

CPA AUSTRALIA INTEGRATED REPORT 2017



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PRESIDENT'S REPORT



2017 has perhaps been the most challenging and disruptive year in CPA Australia's history.

Many members, including those on Divisional and Branch Councils, worked diligently to bring issues of concern to the attention of the broader membership. In some cases, this work was done publicly, and in other cases the work was performed behind the scenes.

Through the efforts of many members, considerable change was effected resulting in the termination of the chief executive officer (CEO) and a refresh of the Board with nine new directors beginning our terms on 1 October 2017 and all former directors of CPA Australia resigning from the Boards of CPA Australia and CPA Australia Advice by 31 December. When the new directors were appointed to the Board, we committed to communicating honestly and openly with all members. We have been connecting in person with as many members as possible and, after each Board meeting since October, all members have been sent a detailed update on the Board's progress.

The new Board respects the critical role of Divisional and Branch Councils and we have been meeting with Councils to hear their views and provide them with detail on the actions the Board is taking.

While there is significant work ahead, substantial progress has been made.

The Board received the Final Report from the Independent Review Panel (IRP) on 30 November and we released our detailed response on 15 December.

Many of the recommendations require changes to CPA Australia's constituent documents. The Board has developed and released an Issues Paper setting out the recommendations and the implications for change as a starting point for member discussion.

We scheduled Member Consultation Forums so members could discuss potential changes and share their views. Final motions for change will be included in the Notice of Meeting that will be sent to all members at the end of April. These will then be put to the members for determination at the Annual General Meeting (AGM) on 22 May in Melbourne.

A review of the organisation's strategy is underway and is being informed by a series of member focus groups held in early 2018 and three key pieces of research undertaken in late 2017: a member engagement and satisfaction survey, a brand perception survey and an employee engagement survey.

We will work hard to rebuild trust with members and to demonstrate that we are acting in the best interests of members.

Already as part of the strategy review process there is agreement that the new strategy must be member centric.

The Board has also established a Board Member Engagement Committee. The connection and experience of members must be uppermost in the organisation's thinking and approach, and the Board will have direct oversight of that going forward.

The disclosure of the levels of director and senior executive remuneration at CPA Australia was one of the watershed moments of 2017. Members reacted strongly, and the Independent Review clearly stated that the levels of remuneration at director and key personnel level were too high, and were out of step with both member expectations, and relevant market levels.

The new Board agreed, and we began work with an external benchmarking firm to determine reset levels of director remuneration. The Independent Review recommended appropriate member-based organisations be included in the benchmarking comparator group. The Board determined it wished to go further and only have member-based organisations included in the comparator group.

Full details of the process to reset remuneration levels were sent to all members in February. The outcome of the process was a 26 per cent reduction in director fees, a 13 per cent reduction in Deputy President fees and a 28 per cent reduction in the President and Chair's fee. The new levels were confirmed as reasonable by two different and nationally recognised external benchmarking organisations.

We've removed the higher duties allowance associated with CPA Australia Advice where it existed for senior executives at CPA Australia and remuneration levels for CPA Australia Advice directors have been set at a lower level.

We have also changed the practice of the Nomination and Remuneration Committee so that all remuneration and employment terms for CPA Australia senior executive positions at general manager level and above will now be approved by the Board. Senior executive pay is now centred at the relevant market mid-point, plus a reasonable range around this, and not at levels materially above that.

We are committed to continuing to disclose remuneration levels of the Board and senior management through our annual reporting on an ongoing basis. More details can be found on pages 46, 94 and 114 of this report.

In our discussions with members, the issue most consistently raised was the termination payment of the previous CEO. The nine new directors have made our own enquiries in relation to both the termination payment made to the previous CEO and the duties owed by the past directors of CPA Australia. We met with a leading Queens' Counsel in both the corporations and employment law fields. The Board is of the view there is no basis for legal action.

Many members have expressed their deep hurt and disappointment about the matters that have occurred. The new Board has expressed its sincere regret to all members for what they have experienced and commits to pursuing governance and constitutional changes to ensure increased transparency and accountability to members in the future.

While we cannot change what has occurred, we can take action to avoid the risk of such matters occurring again.

For many of our members one of the most distressing events of the year was the lapse of the Professional Standards Scheme (PSS) on 7 October, without a new Scheme being approved.

While a Member's Professional Indemnity Excess Insurance Policy was put in place to provide support for members in public practice during the period of the lapse, this did not detract from the gravity of the situation.

The Board has worked with management and the Professional Standards Council (PSC) to make the changes necessary to strengthen our governance arrangements. These included approving a new Board Conflict of Interests Policy and amending the By-Laws to enhance independence in professional conduct oversight and the measuring and monitoring of continuing professional development (CPD).

In December, we were very pleased to advise our members in public practice that the PSC had approved our application for a new PSS for recommendation to the relevant Ministers in each state and territory for gazettal. The new Scheme has now been gazetted in all states and territories.

CPA Australia Advice has also been the source of much concern for members. The Independent Review explored this issue and recommended an independent post implementation review be conducted. This will happen in the first half of 2018.

While there is still much work to do, the Board is heartened by the positive response we have had from members across the globe. Members are telling us they want issues addressed and they want CPA Australia to move forward.

Each of your directors is fully committed to working with Divisional and Branch Councils and all members to make changes and improve our organisation.

I would like to sincerely thank my fellow directors. Like me, they observed what was happening at CPA Australia during 2017, and applied for a position on the Board to be part of a positive change program. All are committed to delivering improved governance arrangements and better services for our members around the world.

I would also like to thank all the people at CPA Australia. Overwhelmingly, our staff have remained focused on continuing to deliver high quality services for members. Thank you for your professionalism and your dedication. In particular, the Board would like to acknowledge the work of Adam Awty for stepping in to the interim CEO position during this turbulent period in our history.

Thank you to our members of Divisional and Branch Councils and all of our members who volunteer their time through discussion groups and other committees all around the world. Your contribution to the success of CPA Australia is invaluable.

And finally, thank you to all members. The strength of CPA Australia is in our membership, which continues growing. More than 163,000 educated professionals working in the public interest are part of this organisation. Together we can make positive changes in 2018 that will serve the best interests of all members.

Peter Wilson AM FCPA

President and Chairman of the Board
CPA Australia

INTERIM CHIEF EXECUTIVE'S REPORT



It is self-evident that events in 2017 have resulted in a challenging year for CPA Australia, for both our members and our employees.

These events impacted our performance in some areas during 2017. A summary of our results and details of our key performance indicators can be viewed on pages 10 to 13 of this report.

The results of our member engagement and satisfaction survey highlight that reputation and future career development are the main drivers of satisfaction and value for our members, and both of these have been adversely affected. Details of the member engagement survey can be viewed on pages 16 to 17.

Our membership grew by close to two per cent to 163,750 as at 31 December 2017 and more detail on our membership demographics can be found on pages 18 to 20.

