2018 |
| | \$'000s | \$'000s |
| Tax losses not recognised as DTA's | 2,329 | 2,243 |

8. CASH AND CASH EQUIVALENTS

| | CONSOLIDATED | |
|--------------------------|---------------|---------------|
| | 2019 | 2018 |
| | \$'000s | \$'000s |
| CURRENT | | |
| Cash at bank and in hand | 44,486 | 61,628 |
| Deposits at call | 44,000 | 10,500 |
| | 88,486 | 72,128 |

Cash and cash equivalents comprise cash on hand, cash at bank, at call deposits and bank bills maturing within less than 90 days from the date of inception.

Reconciliation of profit after income tax to net cash

| | CONSOLIDATED | |
|--|---------------|--------------|
| | 2019 | 2018 |
| | \$'000s | \$'000s |
| INFLOW FROM OPERATING ACTIVITIES | | |
| Surplus for the year | 5,025 | 5,992 |
| Plus/(minus) non-operating items: | | |
| Interest and dividend income received | (4,900) | (5,213) |
| Net (gain)/loss on sale of property, plant and equipment | - | 3 |
| Net (gain)/loss on sale of financial assets at FVTPL | 118 | (589) |
| Plus/(minus) non-cash items: | | |
| Depreciation and amortisation | 12,235 | 7,136 |
| Foreign exchange translation | (105) | (354) |
| Provision for impairment | 42 | 43 |
| Addback loss allowance on trade receivables | 58 | 59 |
| Deferred tax adjustment | (665) | 575 |
| Make-good expense/(gain) | (81) | (227) |
| (Gain)/loss on revaluation of financial assets at FVTPL | (3,043) | 1,944 |
| Finance cost | 42 | 5 |
| Change in assets and liabilities: | | |
| (Increase)/decrease in receivables | 281 | (442) |
| (Increase)/decrease in other assets | 571 | 219 |
| Increase/(decrease) in payables | 589 | (6,247) |
| Increase/(decrease) in subscriptions and fees in advance | 2,938 | (419) |
| Increase/(decrease) in other liabilities | (1,500) | (612) |
| Increase/(decrease) in provisions | 1,990 | (516) |
| Net cash inflow from operating activities | 13,595 | 1,357 |

9. TRADE AND OTHER RECEIVABLES

| | CONSOLIDATED | |
|--|--------------|---------|
| | 2019 | 2018 |
| | \$'000s | \$'000s |
| CURRENT ASSETS | | |
| Trade and other receivables | 2,578 | 2,852 |
| Loss allowance | (49) | (42) |
| | 2,529 | 2,810 |
| OTHER RECEIVABLES | | |
| Accrued interest on bank deposits | 6 | 11 |
| Accrued interest on financial assets at amortised cost | 61 | 162 |
| | 67 | 173 |
| | 2,596 | 2,983 |

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and therefore classified as current. No interest is charged on outstanding trade receivables. Trade receivables are recognised initially at the transaction amount. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. Trade receivables consist of many members and customers, spread across diverse industries and geographical areas. The Group does not have any significant credit risk exposure to any single party or group of counter parties having similar characteristics and the maximum exposure to credit risk is equal to the value of our receivables.

The movement in the allowance for impairment in respect of trade receivables is as follows:

| | CONSOLIDATED | |
|---|--------------|---------|
| | 2019 | 2018 |
| | \$'000s | \$'000s |
| MOVEMENT IN LOSS ALLOWANCE | | |
| Balance at 1 January under AASB 139 | - | 11 |
| Adjustment on initial application of AASB 9 | - | 22 |
| Balance at 1 January under AASB 9 | 42 | 33 |
| Amounts recovered | (18) | (6) |
| Remeasurement of loss allowance | 25 | 15 |
| Balance at the end of the year | 49 | 42 |

Details on the calculation of the loss allowance are provided in Note 24.

10. OTHER ASSETS

| | CONSOLIDATED | |
|---|--------------|---------|
| | 2019 | 2018 |
| | \$'000s | \$'000s |
| CURRENT | | |
| Defined benefit plan | 355 | 409 |
| Prepayments | 5,270 | 5,915 |
| | 5,625 | 6,324 |
| NON-CURRENT | | |
| Loan to related parties (at amortised cost) | - | - |
| Less provision for impairment | - | - |
| Security deposit and other | 299 | 238 |
| | 299 | 238 |

Defined benefit plan

The defined benefit obligation recognised in the Statement of Financial Position represents the present value of the defined benefit obligation, adjusted for unrecognised past service cost, net of the fair value of plan assets. Any asset resulting from this calculation is limited to the past service cost, plus the present value of available refunds and reductions in future contributions to the plan. At 31 December 2019, there are no defined benefit members remaining in the Fund.

Mercer Benefit Services has provided actuarial calculations of the current benefit of the defined benefit liability and detailed disclosures relating to this plan are provided in Note 23.

Actuarial gains and losses are recognised in full, directly in retained earnings, in the period in which they occur, and presented in other comprehensive income. Past services cost is recognised immediately to the extent that the benefits are already vested, and otherwise amortised on a straight-line basis over the average period until the benefits become vested.

As there are no defined members as at 31 December 2019, CPA Australia is currently requesting that any surplus in the defined benefit fund be recognised under the Employer's Superannuation Guarantee obligations in respect of accumulation of members' benefits, with a 'contribution holiday' to be granted to the value of the defined benefit asset.

Loan to related parties

The Group previously entered into a memorandum of understanding with two other accounting bodies, CA ANZ and the IPA, to jointly promote the activities of the Association of Accounting Technicians Australia through the provision of loan funds. A deed of variation was signed in 2017 which reduced the loan receivable from \$320,000 to \$150,000. A repayment of \$149,999 was received in 2017, reducing the non-current loan amount to \$1.

The Group had previously recognised an impairment provision in 2015 for the full amount of the loan.

11. OTHER FINANCIAL ASSETS

| | CONSOLIDATED | |
|---|--------------|---------|
| | 2019 | 2018 |
| | \$'000s | \$'000s |
| CURRENT | | |
| Deposits greater than 90 days, less than one year | 30,270 | 38,562 |
| | 30,270 | 38,562 |
| NON-CURRENT | | |
| Deposits greater than one year | - | 203 |
| Annuities | 1,000 | 1,000 |
| Financial assets at fair value through profit or loss (FVTPL) | 49,698 | 45,712 |
| Financial assets at fair value through other comprehensive income (FVOCI) | 26,789 | 25,417 |
| | 77,487 | 72,332 |

Details on accounting policies for financial assets are outlined in Note 24.

12. PROPERTY, PLANT AND EQUIPMENT

| | CONSOLIDATED | | | | |
|---|---------------------|-----------------------------------|-----------------------------|--------------------------------|-----------------|
| | BUILDING AT COST | PLANT AND EQUIPMENT AT COST | LIBRARY BOOKS AT COST | CAPITAL WORK IN PROGRESS | TOTAL |
| | \$'000s | \$'000s | \$'000s | \$'000s | \$'000s |
| GROSS CARRYING AMOUNT | | | | | |
| Balance at 1 January 2018 | 3,800 | 38,921 | 68 | 463 | 43,252 |
| Additions | - | 1,007 | 10 | 1,399 | 2,416 |
| Disposals | - | (826) | (22) | - | (848) |
| Transfers to/from asset class | - | 1,862 | - | (1,862) | - |
| Balance at 1 January 2019 | 3,800 | 40,964 | 56 | - | 44,820 |
| Additions | - | 1,572 | 8 | 2,923 | 4,503 |
| Disposals | - | (597) | (13) | - | (610) |
| Transfers to/from asset class | - | 949 | - | (949) | - |
| Balance at 31 December 2019 | 3,800 | 42,888 | 51 | 1,974 | 48,713 |
| ACCUMULATED DEPRECIATION AND IMPAIRMENT | | | | | |
| Balance at 1 January 2018 | (1,520) | (30,321) | (30) | - | (31,871) |
| Disposals | - | 821 | 22 | - | 843 |
| Depreciation | (76) | (3,524) | (14) | - | (3,614) |
| Balance at 1 January 2019 | (1,596) | (33,024) | (22) | - | (34,642) |
| Disposals | - | 557 | 13 | - | 570 |
| Depreciation | (76) | (3,625) | (11) | - | (3,712) |
| Balance at 31 December 2019 | (1,672) | (36,092) | (20) | - | (37,784) |
| NET BOOK VALUE | | | | | |
| Property, plant and equipment as at 31 December 2018 | 2,204 | 7,940 | 34 | - | 10,178 |
| Property, plant and equipment as at 31 December 2019 | 2,128 | 6,796 | 31 | 1,974 | 10,929 |

All items of property, plant and equipment are held by the parent.

All classes of assets are stated at cost less accumulated depreciation and any impairment.

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows:

| | |
|-------------------------------|------------|
| Buildings | 50 Years |
| Strata title | 50 Years |
| Property, plant and equipment | 3–13 Years |
| Library books | 5 Years |

Land and buildings

Valuations are obtained biennially and were obtained in 2019. All valuations received exceeded the assets recorded value at balance date. They reflect independent assessments of the open market value of land and buildings based on existing use.

Lease restoration

The initial cost of an asset includes an estimate of the cost of dismantling and removing the item and restoring the site on which it is located. This is particularly relevant to restoration provisions in property leases taken up where there exists an obligation to restore the property to its original condition. These costs are included in the value of plant and equipment (comprising of leasehold improvements assets) with a corresponding provision for the restoration taken up.

Impairment

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If such an indication exists and where carrying values exceed the recoverable amount, the asset is written down to the recoverable amount. Recoverable amount is the greater of fair value less costs to sell and value in use.

Sale of non-current assets

Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss.

13. INTANGIBLE ASSETS

| | CONSOLIDATED | | |
|---|------------------------------|---|-----------------|
| | INTANGIBLE ASSETS AT COST | CAPITAL WORK IN PROGRESS – INTANGIBLE ASSETS | TOTAL |
| | \$'000s | \$'000s | \$'000s |
| GROSS CARRYING AMOUNT | | | |
| Balance at 1 January 2018 | 33,886 | 745 | 34,631 |
| Additions | - | 770 | 770 |
| Disposals | (1,211) | - | (1,211) |
| Transfers to/from asset class | 1,186 | (1,186) | - |
| Balance at 1 January 2019 | 33,861 | 329 | 34,190 |
| Additions | - | 171 | 171 |
| Disposals | - | - | - |
| Transfers to/from asset class | 448 | (448) | - |
| Balance at 31 December 2019 | 34,309 | 52 | 34,361 |
| ACCUMULATED AMORTISATION AND IMPAIRMENT | | | |
| Balance at 1 January 2018 | (29,497) | - | (29,497) |
| Disposals | 1,167 | - | 1,167 |
| Amortisation and impairment | (3,522) | - | (3,522) |
| Balance at 1 January 2019 | (31,852) | - | (31,852) |
| Disposals | - | - | - |
| Amortisation and impairment | (1,280) | - | (1,280) |
| Balance at 31 December 2019 | (33,132) | - | (33,132) |
| NET BOOK VALUE | | | |
| Intangible assets as at 31 December 2018 | 2,009 | 329 | 2,338 |
| Intangible assets as at 31 December 2019 | 1,177 | 52 | 1,229 |

Intangible assets with finite lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment loss. Amortisation is recognised on a straight-line basis over their estimated useful lives as follows:

| | |
|-----------------------|---------|
| Core business systems | 5 Years |
| Website | 3 Years |
| Other software | 3 Years |

The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Website costs

The primary focus of the Group's website is as an advertising, branding and information tool for the Group and its members. All maintenance and operational expenditure have been treated as expenses incurred in the period.