With increased scrutiny came an increase in member contacts, and in 2017 our Member Services team answered more than 150,000 phone enquiries within industry benchmark standards, while also achieving a turnaround time of 4.67 days for new membership applications.

The CPA Program is the cornerstone of our business and even though we fell short of our exam target, we delivered more than 51,000 CPA Program exams across 78 countries, with 96 per cent of candidates sitting computer based exams. Ensuring that the CPA Program remains relevant to the profession and our candidates, we also introduced two new electives in 2017, with two further electives to be launched in 2018.

Providing members with access to knowledge remains a priority for us. Our flagship event, CPA Congress was held across 13 locations in six countries and was attended by more than 9000 delegates. We also held more than 3000 member engagement activities including branch events, networking and information sessions, expos, round table discussions, conferences and member celebrations.

Our podcast series was boosted to weekly episodes and we also increased the frequency of our dedicated public practice e-newsletter, INPRACTICE, to a monthly edition. Plus, we introduced Concierge, a customised service to support public practitioners.

We also maintained our advocacy on behalf of members, providing detailed commentary on the Australian budget and superannuation reforms that came into effect on 1 July 2017. In addition, we made more than 80 submissions to government and industry stakeholders on a wide variety of topics relevant to the profession.

Despite the challenges we faced in 2017, our core work continues. The dedication our members and employees display in their day-to-day work will act as the foundation for renewed stability in the organisation as we begin to implement the recommendations from the IRP's findings.

We have built up great resilience over our 130-year history and I am confident that with the diligence of our new Board of Directors, the loyalty and professional standing of our members, and the commitment of our employees, CPA Australia will continue to grow stronger.

Adam Awty CPA

Interim chief executive officer
CPA Australia

GOVERNANCE

OUR APPROACH

The Board of Directors is the governing body for CPA Australia and it has responsibility for independently and objectively assessing the organisation's decisions and overseeing the performance and activities of management. The Board has responsibility for a number of decisions including, but not limited to:

- Setting and approving the organisation's strategy, direction and objectives
- Appointing the President, Deputy Presidents and CEO
- Approving financial statements
- Evaluating the CEO's performance
- Making and amending By-Laws and other regulations
- Overseeing our integrated reporting (which includes our sustainability reporting) and its assurance

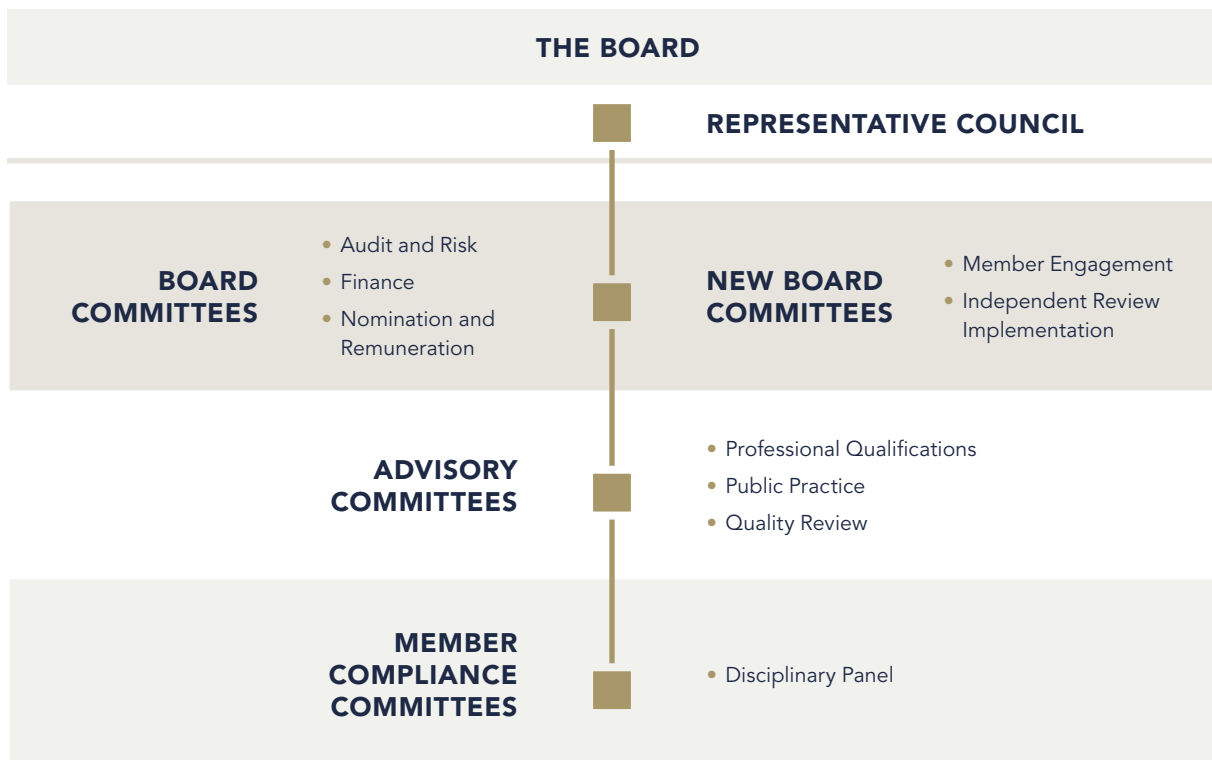
The Board is appointed by the Representative Council, which is made up of representatives from each division, various advisory committees, staffed branches, industry sectors and membership groups.

At the beginning of the reporting period there were three Board Committees.

On 1 October, nine new directors began on the CPA Australia Board. At the October Board meeting two additional Board committees were established.

DIVISIONAL AND BRANCH COUNCILS

Members are elected to Divisional and Branch Councils by members of the division or branch. The Councils are advisory bodies and are an important channel of communication between members and the Board and are essential for serving members. Their key focus is member engagement and advocacy of the profession and CPA Australia.



DIVISIONAL AND BRANCH COUNCILS

Australia

Australian Capital Territory	International
Northern Territory*	Europe*
New South Wales	Greater China
Queensland	Malaysia
South Australia	New Zealand*
Tasmania	Singapore
Victoria	
Western Australia	

*Branch Council

BOARD CHANGES

During 2017, members, Divisional Councils and the media questioned the transparency of CPA Australia's governance arrangements and advocated for change.

Between 30 May and 15 June, seven directors resigned from CPA Australia's Board. On 16 June, Timothy Youngberry was appointed to the Board in accordance with article 60(b) of the Constitution.

On 23 June, the Board announced it had terminated the CEO's contract. It also announced that CPA Australia had made a termination payment of \$4.9 million in accordance with its obligations.

On 4 August, the remaining directors announced the timeline for the end of their terms. Terms for directors Michele Dolin, Richard Petty and Timothy Youngberry ended on 30 September 2017, at which time director Graeme Wade also retired.

To facilitate the transfer of corporate knowledge, James Dickson and Sharon Portelli remained on the Board until 31 December 2017.

Nine new directors commenced their terms on 1 October 2017.

A new Board is in place from 1 January 2018. Director terms and dates as well as a Board skills matrix, diversity information and our approach to risk management are detailed on pages 47 to 53 of this integrated report. Board attendance at meetings can be found on pages 68 to 69.

AGM

The 2017 AGM was held in Singapore, the first time an AGM was held outside of Australia. Singapore was chosen as it was the home of CPA Australia's first registered office outside of Australia, established more than 60 years ago. There were 243 entitled meeting attendees, including members and their proxies, present for the AGM. It was live streamed, which meant any member could view proceedings, but it was not interactive.

Members were made aware of the location of the AGM via email on 15 March with the Notice of Meeting distributed the following week. The AGM was held on 27 April 2017.

The decision to hold the AGM in Singapore and the timing of the advice was not well received. For some members it reinforced the view that the previous Board was not accountable to the broader membership.

REMUNERATION DISCLOSURES

On 28 April, CPA Australia received a request for information about directors' remuneration in accordance with Section 202B of the *Corporations Act (2001)*.

On 31 May, an audited Schedule was provided to members detailing the remuneration of directors for CPA Australia Limited and its subsidiary CPA Australia Advice Pty Ltd for the year ending 31 December 2016.

On 30 June, an additional audited Schedule was provided to members detailing remuneration paid to each director of CPA Australia Limited's foreign subsidiaries, CPA Australia (M) Sdn. Bhd. and CPA Australia (Shanghai) Co. Ltd. for the year ending 31 December 2016.

These two documents comply with the requirements of the *Corporations Act (2001)* under section 202B.

CPA Australia has committed to increasing transparency in its reporting on remuneration on an ongoing basis. Detailed remuneration disclosures can be found on pages 46, 94 and 114 of this integrated report.

INDEPENDENT REVIEW

In a statement released on 16 June, members were advised that the Board had begun a process of establishing an independent panel to conduct a review of the claims made in relation to CPA Australia. The panel was to be chaired by Air Chief Marshal Sir Angus Houston AK AFC (Ret'd) former Chief of the Australian Defence Force.

On 3 July, CPA Australia released the details of the full panel for the independent review and the expanded terms of reference. Members were also advised that Sir Angus had elected to withdraw from the panel given the significantly increased time commitment. His letter of withdrawal was provided to members in the interests of transparency.

The IRP was chaired by former Auditor-General for Australia Ian McPhee AO PSM, working with Su McCluskey and Maryjane Crabtree as panel members. The late Professor Bob Baxt acted as an expert advisor on governance.

The Independent Review spanned six lines of enquiry:

- Governance, including election of directors, term limits, independence of the Representative Council and compliance
- Remuneration, including disclosures, compliance with laws and accounting standards and benchmarking processes
- Marketing strategy and expenditure, including consistency with Board approved strategy and appropriateness of expenditure
- Strategy and performance of member services and engagement
- Strategy and performance of CPA Australia Advice
- Other matters the reviewers considered appropriate

An external firm, the Nous Group, was appointed to provide independent secretariat services and a dedicated website presence was established. Members were invited to make submissions to the Independent Review.

A preliminary report was provided on 14 September 2017 and a final report was delivered on 30 November 2017. The total cost of the Independent Review was \$1m. Further information is in Note 4(e) and Note 4(g) of the financial report on pages 81 and 82.

More than 1760 submissions were received in the first phase of consultation and more than 100 submissions and survey responses in the second phase of consultation. In addition, the Panel had numerous meetings with members and other stakeholders.

The final report deals with all the terms of reference and includes 29 recommendations.

On 15 December, the Board provided members with a detailed response. Some recommendations require changes to CPA Australia's Constitution. The Board will consult with members on the proposed changes before finalised motions are put to the 2018 AGM for member determination.

One of the recommendations in the preliminary report and confirmed in the final report was to establish an Independent Review Implementation Committee. This Board committee has been established.

DIRECTOR RECRUITMENT

CPA Australia has an annual director recruitment process in place. Each year a call for expressions of interest is advertised in April. In 2017, an additional call for expressions of interest was advertised in late June. There were over 200 applications for the nine director positions.

The composition of the Nomination and Remuneration Committee was changed in 2017 to ensure all new directors underwent a rigorous selection process through a majority-external panel.

There were also changes to the Representative Council during the year with all members previously appointed by the Board stepping down so the Representative Council only consisted of members appointed by Divisional Councils.

These changes were made in the interests of increasing transparency and to increase member input via the Divisional Councils voted in by members.

The Independent Review Final Report noted the changes made to the process in 2017. The Final Report also included recommendations for further changes to the Board appointment model. Any changes that require an amendment to CPA Australia's Constitution will be put to the 2018 AGM for member determination.

On 28 September, members were advised of the nine new directors appointed to CPA Australia's Board and the office bearers. All new directors commenced their terms on 1 October 2017.

In applying for a director position at CPA Australia, Peter Wilson formally declared information about his role at AHRI and the existence of a cooperation arrangement between AHRI and CPA Australia. The arrangement, outlined on our website at cpaaustralia.com.au/ahri was also published on the AHRI website and dates back to November 2015 when the CEOs of AHRI and CPA Australia agreed to work together on professional development, research, events and magazine content. There was no financial component. Peter Wilson commenced his term on CPA Australia's Board on 1 October 2017. Following this, both organisations confirmed that the agreement between AHRI and CPA Australia had ceased.

STAFF CHANGES AND CEO RECRUITMENT

The Board has been working with Spencer Stuart, the executive search firm to recruit for the CEO position.

Interviews took place early in 2018 with an announcement regarding the CEO expected to be made prior to the AGM in May 2018.

Late in 2017, the Board and chief operating officer (COO) member services, Jeff Hughes, agreed to the termination of his contract with his last day at CPA Australia being 31 December 2017.

FUTURE OUTLOOK

In November 2017, CPA Australia's Board advised that the 2018 AGM will be held on 22 May in Melbourne.

Implementing many of the recommendations from the Independent Review Final Report will require changes to CPA Australia's Constitution.

An Issues Paper setting out each of these changes in detail was made available to members on 9 February 2018 and is available at cpaaustralia.com.au/februaryannouncement

CPA Australia will work closely with Divisional and Branch Councils to consult with members about the proposed changes.

Finalised motions will be included in the notice of meeting and put to members for determination at the AGM in May.

Additionally, many of the recommendations from the IRP that do not require constitutional change are currently being implemented, details on these initiatives can be found throughout this report.

We have also significantly increased our disclosures around remuneration, financial statements, member demographics and occupancy notes throughout this report.

VALUE CREATION AND STRATEGIC RENEWAL

We believe that the work of professional accountants is fundamental to the stability, efficiency and sustainability of individual organisations, financial markets and the economies of entire countries. Ultimately, their work enables capital to flow to the most productive and essential purposes and ensures that standards of living increase.