Impairment of intangible assets

At each reporting date, the Group reviews the carrying amounts of its intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the recoverable amount of the cash-generating unit to which the asset belongs is estimated. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

14. LEASES

(a) Right-of-use asset

The Group leases properties in the jurisdictions from which it operates. In some jurisdictions, it is customary for lease contracts to provide for payments to increase each year by inflation and in others to be reset periodically to market rental rates. In some jurisdictions, the periodic rent is fixed over the lease term.

| CONSOLIDATED | |
|---|----------------|
| Leased properties | |
| \$'000s | |
| GROSS CARRYING AMOUNT | |
| Balance at 1 January 2018 | - |
| Additions/modification to right-of-use assets | - |
| Derecognition of right-of-use assets | - |
| Balance at 1 January 2019 | 23,989 |
| Additions/modification to right-of-use assets | 21,352 |
| Derecognition of right-of-use assets | (64) |
| Foreign exchange movements | 34 |
| Balance at 31 December 2019 | 45,311 |
| ACCUMULATED DEPRECIATION | |
| Balance at 1 January 2018 | - |
| Depreciation | - |
| Derecognition of right-of-use assets | - |
| Foreign exchange movements | - |
| Balance at 1 January 2019 | - |
| Depreciation | (7,243) |
| Derecognition of right-of-use assets | 64 |
| Foreign exchange movements | 18 |
| Balance at 31 December 2019 | (7,161) |
| NET BOOK VALUE | |
| Right-of-use asset as at 31 December 2018 | - |
| Right-of-use asset as at 31 December 2019 | 38,150 |

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

All leases are accounted for by recognising a right-of-use asset and a lease liability except for leases of low-value assets and leases with a duration of 12 months or less. Lease payments associated with these leases are recognised as an expense in the Statement of Profit or Loss and Other Comprehensive Income over the lease term.

Right-of-use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- Lease payments made at or before commencement of the lease
- Initial direct costs incurred.

Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

(b) Lease liabilities

| | CONSOLIDATED Leased properties \$'000s |
|--|--|
| LEASE LIABILITIES | |
| Current | 2,609 |
| Non-current | 42,956 |
| | 45,565 |
| Reconciliation of lease liability | |
| Balance at 1 January 2018 | - |
| Additions/modification | - |
| Interest expense | - |
| Lease payments | - |
| Foreign exchange movements | - |
| Balance at 1 January 2019 | 32,432 |
| Additions/modification | 21,352 |
| Interest expense | 1,507 |
| Lease payments | (9,745) |
| Foreign exchange movements | 19 |
| Balance at 31 December 2019 | 45,565 |

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate which is determined by obtaining interest rates from various external financing sources. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term.

Service charges are not included in the calculation of lease liabilities and are expensed in the Statement of Profit or Loss or Other Comprehensive Income. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability includes:

- Amounts expected to be payable under any residual value guarantee
- The exercise price of any purchase option granted in favour of the Company if it is reasonably certain to assess that option

Any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Subsequent to initial measurement, lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made.

When the Company revises its estimate of the term of any lease (because, for example, it reassesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the same discount rate that applied on lease commencement. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. In both cases, an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term.

When the Company renegotiates the contractual terms of a lease with the lessor, the accounting depends on the nature of the modification:

- If the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights of use obtained, the modification is accounted for as a separate lease in accordance with the above policy

- In all other cases where renegotiating increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount
- If the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial or full termination of the lease with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

Extension options

Some property leases contain extension options exercisable by the Group. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

The Group has estimated that the potential future lease payments, should it exercise the extension option, would result in an increase in lease liability of \$6m.

| | CONSOLIDATED |
|--------------------------|---------------|
| | 2019 |
| | \$'000s |
| LEASE COMMITMENTS | |
| Less than one year | 2,609 |
| One to two years | 5,451 |
| Two to three years | 5,881 |
| Three to four years | 5,060 |
| Four to five years | 4,577 |
| More than five years | 21,987 |
| Total | 45,565 |

*Employee numbers stated here refer to FTE and as such they differ from that shown on pages two and 54 which report total headcount.

15. PROVISIONS

| | CONSOLIDATED | |
|----------------------------------|---------------|--------------|
| | 2019 | 2018 |
| | \$'000s | \$'000s |
| CURRENT | | |
| Employee benefits | 6,335 | 5,708 |
| Restoration of leased properties | 554 | 230 |
| | 6,889 | 5,938 |
| NON-CURRENT | | |
| Employee benefits | 464 | 621 |
| Restoration of leased properties | 3,148 | 1,952 |
| | 3,612 | 2,573 |
| | 10,501 | 8,511 |

Employee benefits

The employee benefits provision represents annual leave and vested and unvested long service leave entitlements accrued.

Employee benefits expected to be settled within one year after the end of the period in which the employees render the service have been measured at the amounts expected to be paid when the liabilities are settled and include on-costs.

Employee benefits payable later than one year have been measured at the present value of the estimated future payments to be made for those benefits. The expected future payments incorporate anticipated future wage and salary levels, experience of employee departures and periods of service, and are discounted at rates determined by reference to market yields at the end of the reporting period on high-quality corporate bonds that most closely match the terms of maturity of the related liabilities. Any remeasurements arising from experience adjustments and changes in assumptions are recognised in profit or loss in the periods in which the changes occur.

| | CONSOLIDATED | |
|---|--------------|------|
| | 2019 | 2018 |
| EMPLOYEE NUMBERS* | | |
| Average number of full-time equivalent employees (FTEs) during the financial year | 488 | 475 |

Restoration of leased properties

In accordance with AASB 116 *Property, Plant and Equipment*, the Group recognises a restoration provision as part of the asset cost for leasehold improvements. The provision is reviewed annually in accordance with AASB 137 *Provisions, Contingent liabilities and Contingent assets* and AASB Interpretation 1 *Changes in existing decommissioning, restoration and similar liabilities*. At this time, the discount for the time value of money is unwound and recognised as a finance cost and circumstances are reviewed and the provision re-measured if required.

In 2019, the provision was re-measured based on changes in expected costs to restore applicable sites, to the lease terms, inflation and discount rates. This resulted in an increase to the provision.

| | CONSOLIDATED | |
|--|--------------|---------|
| | 2019 | 2018 |
| | \$'000s | \$'000s |
| Balance at 1 January | 2,182 | 1,397 |
| Additional provision charged to plant and equipment | 1,478 | 721 |
| Unwinding of discount and effect of changes in the discount rate | 42 | 64 |
| Balance as at 31 December | 3,702 | 2,182 |

16. OTHER LIABILITIES

| | CONSOLIDATED | |
|--|--------------|---------|
| | 2019 | 2018 |
| | \$'000s | \$'000s |
| CURRENT | | |
| Subscriptions and fees received in advance | 78,730 | 75,792 |
| Lease incentive | - | 612 |
| | 78,730 | 76,404 |
| NON-CURRENT | | |
| Lease incentive | - | 888 |
| | - | 888 |
| | 78,730 | 77,292 |

Lease incentives

Prior to the transition to AASB 16 in the event that lease incentives were received to enter into operating leases, such incentives were recognised as a liability. The aggregate benefits of incentives were recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

From 1 January 2019 under AASB 16, lease incentives are included as part of the right-of-use asset as outlined in Note 14a.

17. PARENT ENTITY DISCLOSURE

| | CONSOLIDATED | |
|---|----------------|----------------|
| | 2019 | 2018 |
| | \$'000s | \$'000s |
| FINANCIAL POSITION | | |
| ASSETS | | |
| Current assets | 122,952 | 115,894 |
| Non-current assets | 128,431 | 86,207 |
| Total assets | 251,383 | 202,101 |
| LIABILITIES | | |
| Current liabilities | 101,209 | 94,837 |
| Non-current liabilities | 46,340 | 3,480 |
| Total liabilities | 147,549 | 98,317 |
| MEMBERS' FUNDS | | |
| Retained surplus | 97,261 | 99,467 |
| RESERVES | | |
| Investment revaluation reserve | 6,010 | 3,711 |
| Foreign currency translation reserve | 563 | 606 |
| Total members' funds | 103,834 | 103,784 |
| FINANCIAL PERFORMANCE | | |
| Surplus for the year | 4,492 | 6,733 |
| Other comprehensive (expense)/income net of tax | 2,230 | (662) |
| Total comprehensive income for the year | 6,722 | 6,071 |

Loan to subsidiary

On 1 June 2015, CPA Australia entered into a loan facility with its wholly owned subsidiary, CPA Australia Advice. The terms of the facility agreement being that the maximum amount that can be advanced under the loan facility is \$20.0m; all amounts advanced are interest free and are repayable in full by 8 June 2025 subject to CPA Australia Advice's right to defer the repayment where repayment would cause CPA Australia Advice to become insolvent.

The loan was recognised and measured as a financial asset in accordance with AASB 9. Amortised cost calculated using the effective interest method, which involves discounting the future loan repayments using a market rate of interest for a similar instrument.

As this was an interest-free loan, the difference between the loan amount advanced and the amortised cost was recorded as an 'investment in subsidiary' in the parent entity. The amortised cost of the \$900,000 loan amount advanced during 2019 was determined using a market rate of 4.85 per cent.

On 31 December 2019, the total amount advanced under the loan facility is \$15.34m (2018: \$14.44m). In 2018, the directors assessed the loan and the investment in the subsidiary and concluded that there was objective evidence of impairment of the loan (\$11.72m) and the investment in CPA Australia Advice (\$5.34m). A provision for impairment of \$15.12m was recognised as at 31 December 2018 in the standalone accounts of the parent company and an additional provision for impairment of \$1.94m recognised in 2019 relating to the amount advanced and related implied interest during 2019. This impairment loss eliminates on consolidation of the CPA Australia Ltd Group, as funds to which the loan advances relate to are represented as operating expenses of the group.