Founded in 1886, CPA Australia is one of the world's largest professional accounting and finance bodies, representing 163,750 members and business professionals in 125 countries. Our core services to members include education, training, access to knowledge, technical support, networking and advocacy. Our major sources of funding are membership fees and receipts for the products and services we deliver.

Our business model (page 56) is designed to support the demand for global accounting and business professionals who can work in multiple jurisdictions.

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

As a professional accounting organisation, governance is central to CPA Australia's activities. In light of the challenges faced by CPA Australia throughout 2017, changes are being recommended to the governance structure which will be taken to the AGM in May 2018.

Our values statement is: "People are at the heart of what we do, service is personal, we are bold and curious, we are passionate about success and we always act with integrity".

Our business model includes consideration of the six capitals under the integrated reporting (<IR>)* framework; financial, manufactured (infrastructure), intellectual, human (people), natural, social and relationship (partners). As an office based professional organisation, CPA Australia has limited impact on natural capital, and it is not material to our stakeholders in terms of how they think about CPA Australia. As such, natural capital is not considered in our business model.

CPA Australia acknowledges that due to the reputational issues facing the organisation this year value has been destroyed in terms of intellectual, human and social and relationship capital.

The corporate strategy outlined below was set in 2014 to cover the years 2015 to 2019. As covered in the President's report on pages 2 to 4, CPA Australia's Board is undertaking a review of that strategy.

The review being undertaken will also address the risks that have impacted CPA Australia throughout 2017.

The current corporate strategy outlines a vision of being the world's best member service organisation. This vision statement and its associated goal of maximising the share of people who want a career built on professional accounting skills will be reviewed as part of our strategic renewal and through consultation with members. During 2017, progress against the corporate strategy that was in place was reported through a performance contract that was agreed with the previous Board. This uses a balanced scorecard approach to highlight key metrics. Key performance indicators can be found on page 12.

The key strategic themes under the plan in place throughout much of 2017 and the material issues** covered by each theme are as follows;

- Protecting the public interest
- M2, M5, M9, M11, M14, M18
- Driving world's best member engagement and service
- M1, M2, M3, M4, M12, M13, M15
- Delivering a world-class CPA Program and certification
- M3, M15
- Providing access to knowledge
- M7, M14, M15
- Leveraging our brand and broadening the audience
- M2, M16
- Securing the next generation of talent
- M2, M17
- Ensuring a stable, capable and skilled organisation
- M5, M6, M8, M10

*For more information on <IR> refer to page 64.

**The issues included in this report are determined through a materiality process which is detailed on pages 58 to 60. The review of corporate strategy may result in different strategic themes and indicators in future reports.

PERFORMANCE SUMMARY

In a challenging year, the organisation's performance has been mixed and we have missed many of our set measures. We also acknowledge that these targets and measures will need to be reviewed as part of the review of the corporate strategy, and that more appropriate measures may be required to better show value delivered to members.

The impact of the governance issues faced by the organisation has resulted in the retention of fully qualified members just missing target with 98.1 per cent being retained.

The continuing tough economic climate and challenging competitive environment has resulted in under-performance for the professional development area with Congress sales being below target.

New member growth has ended the year at 11,098. This is below the target of 11,600 new members and also slightly lower than the previous year.

It is pleasing, however, that there has been strong performance in service standards for the year. The percentage of calls answered within 20 seconds, a recognised industry benchmark, was above target at 87 per cent.

Surplus before tax was considerably above budget at \$10.5 million, this is a result of a reduction in spending as the new Board initiated a review of the organisation and its strategy to ensure it was better aligned to member expectations.

Staff turnover was better than target but higher than previous years.

We ran a revised member engagement and satisfaction survey in 2017, and whilst results have been trending slightly down in previous years there was a significant shift in results from 2016 to 2017. Whilst this was not unexpected it is obviously disappointing. The Board and management are committed to improving the products and services we deliver to members, and there is further analysis of the results of the survey throughout this report.

Further details on our performance, and the challenges faced across our business, can be found in the "Our approach" and "2017 performance" sections and in the full financials of this report.

Looking to 2018, we are budgeting for a surplus, with key resource allocation to be determined by the renewed strategy.

Table 1: CPA Australia – Revenue and costs by geographic region for the year ended 31 December 2017

Australia
Mainland China
Europe
Hong Kong SAR
Indonesia
Malaysia
New Zealand
Singapore
Vietnam
Other overseas
Total overseas
Total CPA Australia

*Overhead costs such as corporate services, marketing and product development are not allocated to regions outside of Australia.

TOTAL REVENUE \$'000s	TOTAL COST* \$'000s	SURPLUS BEFORE TAX \$'000s
133,109	151,105	(17,996)
6,014	3,874	2,140
1,038	1,035	3
13,521	4,760	8,761
299	454	(155)
9,976	1,995	7,981
2,487	1,516	971
8,414	4,264	4,150
1,377	1,466	(89)
5,323	637	4,686
48,449	20,001	28,448
181,558	171,106	10,452

KEY PERFORMANCE INDICATORS

Table 2: KPIs

MEASURE	2014	2015
Number of public practice quality reviews	>1000	>1000
Being thought leaders in business, accounting and finance*	N/A	6.5
Percentage of calls answered within 20 seconds**	N/A	N/A
Member retention (fully qualified)	98.1	98.3
Acts in members' best interests*	N/A	N/A
Member satisfaction*	N/A	N/A
Maintaining ISO quality certification	✓	✓
Congress attendees***	>8900	8200
Ensuring that I am across developments or issues impacting my field / business*	N/A	6.2
A trustworthy brand*	N/A	N/A
Representing members' interests in the public debate*	N/A	N/A
Enables members to work globally*	N/A	N/A
New members	11,810	10,915
CPA Program exam sits	>59,000	>59,000
Staff turnover****	<12%	15%
Surplus before tax	3.75M	7.74M

KEY - 2017 ACTUAL



Missed target



Achieved target



New target / measure

* **Survey methodology:** The survey was run as an online survey on behalf of CPA Australia by Forethought. In December 2017, 143,483 members were successfully contacted via email, and a response rate of 4.1% per cent was received (5839 completed responses). Response rates by age, gender and country varied, however total sample results have been weighted to reflect total member base distribution. Members were asked to assess their overall view of CPA Australia's performance over the last 12 months on a scale of 0-10 where 0 is extremely poor. This response rate is on par with 2016, although a greater number of responses have been received due to the larger initial sample. Some metrics have changed from previous years in order to better reflect key issues for members and issues raised through the materiality process.

** Earlier years' measures are not available under this KPI as it has been changed from average call queue times to percentage of calls answered within 20 seconds to better reflect common call center benchmarks.