On 30 September 2019, the Board approved to forgive the loan in full. As the loan was from a shareholder, being parent company CPA Australia Ltd, and that CPA Australia Ltd was acting in its capacity as a shareholder, the forgiveness of the loan has been treated as a capital transaction with the outstanding loan amount of \$11.72m along with the accumulated impairment of \$11.72m being reclassified to investment in subsidiary with no additional loss recognised.

18. COMMITMENTS

| | CONSOLIDATED | |
|--|--------------|--------------|
| | 2019 | 2018 |
| | \$'000s | \$'000s |
| OTHER NON-CANCELLABLE CONTRACTUAL COMMITMENTS | | |
| In respect of non-cancellable contractual commitments, the following liabilities have been recognised: | | |
| Not later than one year | 1,183 | 1,847 |
| Later than one year but not later than five years | 379 | 1,312 |
| Later than five years | - | - |
| | 1,562 | 3,159 |

Other contractual commitments

Other non-cancellable commitments primarily include venue and audio-visual hire contracts for CPA Congress events and software licensing agreements.

The Group has no contractual commitments for significant capital expenditure as at the end of the reporting period.

Other commitments

In 2020, the Group will continue to support the following organisations: APESB, IFAC and the IIRC.

The Group has provided support in 2019 to IFAC in the pursuit of their objectives. The contribution for the 2019 year was \$1,548,707 (2018: \$1,459,233).

As part of the undertakings with APESB, CPA Australia, CA ANZ and the IPA contribute funds necessary for the pursuit of the objectives of APESB. The contributions for the 2019 year were \$495,478 (2018: \$486,239).

The Group has provided support in 2019 to the IIRC in pursuit of their objectives. The contribution for the 2019 year was \$66,627 (2018: \$64,582).

These contributions are included in other expenses in the statement of profit or loss and other comprehensive income.

19. LIMITATION OF MEMBERS' LIABILITY

CPA Australia is a company limited by guarantee and, in accordance with the Constitution, the liability of members in the event of the Group being wound up would not exceed \$10 per member.

20. RELATED PARTIES

(a) Key management personnel

Key management personnel (KMP) are those persons having the authority and responsibility for planning, directing and controlling the activities of the Group.

The following were KMP of CPA Australia Ltd during the reporting period. Directors of subsidiaries have only been included where they are also directors of CPA Australia Ltd or are considered KMP of the Group. Unless otherwise indicated, the following non-executive directors and executives were KMP for the entire period:

NON-EXECUTIVE DIRECTORS

| NAME | TITLE | APPOINTED/RESIGNED | TERM END DATE |
|-------------------|---------------------|----------------------------|-------------------|
| Peter Wilson | President and Chair | Reappointed 1 October 2019 | 30 September 2022 |
| Merran Kelsall | Deputy President | Appointed 1 October 2017 | 30 September 2020 |
| Chin Aik Wong | Deputy President | Appointed 1 October 2017 | 30 September 2020 |
| Ric De Santi | Director | Reappointed 1 October 2018 | 30 September 2021 |
| Robyn Erskine | Director | Reappointed 1 October 2019 | 30 September 2022 |
| Helen Lorigan | Director | Appointed 1 October 2017 | 30 September 2020 |
| Rosemary Sinclair | Director | Appointed 1 October 2017 | 30 September 2020 |
| Dale Pinto | Director | Appointed 1 October 2018 | 30 September 2021 |
| Su-Yen Wong | Director | Appointed 1 October 2018 | 30 September 2021 |
| Louise Cox | Director | Appointed 1 October 2019 | 30 September 2022 |
| Caroline Spencer | Former director | Resigned 30 September 2019 | NA |

EXECUTIVES

| | | | |
|----------------|--|-----------------------------|--|
| Andrew Hunter | Chief Executive Officer | | |
| Nicholas Diss | Chief Financial Officer Director – CPA Australia (Shanghai) Co., Ltd Director – CPA Australia Advice Pty Ltd | Appointed 1 September 2019 | |
| Karen Hellwig | Executive General Manager Member Experience | | |
| Meg Yeates | Executive General Manager Marketing | | |
| Simon Eassom | Executive General Manager Member Education | | |
| Deborah Leung | Executive General Manager International Director – CPA Australia (Shanghai) Co., Ltd | | |
| Farid Jarrar | Chief Information and Digital Officer | Appointed 29 January 2019 | |
| Rowena Buddee | Executive General Manager Public Practice Professional Standards | Appointed 9 September 2019 | |
| Gary Pflugrath | Executive General Manager Policy and Advocacy | Appointed 9 September 2019 | |
| Erica Traicos | Executive General Manager People and Culture | Appointed 23 September 2019 | |
| Craig Laughton | Former Executive General Manager Policy, Advocacy and Public Practice | Ceased 11 July 2019 | |
| Liz Malady | Former Executive General Manager People and Culture | Ceased 31 July 2019 | |
| Kerry Mayne | Former Executive General Manager Business Development | Ceased 20 September 2019 | |

(b) Compensation of key management personnel

(i) Director compensation

Directors are remunerated in accordance with the provisions of the Constitution, the changes being adopted at the AGM in 2018. Director remuneration for 2019, was below the pooled amount for 10 Directors, calculated under the Constitution. From 1 October 2018 to 30 Sept 2019, the pooled amount for 10 directors was \$993,379.71. From 1 October 2019 to 30 September 2020, the pooled amount was increased by CPI to \$1,010,267.17. The annual remuneration paid to the directors in 2019 is set out in Note 20, section (c) - Key Management Personnel.

On 13 March 2018, director Caroline Spencer was appointed as Auditor General for Western Australia. Ms Spencer elected to perform her CPA Australia director duties on a pro bono basis for the term of her appointment from 28 May 2018 to 30 September 2019.

Director Ric De Santi was Deputy Auditor General of Tasmania upon his initial appointment to CPA Australia's Board in October 2017 and he remains in that role. Mr De Santi's participation on the CPA Australia Board was approved by the Auditor General of Tasmania and was reported in the 2017 CPA Australia Annual Integrated Report. On 20 November 2018, CPA Australia's Board communicated to all members advising that Mr De Santi, in consultation with the Auditor General, advised that he would perform his CPA Australia director duties on a pro bono basis effective 16 November 2018.

The Group may pay all reasonable travelling, accommodation and other expenses that a director properly incurs in attending meetings of the Board, committees of the Board, meetings of members or otherwise in connection with the business of the Company. Where a non-director is a member of a Board committee they will be entitled to a per diem amount. For the IRIC, Divisional Presidents seconded to this committee were entitled to receive a per diem amount of \$2300, capped at 20 days in total throughout 2019. For the Nomination Committee, members were entitled to receive a maximum amount of \$450 per hour, capped at a total of \$50,000 per annum.

The Board has determined that no directors of CPA Australia are to sit on the Boards of any CPA Australia subsidiaries and remuneration levels for the CPA Australia Advice Board were set at a lower level, effective 1 January 2018.

(ii) Executive compensation

Executive remuneration is comprised of a fixed component based on Total Salary Cost (TSC) and an at-risk component comprising an incentive scheme as discussed below.

TSC equals total gross remuneration plus the employer superannuation contribution. Remuneration reviews are conducted annually and any salary increases following on from these reviews will normally be effective from 1 January each year. Remuneration of the CEO and direct reports of the CEO are approved by the Board. Salary increases for all other staff are determined by the CEO in consultation with business unit leaders and approved by the Board.

The Group has in place an incentive scheme for its staff that is designed to focus employees on the new strategy including critical member service outcomes and to reward employee commitment to the overall strategic objectives of the Group. Overall, the Group's KPIs must be achieved for incentive payments to be made; performance is reviewed by the Board at the end of each year and the incentive pool is approved.

The Board has also adopted the market median as the policy reference point to determine annual executive remuneration, including that of the CEO. Bands of +/- 20 per cent from the market median will be used going forward to determine relevant salary ranges for each executive position taking into account the individual's experience and competence.

c) 2019 Compensation – Key Management Personnel

| NAME | COMPANY | POSITION |
|---------------------------------|--|--|
| NON-EXECUTIVE DIRECTORS | | |
| Peter Wilson | CPA Australia Limited | Chair and President |
| Merran Kelsall | CPA Australia Limited | Deputy President |
| Chin Aik Wong | CPA Australia Limited | Deputy President |
| Ric De Santi ⁽⁴⁾ | CPA Australia Limited | Director |
| Robyn Erskine ⁽⁵⁾ | CPA Australia Limited | Director |
| Helen Lorigan | CPA Australia Limited | Director |
| Rosemary Sinclair | CPA Australia Limited | Director |
| Dale Pinto | CPA Australia Limited | Director |
| Su-Yen Wong | CPA Australia Limited | Director |
| Louise Cox | CPA Australia Limited | Director |
| Caroline Spencer ⁽⁶⁾ | CPA Australia Limited | Former director |
| Jon Scriven | CPA Australia Limited | Former director |
| EXECUTIVES | | |
| Andrew Hunter | CPA Australia Limited | CEO |
| Nicholas Diss | CPA Australia Limited CPA Australia (Shanghai) Co., Ltd CPA Australia Advice Pty Ltd | CFO Director Director |
| Total | | |
| Karen Hellwig | CPA Australia Limited | Executive General Manager Member Experience |
| Meg Yeates | CPA Australia Limited | Executive General Manager Marketing |
| Simon Eassom | CPA Australia Limited | Executive General Manager Member Education |
| Farid Jarrar | CPA Australia Limited | Chief Information and Digital Officer |
| Deborah Leung | CPA Australia Limited CPA Australia (Shanghai) Co., Ltd | Executive General Manager International Director |
| Total | | |
| Rowena Buddee | CPA Australia Limited | Executive General Manager Public Practice Professional Standards |
| Gary Pflugrath | CPA Australia Limited | Executive General Manager Policy and Advocacy |
| Erica Traicos | CPA Australia Limited | Executive General Manager People and Culture |
| Kerry Mayne ⁽⁷⁾ | CPA Australia Limited | Former Executive General Manager Business Development |
| Liz Malady ⁽⁸⁾ | CPA Australia Limited | Former Executive General Manager People and Culture |
| Craig Laughton ⁽⁹⁾ | CPA Australia Limited | Former Executive General Manager Policy, Advocacy and Public Practice |
| Adam Awty | CPA Australia Limited CPA Australia Limited CPA Australia (M) Sdn. Bhd. | Former COO Commercial Former Interim CEO Former director |
| Total | | |
| Stuart Dignam | CPA Australia Limited | Former General Manager Policy and Corporate Affairs |
| Glenn Ahern | CPA Australia Limited | Former General Manager Australia Divisions and NSW |
| Erin Wood | CPA Australia Limited | Former General Manager Membership |
| Robert Thomason | CPA Australia Limited CPA Australia (Shanghai) Co., Ltd CPA Australia (M) Sdn. Bhd. | Former Group Executive Member Engagement and Education Former director Former director |
| Total | | |
| Murray Chenery | CPA Australia Limited | Former Executive General Manager Brand |
| Cathy Bibby | CPA Australia Limited | Former Executive General Manager Technology and Digital Solutions |
| TOTAL | | |

Notes:

(1) Includes annual leave entitlements accrued during 2019.

(2) Other short-term benefits include car parking and fringe benefits.

(3) Other long-term benefits include long service leave entitlements accrued during the year.

(4) Mr De Santi elected to perform his director duties on a pro bono basis from 16 November 2018.

(5) Ms Erskine was Chair of the Member Engagement Committee from 1 January 2019 – 30 September 2019 and received a committee fee of \$7,500.

| SHORT-TERM EMPLOYEE BENEFITS | | | POST-EMPLOYMENT BENEFITS | OTHER LONG-TERM BENEFITS ⁽³⁾ | TOTAL 2019 (EXCL. TERMINATION BENEFITS) | TERMINATION BENEFITS ⁽¹⁰⁾ | TOTAL 2019 (INCL. TERMINATION BENEFITS) | TOTAL 2018 |
|--------------------------------|---------|----------------------|--------------------------|---|---|--------------------------------------|---|------------|
| SALARY AND FEES ⁽¹⁾ | BONUS | OTHER ⁽²⁾ | SUPERANNUATION | | | | | |
| \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| 206,279 | - | - | 19,596 | - | 225,875 | - | 225,875 | 225,000 |
| 103,539 | - | - | 9,836 | - | 113,375 | - | 113,375 | 112,500 |
| 103,539 | - | - | 9,836 | - | 113,375 | - | 113,375 | 112,500 |
| - | - | - | - | - | - | - | - | 65,673 |
| 76,142 | - | - | 7,233 | - | 83,375 | - | 83,375 | 75,000 |
| 69,292 | - | - | 6,583 | - | 75,875 | - | 75,875 | 75,000 |
| 69,292 | - | - | 6,583 | - | 75,875 | - | 75,875 | 75,000 |
| 69,292 | - | - | 6,583 | - | 75,875 | - | 75,875 | 18,750 |
| 69,292 | - | - | 6,583 | - | 75,875 | - | 75,875 | 18,750 |
| 17,922 | - | - | 1,703 | - | 19,625 | - | 19,625 | - |
| - | - | - | - | - | - | - | - | 30,096 |
| - | - | - | - | - | - | - | - | 56,250 |
| 697,812 | 208,125 | 3,070 | 20,767 | 12,931 | 942,705 | - | 942,705 | 646,416 |
| 305,343 | 70,000 | 4,572 | 25,000 | 9,279 | 414,194 | - | 414,194 | 365,553 |
| - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - |
| 305,343 | 70,000 | 4,572 | 25,000 | 9,279 | 414,194 | - | 414,194 | 365,553 |
| 296,798 | 76,000 | 3,720 | 25,000 | 5,420 | 406,938 | - | 406,938 | 216,210 |
| 229,234 | 51,000 | 1,434 | 23,425 | 9,042 | 314,135 | - | 314,135 | 138,327 |
| 385,495 | 96,000 | 3,585 | 25,000 | 6,382 | 516,462 | - | 516,462 | 125,204 |
| 325,114 | 75,400 | 4,527 | 22,917 | 5,100 | 433,058 | - | 433,058 | - |
| 412,813 | 88,791 | - | 17,753 | 9,341 | 528,698 | - | 528,698 | 94,894 |
| - | - | - | - | - | - | - | - | - |
| 412,813 | 88,791 | - | 17,753 | 9,341 | 528,698 | - | 528,698 | 94,894 |
| 72,569 | 15,616 | - | 6,522 | 6,707 | 101,414 | - | 101,414 | - |
| 79,227 | 17,647 | - | 7,837 | 1,527 | 106,238 | - | 106,238 | - |
| 76,557 | 11,500 | 1,345 | 6,752 | 1,179 | 97,333 | - | 97,333 | - |
| 168,252 | - | 2,779 | 20,677 | 3,123 | 194,831 | 117,831 | 312,662 | 274,617 |
| 149,312 | - | 2,062 | 17,890 | 2,605 | 171,869 | 141,075 | 312,944 | 299,439 |
| 174,418 | - | 740 | 13,602 | 3,149 | 191,909 | - | 191,909 | 431,119 |
| - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | 1,044,089 |
| - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | 1,044,089 |
| - | - | - | - | - | - | - | - | 268,919 |
| - | - | - | - | - | - | - | - | 237,051 |
| - | - | - | - | - | - | - | - | 218,961 |
| - | - | - | - | - | - | - | - | 466,426 |
| - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | 466,426 |
| - | - | - | - | - | - | - | - | 318,541 |
| - | - | - | - | - | - | - | - | 417,310 |
| 4,157,533 | 710,079 | 27,834 | 307,678 | 75,785 | 5,278,909 | 258,906 | 5,537,815 | 6,427,595 |

(6) Ms Spencer elected to perform her director duties on a pro bono basis with effect from 28 May 2018. Ms Spencer's term concluded on 30 September 2019.
(7) Annual leave and long service leave entitlements totalling \$9,677 were also paid on termination; this amount is not included in the termination payment.
(8) Annual leave and long service leave entitlements totalling \$68,576 were also paid on termination; this amount is not included in the termination payment.
(9) Annual leave and long service leave entitlements totalling \$106,396 were also paid on termination; this amount is not included in the termination payment.
(10) Includes separation payments paid during 2019.

(d) Loans and amounts owing to key management personnel

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

Director fees of \$1,736 have been accrued in respect of Andrew Heng, a director of CPA Australia (M) Sdn. Bhd. and are payable in early 2020.

(e) Other transactions of key management personnel and key management personnel related entities

Priya Dharshini Terumalay, Country Head Malaysia, is a director of CPA Australia (M) Sdn. Bhd. and a director of CPA Australia (Shanghai) Co., Ltd. Nicholas Diss, CFO is a director of CPA Australia (Shanghai) Co. Ltd and CPA Advice Pty Ltd (effective 1 September 2019) and Deborah Leung, Country Head Greater China and Executive General Manager International is a director of CPA Australia (Shanghai) Co. Ltd.

There are no transactions with key management personnel and key management personnel related entities.

21. AUDITOR REMUNERATION

| | CONSOLIDATED | | |
|--|----------------|----------------|---------------|
| | 2019 | 2018 | 2018 |
| | \$ | \$ | \$ |
| AUDITOR OF PARENT ENTITY, AUSTRALIA SUBSIDIARIES AND NEW ZEALAND BRANCH | | | |
| | KPMG | KPMG | DTT |
| Audit of financial report | 253,314 | 249,222 | 31,239 |
| Other assurance services | 56,700 | 41,500 | 50,400 |
| Non-audit services – tax compliance | - | - | 4,148 |
| AFFILIATED FIRMS | | | |
| Audit of financial reports for overseas subsidiaries and branches | 69,868 | 90,009 | 930 |
| Other assurance services | - | - | - |
| | <u>379,882</u> | <u>380,731</u> | <u>86,717</u> |
| OTHER AUDIT FIRMS | | | |
| Audit of financial reports for overseas branches | 19,112 | 20,696 | - |
| | <u>19,112</u> | <u>20,696</u> | - |

The 2019 annual financial report has been audited by KPMG Australia.

Any activity that involves the engagement of the company auditor must adhere to the Board-endorsed principles and requires the prior approval of the Board Audit Risk and Compliance Committee to ensure there is no conflict of interest. As a general principle, the use of the external auditor is limited to the provision of statutory audit work and non-discretionary audit-related work. Where the statutory auditor is deemed to be the most appropriate entity to deliver professional development, article authoring or CPA Program authoring, this is to be documented and provided to the Board Audit Risk and Compliance Committee for endorsement quarterly.

Offshore divisions can enter into sponsorships arrangement with their local KPMG office where Deloitte, PricewaterhouseCoopers and Ernst & Young will also be represented. Sponsorships can be raised for member awards where the member is the direct recipient of the cash benefit.

During 2019, the following divisions received local sponsorship from KPMG:

- Hong Kong division received local sponsorship for CPA Congress and Charity Run
- Singapore division received local sponsorship for CPA Congress, International Accountant's Day and CPA Australia Profession Sessions
- Malaysia division received local sponsorship for CPA Congress and CPA Australia Profession Sessions
- New Zealand division received local sponsorship of the Big 4 Careers.

22. INVESTMENT IN CONTROLLED ENTITIES

| INVESTMENT IN CONTROLLED ENTITIES | CLASS OF SHARE | ENTITY INTEREST | | AMOUNT OF INVESTMENT | |
|-----------------------------------|----------------|-----------------|------|----------------------|-----------|
| | | 2019 | 2018 | 2019 | 2018 |
| | | % | % | \$ | \$ |
| CONTROLLED ENTITY | | | | | |
| CPA Australia (M) Sdn. Bhd. | Ordinary | 100 | 100 | 160,127 | 160,127 |
| CPA Australia (Shanghai) Co., Ltd | Ordinary | 100 | 100 | 1,206,987 | 1,206,987 |
| CPA Australia Advice Pty Ltd | Ordinary | 100 | 100 | 1 | 1 |

The amount of investment represents the historical capital invested into each entity, which may be different to the fair value of that investment. The historical capital invested into CPA Australia Advice Pty Ltd of \$17,060,464 has been written down to \$1.

CPA Australia (M) Sdn. Bhd. is incorporated in Malaysia to facilitate the provision of services to members in Malaysia.

CPA Australia (Shanghai) Co., Ltd is incorporated in China to facilitate the provision of services to members in China.

CPA Australia Advice Pty Ltd is incorporated in Australia and provided financial advice under the AFSL and ACL.

23. SUPERANNUATION AND DEFINED BENEFIT PLAN

Employees have the choice to contribute either to the Group Superannuation Plan of the ANZ Smart Choice Corporate Superannuation ('the plan') or their own nominated fund. Employees may contribute to the funds at various percentages of their total salary cost.

The plan provides both accumulation and defined benefit divisions. Eligibility to enter the defined benefit divisions ceased on 31 December 1999.

Accounting policy

Actuarial gains and losses are recognised immediately through the Statement of Profit or Loss and Other Comprehensive Income in the year in which they occur.