2016	2017 TARGET	2017 ACTUAL	2018 TARGET
>1100	1000	>1000	TBA
6.3	6.2-6.7	5.7	6.2-6.7
80.6	80%	87%	80%
98.3	98.3	98.1	98.3
N/A	N/A	4.8	>6.5
6.3	6.0-6.5	5.5	>6.5
✓	✓	✓	✓
9300	>9600	>9000	>7000
6.1	6.0-6.5	5.7	>6.5
N/A	N/A	5.5	>6.5
N/A	N/A	5.3	>6.5
N/A	N/A	6.1	6.1-6.6
11,147	11,600	11,098	11,485
>55,000	62,000	>51,000	56,974
12%	<20%	16%	20%
7.5M	2.5M	10.5M	5.0M

*** The 2018 target for Congress attendance is lower to account for the fact that Congress will not run in NSW due to the World Congress of Accountants being held in November 2018.

**** Staff turnover is regretted turnover, which is defined as employees that have separated from the organisation via a resignation, excluding employees that are on a fixed term contract, have been made redundant or who have been under performance management.



OUR MEMBERS



MATERIAL ISSUES

Material issues represented in this section include:

- Member engagement and service – M1, M4, M12, M13, M15
- Brand and reputation – M2, M16, M17
- Certification and the CPA Program – M3, M15
- Access to knowledge – M4, M7



STRATEGIC GOALS*

- The highest quality CPA Program, where flexibility of delivery meets the changing needs of candidates and their employers
- An engaged membership created through delivery of world-class service and personalised communication
- Being a world-class provider of business, accounting and leadership content for our members, potential members and the broader business community
- Broadening the audience of those who take an interest in what CPAs do, and what CPA Australia does
- Adopting innovative new approaches to take the brand to a wider audience
- Being better at targeting and attracting students and young professionals than our competitors to ensure sustainable membership growth



OUTCOMES

- World's best member service
- A stronger accounting profession
- Global demand and opportunities for CPAs



VALUE CREATED

- Public confidence
- Consistency, comparability and transparency of financial information that drives better business decisions
- Stable capital markets
- Sustainable businesses

*These goals were in place under the previous corporate strategy and will be reviewed as part of the strategic renewal being undertaken by the Board.

MEMBER ENGAGEMENT AND SATISFACTION

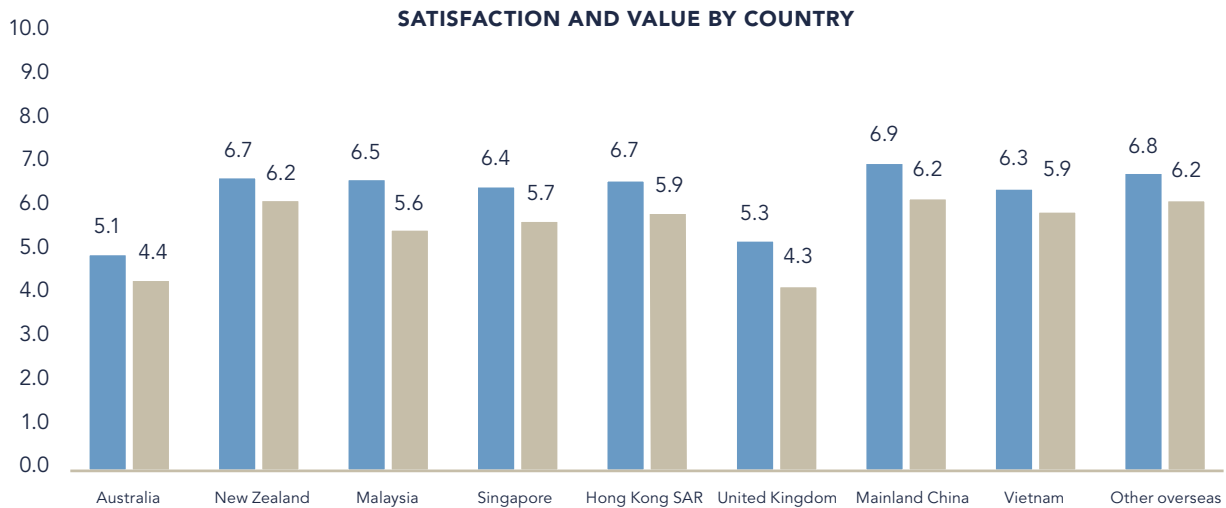
In late 2017, we undertook a member engagement and satisfaction survey through a third-party, Forethought. More information on the methodology and response rate can be found on page 12.

Performance on value and satisfaction by country, designation and age are shown below.

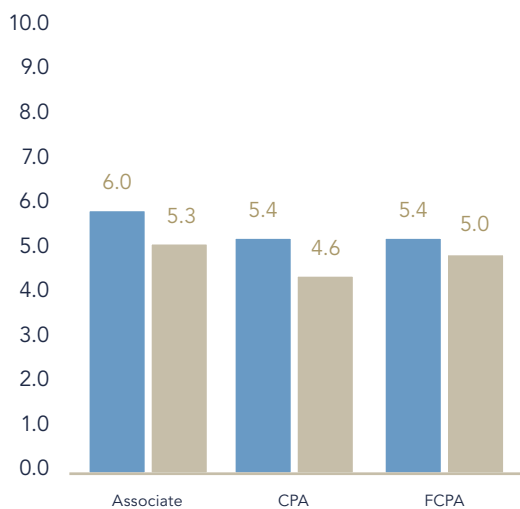
Common comments from members included:

- The negative impact of governance issues on the CPA Australia brand and reputation within the industry
- The need to provide greater support to members by developing their professional capabilities
- The cost of professional development
- The need to provide a greater return on investment for membership fees paid

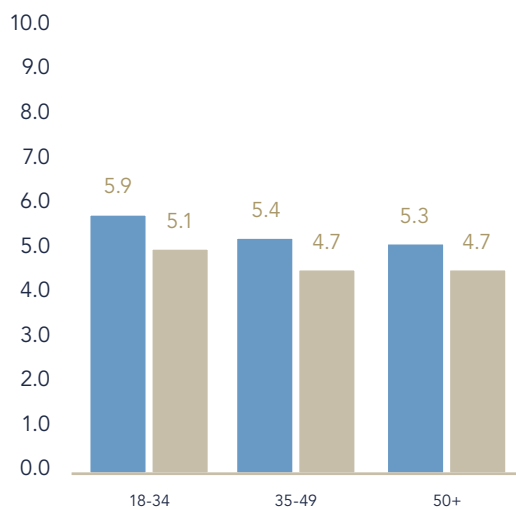
The results of this survey and other member feedback will play a key part in renewing our corporate strategy.