Fund information

Defined benefit members receive lump sum benefits on retirement, death, disablement and withdrawal. The defined benefit section of the fund is closed to new members. All new members receive accumulation benefits only. At 31 December 2019, there are no defined benefit members remaining in the Fund, hence the defined benefit obligation is nil. This will therefore be the final financial report under AASB 119 for the Fund.

Regulatory framework

The Superannuation Industry (Supervision) (SIS) legislation governs the superannuation industry and provides the framework within which superannuation funds operate. The SIS Regulations require an actuarial valuation to be performed for each defined benefit superannuation fund every three years, or every year if the fund pays defined benefit pensions unless an exemption has been obtained.

Governance of the fund

The Fund's Trustee is responsible for the governance of the Fund. The Trustee has a legal obligation to act solely in the best interests of Fund beneficiaries. The Trustee has the following roles:

- Administration of the Fund and payment to the beneficiaries from Fund assets when required in accordance with the Fund rules
- Management and investment of the Fund assets
- Compliance with superannuation law and other applicable regulations.

The prudential regulator, the Australian Prudential Regulation Authority, licenses and supervises regulated superannuation plans.

Risk

There are several risks to which the Fund exposes the Employer. The more significant risks relating to the defined benefits are:

- Investment risk – the risk that investment returns will be lower than assumed and the Employer will need to increase contributions to offset this shortfall
- Salary growth risk – the risk that wages or salaries (on which future benefits amounts will be based) will rise more rapidly than assumed, increasing defined benefit amounts and thereby requiring additional employer contributions
- Legislative risk – the risk is that legislative changes could be made which increase the cost of providing the defined benefits
- Timing of members leaving service – as the Fund has only a small number of members, if members with large benefits or groups of members leave, this may have an impact on the financial position of the Fund, depending on the financial position of the Fund at the time they leave. The impact may be positive or negative, depending upon the circumstances and timing of the withdrawal.

The Fund and Employer are no longer exposed to the above risks as there are no defined benefit members left in the Fund. The Fund will be wound up in 2020 once the current asset has been utilised to offset against contributions to the accumulation fund.

The defined benefit assets are invested in the Legg Mason Balanced investment option. The assets have a 59 per cent weighting to equities and therefore the Fund has a significant concentration of equity market risk. However, within the equity investments, the allocation both globally and across the sectors is diversified.

Significant events

There were no fund amendments affecting the defined benefits payable, curtailments or settlements during the year.

RECONCILIATION OF THE NET DEFINED BENEFIT LIABILITY/(ASSET)

| | FINANCIAL YEAR ENDED | |
|--|----------------------|------------------|
| | 31 DECEMBER 2019 | 31 DECEMBER 2018 |
| | \$'000s | \$'000s |
| Net defined benefit liability (asset) at start of year | (409) | (453) |
| Current service cost | 24 | 63 |
| Net interest | (15) | (15) |
| Actual return on fund assets less interest income | (18) | 68 |
| Actuarial (gains)/losses arising from liability experience | 67 | (39) |
| Employer contributions | (4) | (33) |
| Net defined benefits liability/(asset) at end of year | (355) | (409) |

RECONCILIATION OF THE FAIR VALUE OF FUND ASSETS

| | FINANCIAL YEAR ENDED | |
|---|----------------------|------------------|
| | 31 DECEMBER 2019 | 31 DECEMBER 2018 |
| | \$'000s | \$'000s |
| Fair value of fund assets at beginning of year | 563 | 1,291 |
| Interest income | 24 | 49 |
| Actual return on fund assets less interest income | 18 | (68) |
| Employer contributions | 4 | 33 |
| Contributions by fund participants | - | 3 |
| Benefits paid | (241) | (734) |
| Taxes, premiums and expenses paid | (13) | (11) |
| Fair value of fund assets at end of the year | 355 | 563 |

RECONCILIATION OF THE DEFINED BENEFIT OBLIGATION

| | FINANCIAL YEAR ENDED | |
|--|----------------------|------------------|
| | 31 DECEMBER 2019 | 31 DECEMBER 2018 |
| | \$'000s | \$'000s |
| Present value of defined benefit obligations at beginning of the year | 154 | 838 |
| Current service cost | 24 | 63 |
| Interest cost | 9 | 34 |
| Contributions by fund participants | - | 3 |
| Actuarial (gains)/losses arising from changes in financial assumptions | - | - |
| Actuarial (gains)/losses arising from liability experience | 67 | (39) |
| Benefits paid | (241) | (734) |
| Taxes, premiums and expenses paid | (13) | (11) |
| Present value of defined benefit obligations at end of the year | - | 154 |

Reconciliation of the effect of the asset ceiling

The asset ceiling has no impact on the defined benefit liability/(asset).

Fair value of fund assets as at 31 December 2019

| ASSET CATEGORY | TOTAL \$'000s | QUOTED PRICES IN ACTIVE MARKET FOR IDENTICAL ASSETS | SIGNIFICANT OBSERVABLE INPUTS | UNOBSERVED INPUTS |
|---------------------------|------------------|--|-------------------------------------|----------------------|
| | | LEVEL 1 \$'000s | LEVEL 2 \$'000s | LEVEL 3 \$'000s |
| INVESTMENT FUNDS | | | | |
| Legg Mason Balanced Trust | 355 | - | 355 | - |
| Total | 355 | - | 355 | - |

The percentage invested in each asset class at the reporting date is:

| | AS AT | |
|-----------------------------------|------------------|------------------|
| | 31 DECEMBER 2019 | 31 DECEMBER 2018 |
| Australian equity [^] | 37% | 38% |
| International equity [^] | 22% | 22% |
| Fixed income [^] | 28% | 29% |
| Property [^] | 12% | 8% |
| Alternatives/other [^] | 0% | 0% |
| Cash [^] | 1% | 3% |

[^]Asset allocation as at 31 December 2019 is currently unavailable. Asset allocation at 31 October 2019 has been used.

Fair value of entity's own financial instruments

The fair value of fund assets includes no amounts relating to:

- Any of the employer's own financial instruments
- Any property occupied by, or other assets used by, the employer.

Significant actuarial assumptions at the reporting date

| | FINANCIAL YEAR ENDED | |
|--|----------------------|------------------|
| | 31 DECEMBER 2019 | 31 DECEMBER 2018 |
| | \$'000s | \$'000s |
| Assumptions to determine defined benefit cost | | |
| Discount rate | 4.3%p.a. | 3.8%p.a. |
| Expected salary increase rate | 2.0%p.a. | 2.0%p.a. |

| | AS AT | |
|--|------------------|------------------|
| | 31 DECEMBER 2019 | 31 DECEMBER 2018 |
| | \$'000s | \$'000s |
| Assumptions to determine defined benefit obligation | | |
| Discount rate | N/A | 4.3%p.a. |
| Expected salary increase rate | N/A | 2.0%p.a. |

Sensitivity analysis

The defined benefit obligation as at 31 December 2019 will remain nil under all scenarios as there are no defined benefit members left in the Fund.

Asset-liability matching strategies

The Group is not aware of any asset and liability matching strategies adopted by the Fund.

Funding arrangements

The Employer is no longer required to make contributions into the Fund.

Maturity profile of defined benefit obligation

The weighted average duration of the defined benefit obligation as at 31 December 2019 is nil.

24. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

(a) Initial recognition and subsequent measurement

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss, which are measured initially at fair value.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with AASB 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable). For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- Amortised cost
- Fair value through profit or loss (FVTPL)
- Equity instruments at fair value through other comprehensive income (FVOCI)
- Debt instruments at fair value through other comprehensive income (FVOCI).

Classifications are determined by both:

- The Group's business model for managing the financial asset
- The contractual cash flow characteristics of the financial assets.

Financial assets at amortised cost

Financial assets are measured at amortised cost only if both of the following criteria are met:

- The asset is held within a business model whose objective is to collect the contractual cash flows
- The contractual terms give rise to cash flows that are solely payments of principal and interest.

These financial assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

The Group's cash and cash equivalents, term deposits, trade receivables and loans to related parties fall into this category of financial instruments.

Financial assets at fair value through profit or loss (FVTPL)

These financial assets are mandatorily measured at FVTPL as they are debt instruments that do not qualify for measurement at either amortised cost or FVOCI. They are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets at fair value through other comprehensive income (FVOCI)

The Group classifies the following financial assets at FVOCI:

- Equity instruments that are not held for trading, and for which the group has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the Group considers this classification to be more relevant
- Debt securities where the contractual cash flows are solely principal and interest and the objective of the Group's business model is achieved both by collecting contractual cash flows and selling financial assets.

Equity investments at FVOCI are subsequently measured at fair value in other comprehensive income and are never reclassified to profit or loss. Dividends are recognised as income within the profit or loss unless the dividend clearly represents a return of capital.

Debt investments at FVOCI are subsequently measured at fair value in other comprehensive income and will be reclassified to profit or loss upon derecognition of the asset. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss.

Financial liabilities – Trade payables

In accordance with AASB 9, the Group classifies its Trade Payables as other financial liabilities and these are measured at amortised cost.

Trade payables represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid as at the reporting date. The amounts are unsecured and are usually paid within 30 days of recognition. The Group's terms and conditions of purchase state payment terms of 30 days from date of invoice.

(b) Carrying amounts and fair values of financial instruments

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

FINANCIAL INSTRUMENTS

| | CARRYING AMOUNT | | | |
|--|-----------------|-----------------------------|-------------------------------|-------------------|
| | AMORTISED COST | FVOCI - DEBT INSTRUMENTS | FVOCI - EQUITY INSTRUMENTS | FVTPL - OTHERS |
| As at 31 December 2018 | \$'000s | \$'000s | \$'000s | \$'000s |
| Financial assets measured at fair value | | | | |
| Equities | - | - | 18,553 | - |
| Equity funds | - | - | - | 9,281 |
| Property funds | - | - | - | 2,551 |
| Securities | - | 1,029 | - | - |
| Securities – bonds | - | 5,835 | - | - |
| Alternatives – infrastructure | - | - | - | 2,930 |
| Alternatives | - | - | - | 1,462 |
| Hybrids | - | - | - | 29,488 |
| Total financial assets measured at fair value | - | 6,864 | 18,553 | 45,712 |
| Financial assets not measured at fair value | | | | |
| Cash and cash equivalents | 72,128 | - | - | - |
| Term deposits | 38,765 | - | - | - |
| Annuities | 1,000 | - | - | - |
| Receivables | 2,810 | - | - | - |
| Total financial assets not measured at fair value | 114,703 | - | - | - |
| Financial liabilities not measured at fair value | | | | |
| Trade payables | - | - | - | - |
| Total financial liabilities | - | - | - | - |

As at 31 December 2019

| | | | | |
|--|----------------|--------------|---------------|---------------|
| Financial assets measured at fair value | | | | |
| Equities | - | - | 21,875 | - |
| Equity funds | - | - | - | 11,397 |
| Property funds | - | - | - | 2,786 |
| Securities | - | 511 | - | - |
| Securities – bonds | - | 4,403 | - | - |
| Alternatives – infrastructure | - | - | - | 3,100 |
| Alternatives | - | - | - | 1,634 |
| Hybrids | - | - | - | 30,781 |
| Total financial assets measured at fair value | - | 4,914 | 21,875 | 49,698 |
| Financial assets not measured at fair value | | | | |
| Cash and cash equivalents | 88,486 | - | - | - |
| Term deposits | 30,271 | - | - | - |
| Annuities | 1,000 | - | - | - |
| Receivables | 2,529 | - | - | - |
| Total financial assets not measured at fair value | 122,286 | - | - | - |
| Financial liabilities not measured at fair value | | | | |
| Trade payables | - | - | - | - |
| Total financial liabilities | - | - | - | - |

CONSOLIDATED

| OTHER FINANCIAL LIABILITIES | TOTAL | FAIR VALUE | | | TOTAL |
|--------------------------------|----------------|---------------|---------------|---------|---------------|
| | | LEVEL 1 | LEVEL 2 | LEVEL 3 | |
| \$'000s | \$'000s | \$'000s | \$'000s | \$'000s | \$'000s |
| - | 18,553 | 18,553 | - | - | 18,553 |
| - | 9,281 | - | 9,281 | - | 9,281 |
| - | 2,551 | - | 2,551 | - | 2,551 |
| - | 1,029 | 1,029 | - | - | 1,029 |
| - | 5,835 | - | 5,835 | - | 5,835 |
| - | 2,930 | - | 2,930 | - | 2,930 |
| - | 1,462 | - | 1,462 | - | 1,462 |
| - | 29,488 | 4,910 | 24,578 | - | 29,488 |
| - | 71,129 | 24,492 | 46,637 | - | 71,129 |
| - | 72,128 | - | - | - | - |
| - | 38,765 | - | - | - | - |
| - | 1,000 | - | - | - | - |
| - | 2,810 | - | - | - | - |
| - | 114,703 | - | - | - | - |
| 9,324 | 9,324 | - | - | - | - |
| 9,324 | 9,324 | - | - | - | - |
| - | 21,875 | 21,875 | - | - | 21,875 |
| - | 11,397 | - | 11,397 | - | 11,397 |
| - | 2,786 | - | 2,786 | - | 2,786 |
| - | 511 | 511 | - | - | 511 |
| - | 4,403 | - | 4,403 | - | 4,403 |
| - | 3,100 | - | 3,100 | - | 3,100 |
| - | 1,634 | - | 1,634 | - | 1,634 |
| - | 30,781 | 3,663 | 27,118 | - | 30,781 |
| - | 76,487 | 26,049 | 50,438 | - | 76,487 |
| - | 88,486 | - | - | - | - |
| - | 30,271 | - | - | - | - |
| - | 1,000 | - | - | - | - |
| - | 2,529 | - | - | - | - |
| - | 122,286 | - | - | - | - |
| 10,468 | 10,468 | - | - | - | - |
| 10,468 | 10,468 | - | - | - | - |

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities at the end of the reporting period.

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices). Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2.

Level 3 fair value measurements are those that are valued in whole or in part using valuation techniques or models that are based on unobservable inputs that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data.

There were no transfers between levels during the year.

(c) Risk management objectives and policies

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates, interest rates and equity markets.

The Group focuses on actively securing its short to medium-term cash flows by minimising the exposure to financial markets. Long-term financial investments are managed to generate maximum member returns while not exposing the Group to a high level of risk. Investment of funds is in line with the Group's Cash and Investment Policy.

The most significant financial risks to which the Group is exposed are described below.

(i) Foreign currency risk

The Group operates internationally and is mainly exposed to Singapore dollars, Hong Kong dollars, Chinese yuan and Malaysian ringgits. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the functional currency of the parent entity.

The Group does not utilise off-balance sheet derivative instruments as a means of managing exposure to fluctuations in foreign exchange rates. Foreign exchange exposure is continuously monitored by the Group's finance business unit and reported to the relevant operation through management reports which analyse exposures by degree and magnitude of risks.

In 2019, the appreciation of the Australian dollar against the currencies where substantial cash is held resulted in a foreign exchange gain of \$0.1m for the full year.

The following table illustrates the sensitivity of profit for 2019 and intercompany loan amounts to shifts in foreign exchange rates. Minimum and maximum exposure is calculated at shifts of 1 per cent and 10 per cent change in exchange rates respectively.

| | MINIMUM | | AVERAGE | | MAXIMUM | |
|---------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | 2019 \$'000s | 2018 \$'000s | 2019 \$'000s | 2018 \$'000s | 2019 \$'000s | 2018 \$'000s |
| Annual risk by risk | | | | | | |
| Foreign exchange | 510 | 461 | 2,457 | 2,218 | 4,691 | 4,234 |

(ii) Interest rate risk

Exposures to interest rate risk are limited to financial assets bearing variable interest rates, including cash at bank and some debt instruments. Most of the interest-bearing financial assets are instruments held to maturity with fixed interest rates and term.

The Group does not have any interest-bearing financial liabilities.

(iii) Equity security price risk

The Group is exposed to equity price risks arising from equity investments. Equity investments are held for strategic rather than trading purposes. The Group does not actively trade these investments.

Sensitivity analysis has been determined based on the exposure to equity price risks at the end of the reporting period. If equity prices had been 5 per cent higher/lower equity reserves would have increased/decreased by \$1.1m (2018 \$0.9m) due to changes in fair value.

(iv) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has a policy of only dealing with creditworthy counter parties as a means of mitigating the risk of financial loss from defaults. The exposure is continuously monitored and limits reviewed annually.

Trade receivables consist of members and customers, spread across diverse industries and geographical areas. The Group does not have any significant credit risk exposure to any single party or any group of counter parties having similar characteristics. The credit risk on liquid funds and term deposits is mitigated by ensuring the authorised deposit-taking institutions have a minimum S&P credit rating of BBB+ (or Moody's/ Fitch equivalent).

The credit risk on financial assets of the Group which have been recognised on the Statement of Financial Position is generally the carrying amount, net of any loss allowance. Use of off balance-sheet financial instruments is not part of current policy. Trade receivables are concentrated in Australia and the concentration of credit risk arises mainly in the following industries:

- Advertising and sponsors
- Accounting practices
- Credit services.

Impairment of financial assets

AASB 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit losses (ECL) model'. The Group has two types of financial assets that are subject to the ECL model:

- Trade receivables
- Debt instruments carried at FVOCI.

The Group considers a broad range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the

instrument. In applying this forward-looking approach, a distinction is made between:

- Financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1')
- Financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Trade and other receivables

The Group makes use of a simplified approach in accounting for trade and other receivables and records the loss allowance at the amount equal to the expected lifetime credit losses. In using this practical expedient, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The Group assesses impairment of trade receivables on a collective basis as they possess credit risk characteristics based on the days past due. Based on its analysis, the Group has allowed 2.09 per cent for all amounts, which is based on an average loss over the past five years.

The loss allowance as at 31 December 2019 was determined as follows for trade receivables:

| | CONSOLIDATED | | | | TOTAL |
|--|--------------|----------------------------------|----------------------------------|----------------------------------|-----------|
| | CURRENT | MORE THAN 30 DAYS PAST DUE | MORE THAN 60 DAYS PAST DUE | MORE THAN 90 DAYS PAST DUE | |
| | \$'000s | \$'000s | \$'000s | \$'000s | \$'000s |
| 31 DECEMBER 2019 | | | | | |
| Expected loss rate | 2.09% | 2.09% | 2.09% | 2.09% | |
| Gross carrying amount – trade receivables | 1,333 | 486 | 436 | 109 | 2,364 |
| Loss allowance | 28 | 10 | 9 | 2 | 49 |
| 31 DECEMBER 2018 | | | | | |
| Expected loss rate | 1.66% | 1.66% | 1.66% | 1.66% | |
| Gross carrying amount – trade receivables | 1,876 | 404 | 126 | 140 | 2,546 |
| Loss allowance | 31 | 7 | 2 | 2 | 42 |

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include the failure of a debtor to engage in a repayment plan with the group and failure to make contractual payments for a period of greater than 120 days past due.

Impairment losses on trade receivables are presented in the statement of profit or loss.

Debt instruments

Debt instruments at FVOCI include listed and unlisted securities and are limited to 12 months expected losses. No loss impairment allowance has been recognised at 31 December 2019.

(v) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board, who have built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management.

The Group manages the liquidity risk by maintaining adequate cash reserves, and by continuously monitoring forecast and actual cash flows while matching the maturity profiles of financial assets and liabilities.

The Group invests in equities that are traded in an active market on the Australian Securities Exchange and that can be readily disposed of. All financial liabilities, namely trade and other payables, are due for settlement within three months and are non-interest bearing.

(vi) Market risk management

Market risk is the risk that the fair value of future cash flows of the Group's financial instruments will fluctuate because of changes in market prices. The Group manages the financial risks relating to its investments set

out in accordance with the Group's *Cash and Investment Policy*. The policy contains thresholds that cannot be exceeded, including weighting for asset classes and individual limits within each asset class.

(vii) Capital risk management

The Group manages its capital to ensure that it will be able to continue as a going concern, while maximising the return on investments. The overall strategy remains unchanged from 2018.

The Group's capital structure consists of cash and cash equivalents and members' funds, comprising reserves and retained earnings.

The Group has a global presence and operates through branches in Asia, New Zealand and the United Kingdom. No operations of the Group are subject to externally imposed capital requirements.

25. CONTINGENT LIABILITIES

There are no contingent liabilities as at 31 December 2019.

26. SUBSEQUENT EVENTS

The outbreak of the coronavirus (COVID-19) will have a financial impact on the Group in 2020, as the organisation has had to cancel member events in several locations and it will potentially cause the deferral of end-of-semester exams. The impact is difficult to quantify at this stage as it is contingent on how many locations are impacted and the duration of the outbreak.

Apart from the above, there has been no other matter or circumstance occurring since the end of the financial year to the date of this report that has affected, or may, significantly affect the activities of the Group, the results of those activities or the state of affairs of the Group in the ensuing or any subsequent financial year.

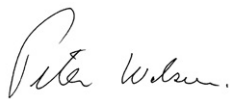
DIRECTOR'S DECLARATION

The directors declare that:

- (a) in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;
- (b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with Australian Accounting Standards and giving a true and fair view of the financial position and performance of the Group; and
- (c) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2 (b).