SATISFACTION AND VALUE BY DESIGNATION



SATISFACTION AND VALUE BY AGE



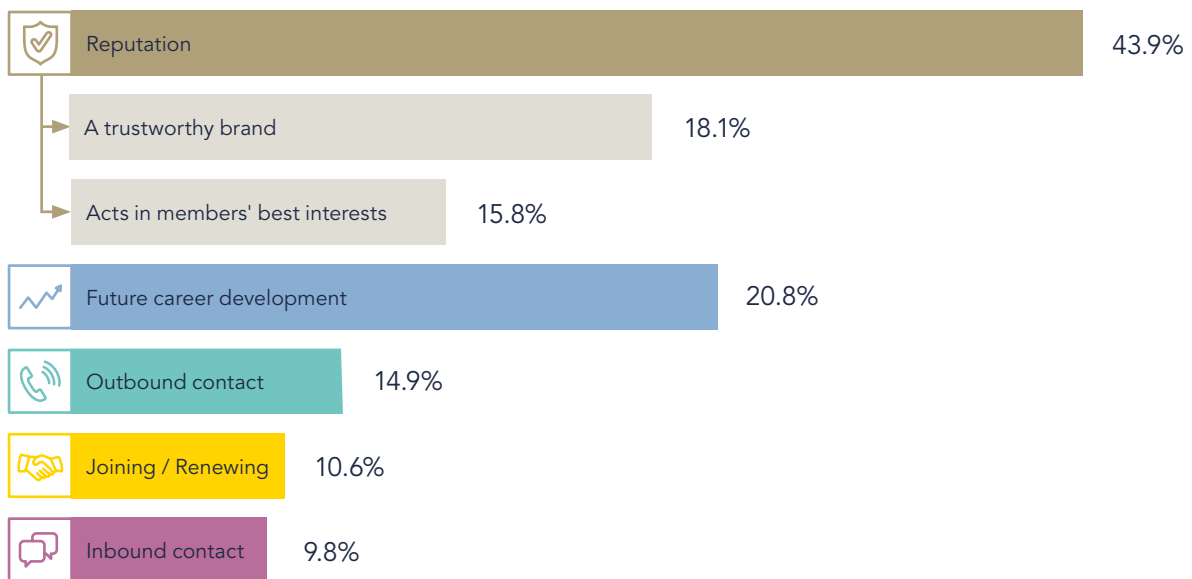
Overall satisfaction

Overall value

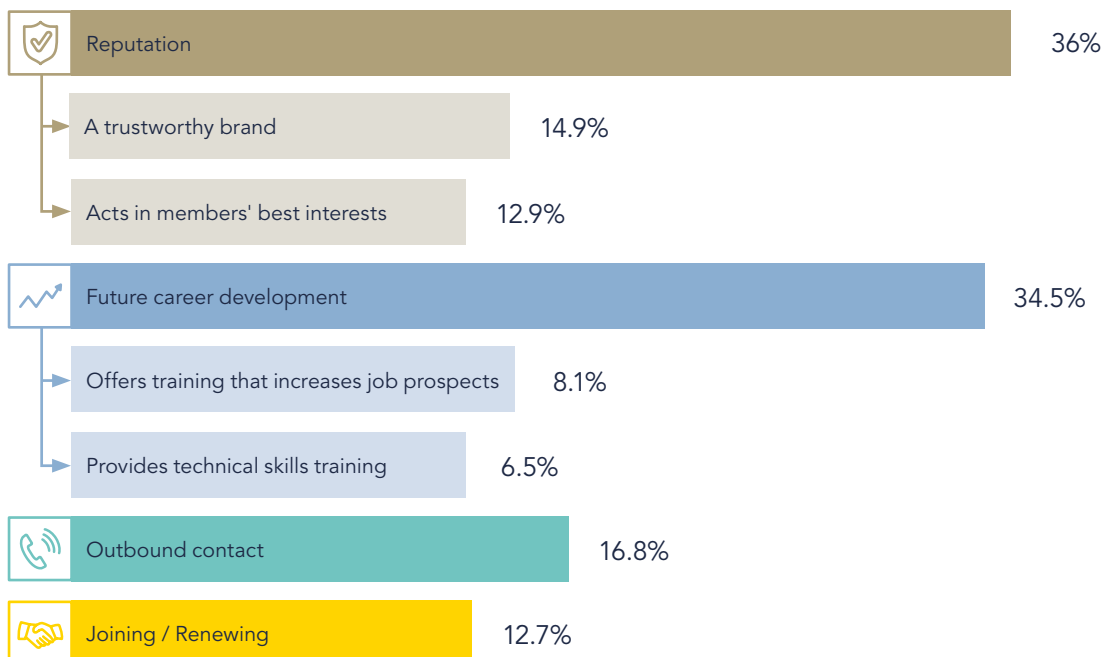
DRIVERS OF SATISFACTION AND VALUE

Driver analysis was also performed to see which attributes were most likely to contribute to members' sense of satisfaction and the value they saw in their CPA Australia membership. As shown in the models below, the key drivers of both value and satisfaction were reputation and future career development. Reputation drivers accounted for just under 44 per cent of members' views as to satisfaction and 36 per cent of the value they saw in their membership. The Board and management acknowledge this, and these factors will be key inputs into the new corporate strategy.