Signed in accordance with a resolution of the directors made pursuant to s.295 (5) of the *Corporations Act 2001*.

On behalf of the directors



Peter Wilson AM FCPA

Director

5 March 2020



Merran Kelsall FCPA

Director



Independent Auditor's Report

To the members of CPA Australia Ltd

Opinion

We have audited the **Financial Report** of CPA Australia Ltd (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the **Group's** financial position as at 31 December 2019 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The **Financial Report** comprises:

- Consolidated statement of financial position as at 31 December 2019
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in members' funds, and Consolidated statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

The **Group** consists of the Company and the entities it controlled at the year-end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period.

This matter was addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

| Recognition of revenue \$167,996,000 | |
|--|--|
| Refer to Note 4 to the Financial Report | |
| The key audit matter | How the matter was addressed in our audit |
| <p>Recognition of revenue is a key audit matter due to its significance to the Group's financial results and significant audit effort associated with different revenue contracts across multiple countries.</p> <p>The Group generates member based revenue from a variety of service offerings. Significant revenue contracts include:</p> <ul style="list-style-type: none"> ● fees from membership subscriptions; ● fees from the provision of educational services and the CPA Program; and ● fees from the provision of other professional development services. <p>We focused on the Group's assessment of conditions driving revenue recognition and the judgement applied. This included consideration of the:</p> <ul style="list-style-type: none"> ● timing of when performance obligations are satisfied; ● relative standalone selling and transaction prices for services; and ● allocation of transaction prices to the satisfaction of performance obligations. | <p>Our procedures included:</p> <ul style="list-style-type: none"> ● We evaluated the Group's accounting policy for the determination of performance obligations, transaction prices and the allocation of transaction prices to performance obligations against the requirements of the accounting standards. ● We obtained an understanding of the Group's process regarding accounting for member based revenue. We tested key controls such as: <ul style="list-style-type: none"> - the Board's annual approval of member fee and subscription rates; - Management's review and approval of member fee and subscription rates as entered into the Group's IT system; - involving our IT specialists, the automation of the interfaces between the Group's membership-based systems to the Group's financial reporting system. ● For a sample of members' contracts relating to fees from the provision of educational services and the CPA program, and fees from the provision of other professional development services, we: <ul style="list-style-type: none"> - identified the nature of services provided for each revenue contract type based on inspecting the relevant features of a sample of underlying member contracts and comparing them to the conditions in the accounting standard. We did this to check the Group's identification of performance obligations; |

| | |
|--|---|
| | <ul style="list-style-type: none"> - assessed the Group's determination of relative standalone selling prices for services by checking the prices charged for stand-alone services to Board approved rates. We did this to assess the Group's allocation of transaction prices to the relevant performance obligations; - checked the timing of satisfaction of performance obligations to published CPA Program timetables. <ul style="list-style-type: none"> • We developed an expectation of a sample of member based revenue recognised during the year based on the cash received as per the Group's bank statements. We compared our expectation to the amount recorded by the Group. • Involving our data and analytics specialists, we checked a sample of member based revenue from the Group's financial reporting system, to the member invoice and the Group's cash receipts reporting on an individual transaction basis. This included checking cash received from membership fees related to the year ended 31 December 2019 or future periods to assess the recognition of revenue in the current period. • We assessed the disclosures in the financial report using our understanding obtained from our testing and against the requirements of the accounting standards. |
|--|---|

Other Information

Other Information is financial and non-financial information in CPA Australia Ltd's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Schedule of Directors' Remuneration and Integrated Reporting information included within the 2019 Integrated Report and our related assurance opinions.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- assessing the Group and Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They 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 the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at:

http://www.auasb.gov.au/auditors_responsibilities/ar5.pdf This description forms part of our Auditor's Report.



KPMG



Chris Sargent
Partner

Melbourne

5 March 2020

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SCHEDULE OF DIRECTORS' REMUNERATION FOR THE YEAR ENDED 31 DECEMBER 2019

5 March 2020

We disclose below an audited schedule of remuneration paid and payable to each director of CPA Australia Ltd and its subsidiaries for the year ended 31 December 2019. This schedule is included on the following page titled Schedule which discloses the remuneration paid to each director for the year ended 31 December 2019, prepared as if CPA Australia Ltd had received a direction from members to disclose the information prescribed under section 202B of the Act.

To assist members, we have also provided below a reconciliation of the information disclosed in the Schedule to the total Key Management Personnel Remuneration included in the 2019 CPA Australia Ltd Consolidated Financial Report together with comparative information in respect of the 2018 financial year.

Basis of Preparation

This Schedule of Directors' Remuneration has been prepared as if the Company had received a direction to disclose the information prescribed under section 202B of the *Corporations Act 2001* and on that basis is prepared and presents the information consistent with the requirements of section 202B of the Act in that it discloses all remuneration paid to each director of CPA Australia Limited and its subsidiaries for the year ended 31 December 2019 regardless of whether it was paid to the director in relation to their capacity as director or another capacity (the remuneration of each director is as defined in the Act and has been determined in accordance with requirements of AASB 124 *Related Party Disclosures*). The remuneration is on an accruals basis.

The determination of remuneration in this Schedule has been applied consistently with that used in Schedule for the financial year ended 31 December 2019.

SCHEDULE OF DIRECTORS' REMUNERATION

| NAME | COMPANY | POSITION | DATE APPOINTED | DATE RETIRED / RESIGNED |
|--|---|---|------------------|---|
| NON-EXECUTIVE DIRECTORS | | | | |
| Peter Wilson | CPA Australia Limited | Chair and President | | |
| Merran Kelsall | CPA Australia Limited | Deputy President | | |
| Chin Aik Wong | CPA Australia Limited | Deputy President | | |
| Ric De Santi ⁽⁴⁾ | CPA Australia Limited | Director | | |
| Robyn Erskine ⁽⁵⁾ | CPA Australia Limited | Director | | |
| Helen Lorigan | CPA Australia Limited | Director | | |
| Rosemary Sinclair | CPA Australia Limited | Director | | |
| Dale Pinto | CPA Australia Limited | Director | | |
| Su-Yen Wong | CPA Australia Limited | Director | | |
| Louise Cox | CPA Australia Limited | Director | 1 October 2019 | |
| Caroline Spencer ⁽⁶⁾ | CPA Australia Limited | Former director | | Resigned 30 September 2019 |
| Jon Scriven | CPA Australia Limited | Former director | | Retired 30 September 2018 |
| Suzanne Haddan | CPA Australia Advice Pty Ltd | Director | | |
| Arun Nangia | CPA Australia Advice Pty Ltd | Former director | | Retired 31 August 2019 |
| Stephen Jones ⁽⁷⁾ | CPA Australia Advice Pty Ltd | Former director | | Retired 31 August 2019 |
| Andrew Heng ⁽⁸⁾ | CPA Australia (M) Sdn. Bhd. | Director | | |
| EXECUTIVE DIRECTORS | | | | |
| Nicholas Diss ⁽⁹⁾ | CPA Australia Limited CPA Australia (Shanghai) Co., Ltd CPA Australia Advice Pty Ltd | CFO Director Director | 1 September 2019 | |
| Total | | | | |
| Priya Dharshini Terumalay ⁽⁹⁾ | CPA Australia (M) Sdn. Bhd. CPA Australia (M) Sdn. Bhd. CPA Australia (Shanghai) Co., Ltd | Country Head Malaysia Director Director | | |
| Total | | | | |
| Deborah Leung ⁽⁹⁾ | CPA Australia (Shanghai) Co., Ltd CPA Australia (Shanghai) Co., Ltd | Executive General Manager International Director | | |
| Total | | | | |
| Kerrell Ma ⁽⁹⁾ | CPA Australia Limited CPA Australia Advice Pty Ltd | Company Secretary and General Counsel Director | 1 September 2019 | |
| Total | | | | |
| Andrew Kaynes ⁽¹⁰⁾ | CPA Australia Limited CPA Australia (M) Sdn. Bhd. CPA Australia (Shanghai) Co., Ltd | Former consultant to Board Secretariat Former director Former director | | Ceased 11 July 2019 Ceased 26 June 2019 Ceased 26 June 2019 |
| Total | | | | |
| Adam Awty | CPA Australia Limited CPA Australia Limited CPA Australia (M) Sdn. Bhd. | Former COO Commercial Former interim CEO Former director | | Ceased 23 June 2017 Ceased 2 April 2018 Resigned 2 April 2018 |
| Total | | | | |
| Robert Thomason | CPA Australia Limited CPA Australia (Shanghai) Co., Ltd CPA Australia (M) Sdn. Bhd. | Former Group Executive Member Engagement and Education Former director Former director | | Ceased 1 July 2018 Resigned 4 June 2018 Resigned 4 June 2018 |
| Total | | | | |
| TOTAL | | | | |

Notes:

(1) Includes annual leave entitlements accrued during 2019.

(2) Other short-term benefits include car parking.

(3) Other long-term benefits include long service leave entitlements accrued during the year.

(4) Mr De Santi elected to perform his director duties on a pro bono basis from 16 November 2018.

(5) Ms Erskine was Chair of the Member Engagement Committee from 1 January 2019 – 30 September 2019 and received a committee fee of \$7500.

(6) Ms Spencer elected to perform her director duties on a pro bono basis with effect from 28 May 2018.

| | SHORT-TERM EMPLOYEE BENEFITS | | POST- EMPLOYMENT BENEFITS | OTHER LONG-TERM BENEFITS ⁽³⁾ | TOTAL 2019 (EXCL. TERMINATION BENEFITS) | TERMINATION BENEFITS | TOTAL 2019 (INCL. TERMINATION BENEFITS) | TOTAL 2018 | |
|--|-----------------------------------|---------|---------------------------------|---|--|-------------------------|--|---------------|-----------|
| | SALARY AND FEES ⁽¹⁾ | BONUS | OTHER ⁽²⁾ | SUPERANNUATION | | | | | |
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | |
| | 206,279 | - | - | 19,596 | - | 225,875 | - | 225,875 | 225,000 |
| | 103,539 | - | - | 9,836 | - | 113,375 | - | 113,375 | 112,500 |
| | 103,539 | - | - | 9,836 | - | 113,375 | - | 113,375 | 112,500 |
| | - | - | - | - | - | - | - | - | 65,673 |
| | 76,142 | - | - | 7,233 | - | 83,375 | - | 83,375 | 75,000 |
| | 69,292 | - | - | 6,583 | - | 75,875 | - | 75,875 | 75,000 |
| | 69,292 | - | - | 6,583 | - | 75,875 | - | 75,875 | 75,000 |
| | 69,292 | - | - | 6,583 | - | 75,875 | - | 75,875 | 31,450 |
| | 69,292 | - | - | 6,583 | - | 75,875 | - | 75,875 | 18,750 |
| | 17,922 | - | - | 1,703 | - | 19,625 | - | 19,625 | - |
| | - | - | - | - | - | - | - | - | 30,096 |
| | - | - | - | - | - | - | - | - | 56,250 |
| | 41,096 | - | - | 3,904 | - | 45,000 | - | 45,000 | 82,500 |
| | 19,397 | - | - | 10,603 | - | 30,000 | - | 30,000 | 45,058 |
| | 44,034 | - | - | 2,603 | - | 46,637 | - | 46,637 | 51,350 |
| | 1,736 | - | - | - | - | 1,736 | - | 1,736 | 1,659 |
| | 305,343 | 70,000 | 4,572 | 25,000 | 9,279 | 414,194 | - | 414,194 | 365,553 |
| | - | - | - | - | - | - | - | - | - |
| | - | - | - | - | - | - | - | - | - |
| | 305,343 | 70,000 | 4,572 | 25,000 | 9,279 | 414,194 | - | 414,194 | 365,553 |
| | 191,859 | 22,774 | - | 48,750 | 4,943 | 268,326 | - | 268,326 | 196,996 |
| | - | - | - | - | - | - | - | - | - |
| | - | - | - | - | - | - | - | - | - |
| | 191,859 | 22,774 | - | 48,750 | 4,943 | 268,326 | - | 268,326 | 196,996 |
| | 412,813 | 88,791 | - | 17,753 | 9,341 | 528,698 | - | 528,698 | 420,735 |
| | - | - | - | - | - | - | - | - | - |
| | 412,813 | 88,791 | - | 17,753 | 9,341 | 528,698 | - | 528,698 | 420,735 |
| | 206,558 | 33,500 | - | 23,437 | 4,356 | 267,851 | - | 267,851 | - |
| | - | - | - | - | - | - | - | - | - |
| | 206,558 | 33,500 | - | 23,437 | 4,356 | 267,851 | - | 267,851 | - |
| | 96,397 | - | - | - | - | 96,397 | - | 96,397 | 213,073 |
| | - | - | - | - | - | - | - | - | - |
| | - | - | - | - | - | - | - | - | - |
| | 96,397 | - | - | - | - | 96,397 | - | 96,397 | 213,073 |
| | - | - | - | - | - | - | - | - | - |
| | - | - | - | - | - | - | - | - | 1,044,089 |
| | - | - | - | - | - | - | - | - | - |
| | - | - | - | - | - | - | - | - | 1,044,089 |
| | - | - | - | - | - | - | - | - | 466,426 |
| | - | - | - | - | - | - | - | - | - |
| | - | - | - | - | - | - | - | - | - |
| | - | - | - | - | - | - | - | - | 466,426 |
| | 2,103,822 | 215,065 | 4,572 | 206,586 | 27,919 | 2,557,964 | - | 2,557,964 | 3,764,659 |

(7) Salary and Fees include \$16,637 paid in relation to professional fees to ATM Consultants of which Mr Jones is one of two directors and a 50% shareholder.

(8) Total 2019 remuneration has been accrued in the 2019 financial statements. All amounts are payable early 2020.

(9) These directors are employees of the CPA Australia Ltd. Group who do not receive remuneration in their capacity as directors of subsidiaries.

(10) Mr Kaynes was a consultant to the Board Secretariat of CPA Australia Ltd Group and did not receive remuneration in his capacity as a director of the subsidiaries.

Reconciliation of total remuneration per section 202B disclosure to the total Key Management Personnel Remuneration per the CPA Australia Limited Consolidated Financial Report

| | YEAR ENDED 31 DECEMBER 2019 | YEAR ENDED 31 DECEMBER 2018 |
|--|--------------------------------|--------------------------------|
| Total section 202B basis of disclosing directors' remuneration (CPA Australia Ltd, CPA Australia Advice Pty Ltd, CPA Australia (M) Sdn. Bhd. and CPA Australia (Shanghai) Co., Ltd) | 2,557,964 | 3,764,659 |
| less: Andrew Heng (non-executive director of CPA Australia (M) Sdn. Bhd. but not a key management personnel of CPA Australia Ltd Group) | (1,736) | (1,659) |
| less: Suzanne Haddan, Arun Nangia and Stephen Jones (non-executive directors of CPA Australia Advice Pty Ltd but not key management personnel of CPA Australia Ltd Group) | (121,637) | (178,908) |
| less: Kerrell Ma ⁽¹⁾ (director of CPA Australia Advice Pty Ltd but not a key management personnel of CPA Australia Ltd Group) | (267,851) | - |
| less: Dale Pinto (work performed for the Independent Review Implementation Committee during the period 3 February 2018 to 25 September 2018.) | - | (12,700) |
| less: Directors of a foreign subsidiary but not key management personnel of CPA Australia Ltd Group (Priya Dharshini Terumalay ⁽²⁾ and Andrew Kaynes ⁽³⁾) | (364,723) | (735,911) |
| add: Key management personnel of CPA Australia but not directors (Andrew Hunter, Karen Hellwig, Meg Yeates, Simon Eassom, Farid Jarrar, Rowena Buddee, Gary Pflugrath, Erica Traicos, Kerry Mayne, Liz Malady and Craig Laughton) | 3,735,798 | 3,592,114 |
| Total Key Management Personnel Remuneration per CPA Australia Limited Consolidated Financial Report | 5,537,815 | 6,427,595 |

Notes:

- (1) Remuneration for Kerrell Ma was excluded as she is not a key management personnel of CPA Australia Ltd Group.
- (2) Remuneration for Priya Dharshini Terumalay was excluded as she is not a key management personnel of CPA Australia Ltd Group.
- (3) Andrew Kaynes resigned as director of CPA Australia (Shanghai) Co., Ltd and director of CPA Australia (M) Sdn. Bhd on 26 June 2019. He was a consultant to the Board Secretariat of CPA Australia Ltd Group until 11 July 2019 and did not receive remuneration in his capacity as a director of the subsidiaries. He was not a key management personnel of CPA Australia Ltd Group.



Independent Auditor's Report

To the Directors of CPA Australia Ltd

Opinion

We have audited the **Schedule of Directors' Remuneration** (the Schedule) of CPA Australia Ltd and its subsidiaries (the **Group**).

In our opinion, the accompanying Schedule presents fairly, in all material respects, the remuneration paid to each director for the year ended 31 December 2019 in accordance with the Basis of Preparation of CPA Australia Ltd described in the Schedule of Directors' Remuneration.

The **Schedule** comprises:

- the remuneration paid to each director for the year ended 31 December 2019
- the basis of preparation of CPA Australia Ltd.

The **Group** consists of CPA Australia Ltd (the Company) and the entities it controlled at the year end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the schedule* section of our report.

We are independent of the Group in accordance with the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the *Schedule* in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Emphasis of matter – basis of preparation and restriction on use and distribution

We draw attention to page 143 of the Schedule, which describes the basis of preparation.

The Schedule has been prepared to assist the Directors of CPA Australia Ltd for the purpose of presenting information consistent with the requirements of section 202B of the Act.

As a result, the Schedule and this Auditor's Report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Our report is intended solely for the Directors of CPA Australia Ltd and its members and should not be used by or distributed to parties other than the Directors of CPA Australia Ltd and its members. We disclaim any assumption of responsibility for any reliance on this report, or on the Schedule to which it relates, to any person other than the Directors of CPA Australia Ltd and its members or for any other purpose than that for which it was prepared.

Other Information

Other Information is financial and non-financial information in CPA Australia Ltd's annual reporting which is provided in addition to the Schedule and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Schedule does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon with the exception of the Financial Statements and Global Reporting Initiatives information included within the 2019 Integrated Report and our related assurance opinions.

In connection with our audit of the Schedule, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Schedule or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Schedule of Directors' Remuneration

The Directors are responsible for:

- the preparation and fair presentation of the Schedule in accordance with the requirements of section 202B of the Act.
- implementing necessary internal control to enable the preparation of the Schedule that is free from material misstatement, whether due to fraud or error
- assessing the Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Schedule of Directors' Remuneration

Our objective is:

- to obtain reasonable assurance about whether the Schedule as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Schedule.

A further description of our responsibilities for the audit of the Schedule is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf. This description forms part of our Auditor's Report.

KPMG



Chris Sargent
Partner



Melbourne

5 March 2020

ACRONYMS

| | | |
|---|---|--|
| AASB Australian Accounting Standards Board | CAPA Confederation of Asian and Pacific Accountants | IPA Institute of Public Accountants |
| ACL Australian Credit Licence | CEO Chief executive officer | IPSASB International Public Sector Accounting Standards Board |
| AFA ASEAN Federation of Accountants | CFO Chief financial officer | IR Integrated Reporting |
| AFAANZ Accounting and Finance Association of Australia and New Zealand | CIDO Chief Information and Digital Officer | IRIC Independent Review Implementation Committee |
| AFSL Australian Financial Services Licence | COE Centre of Excellence | IRP Independent Review Panel |
| AGM Annual General Meeting | CPA Certified Practising Accountant | KMP Key management personnel |
| A-IFRS Australian Equivalents to International Financial Reporting Standards | CPD Continuing professional development | KPI Key performance indicator |
| AM Member of the Order of Australia | EGM Executive General Manager | OAM Medal of the Order of Australia |
| AO Officer of the Order of Australia | ESG Environmental, social and governance | PAIB Professional Accountants in Business |
| APES Accounting Professional and Ethical Standards | FASEA Financial Adviser Standards and Ethics Authority | PII Professional Indemnity Insurance |
| APESB Accounting Professional and Ethical Standards Board | FCPA Fellow of CPA Australia | PSC Professional Standards Council |
| ASAE Australian Standard on Assurance Engagements | FTE Full-time equivalent | PSS Professional Standards Scheme |
| ASEAN Association of Southeast Asian Nations | GRI Global Reporting Initiative | RAP Reconciliation Action Plan |
| ASIC Australian Securities and Investments Commission | GST Goods and services tax | SAR Special Administrative Region |
| ATO Australian Taxation Office | IAASB International Auditing and Assurance Standards Board | SDG Sustainable Development Goals |
| AUASB Auditing and Assurance Standards Board | IESBA International Ethics Standards Board for Accountants | SIS Superannuation Industry (Supervision) |
| CA ANZ Chartered Accountants Australia and New Zealand | IFAC International Federation of Accountants | SME Small-to-medium enterprise |
| | IFRS International Financial Reporting Standards | SMP Small and medium practice |
| | IIRC International Integrated Reporting Council | TPB Tax Practitioners Board |
| | | TSC Total Salary Cost |
| | | UAE United Arab Emirates |
| | | UK United Kingdom |

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