DRIVERS OF SATISFACTION

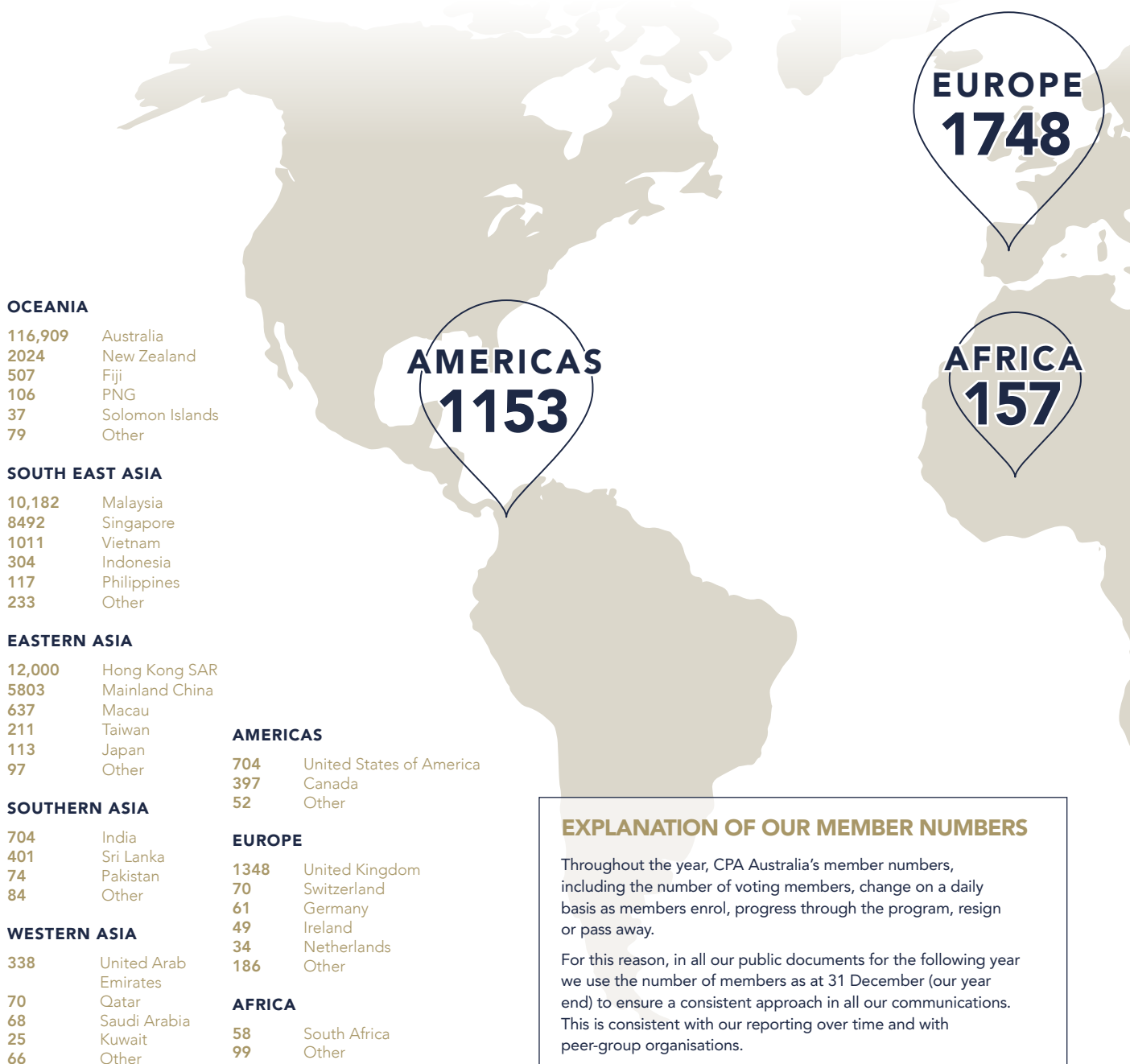


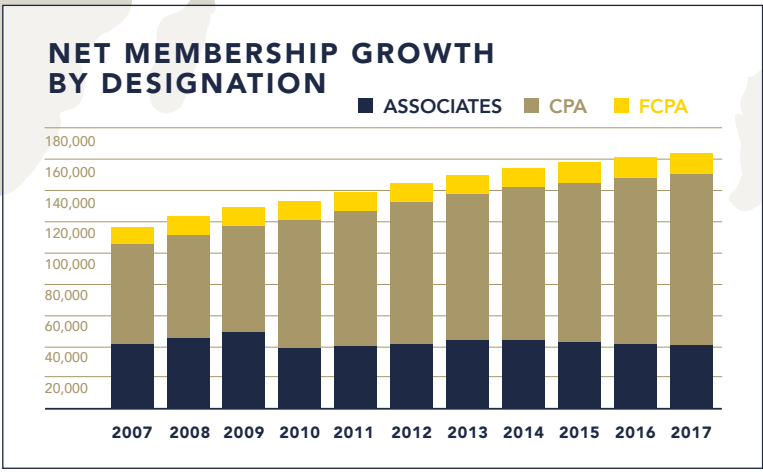
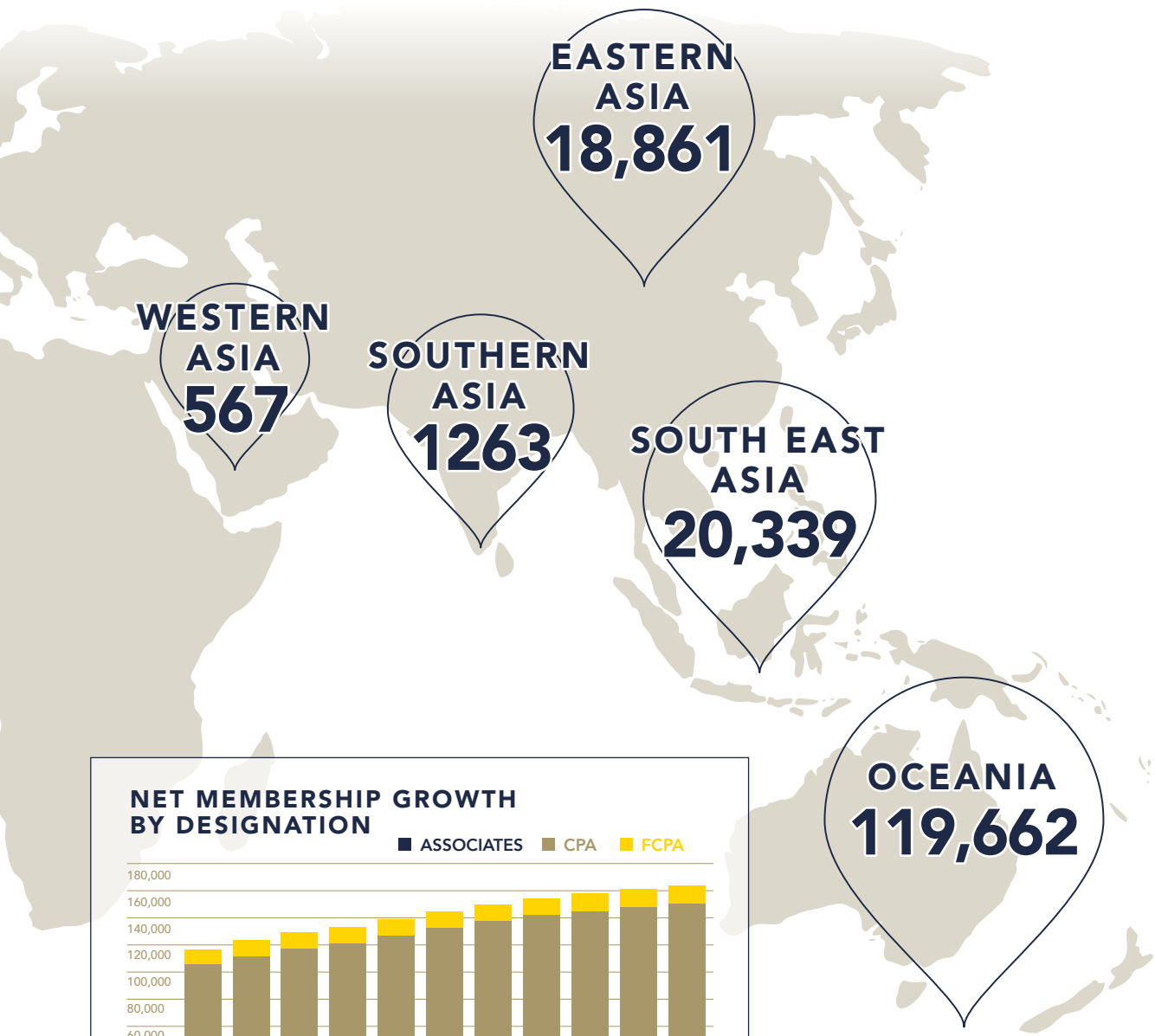
DRIVERS OF VALUE



MEMBER DEMOGRAPHICS

163,750 MEMBERS WORKING IN 125 COUNTRIES AND REGIONS AROUND THE WORLD
 ASSOCIATES 41,108 CPA 109,330 FCPA 13,312





LEARNING THE TRADE

20-29

30-39



12% ■ F61% ■ M39%
ASSOCIATE 14,894
CPA 4224

33% ■ F58% ■ M42%
ASSOCIATE 17,232
CPA 36,026
FCPA 124

ESTABLISHED CAREER

40-49

50-59



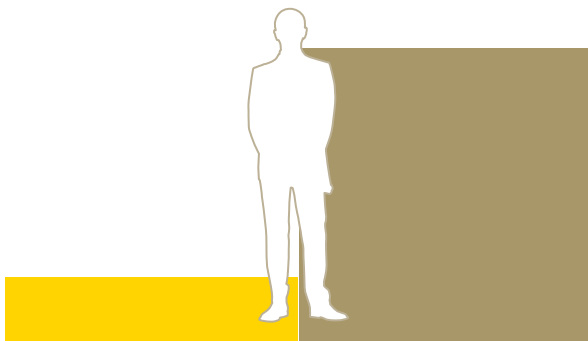
27% ■ F51% ■ M49%
ASSOCIATE 6253
CPA 36,595
FCPA 1924

15% ■ F36% ■ M64%
ASSOCIATE 2147
CPA 19,429
FCPA 3546

RETIRING

60-69

70+



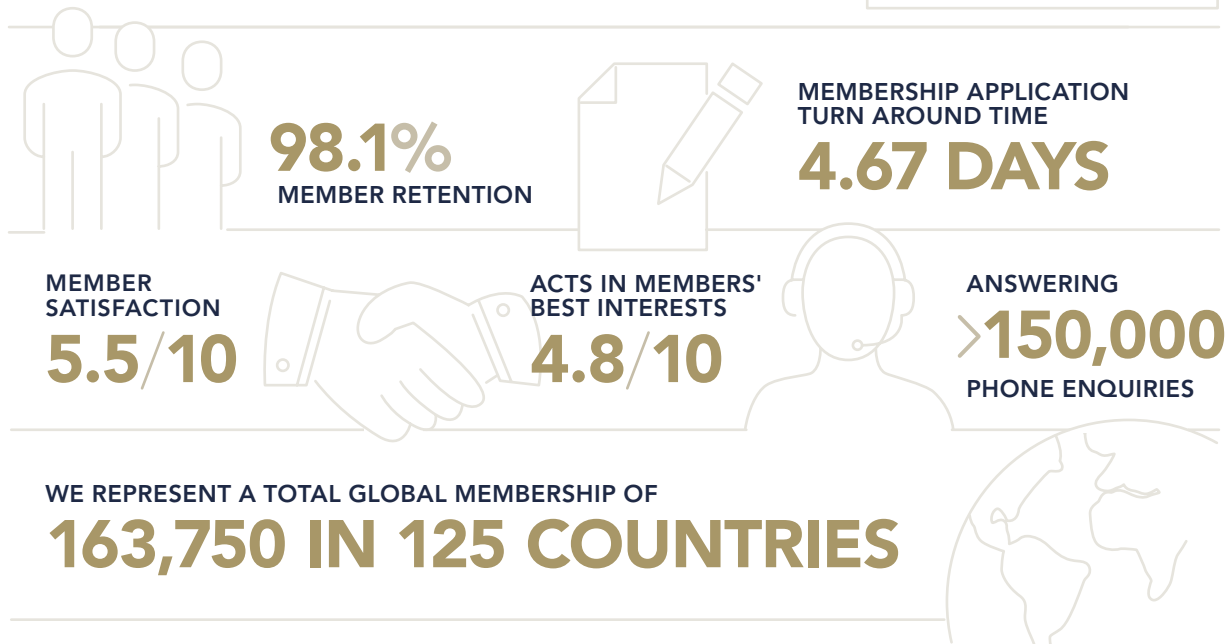
8% ■ F18% ■ M82%
ASSOCIATE 504
CPA 8608
FCPA 3524

5% ■ F6% ■ M94%
ASSOCIATE 68
CPA 4432
FCPA 4140

NB: Our total membership includes 80 records that do not have an accurate birth date. This includes 10 associates, 16 CPAs and 54 FCPAs.

MEMBER ENGAGEMENT AND SERVICE

2017 PERFORMANCE



OUR APPROACH

As a membership body, we are conscious of our responsibilities towards our members, both as a profession and in every personal interaction we have with individual members. Our core services to members include education, training, technical support and advocacy.

CPA Australia's service culture is defined by three pillars:

1. Fostering strong and engaging relationships with members
2. Providing high quality advice and information, responses and solutions
3. Providing service in a timely and responsive manner

In our day-to-day interactions with members, CPA Australia continues to work towards achieving the level of service and cooperation defined in the three pillars above, by holding relevant and meaningful events that further the profession in Australia and around the world, and by investing in technology, training and targeted communications.

MEMBER TRUST

The IRP Final Report made recommendations around the need for the organisation to strengthen member engagement. It also noted the Board's response to the Report which sets out the steps the organisation is taking to reassert member engagement as a priority for the business, including developing a Board Committee with specific responsibility for member engagement.

Our recently completed member engagement and satisfaction survey showed that a key driver of member satisfaction (Score: 5.5/10) was reputation, with believing that CPA Australia was a trustworthy brand (refer page 24 for more information) and believing CPA Australia was acting in members' best interests being the most important aspects.

The Board and management understand that rebuilding member trust in CPA Australia is critical.

As a first step, members of the Board have been engaging with members from across all our divisions, including all Division and Branch Councils, to listen to their views. Consultation with members will form a key tenet of the strategic review currently being undertaken to ensure that the views of members play a key role in shaping the future strategy of the organisation.

MEMBER SERVICES

Our member services team is at the frontline of member engagement and service, responding by telephone, email and in-person to queries from our members and prospective members. We provide regular product and service training to ensure that our frontline staff have up-to-date knowledge, enabling them to provide the right advice to members.

Our training for frontline staff includes e-learning modules, face-to-face training and personalised coaching.

We strive to improve our service and seek feedback from members through a variety of channels, including our regular communications and the annual member engagement and satisfaction survey.

In April, we introduced an after-call poll into the Australian phone queue to better assess the caller's experience. More than 34,000 callers participated in the poll, with 97.9 per cent stating that the customer service agent was friendly, and 94.2 per cent stating that they had all their questions answered.

In 2017, we met our service targets for answering telephone enquiries within a specified time (87 per cent of calls answered within 20 seconds against a target of 80 per cent). We did struggle to respond to members' emails in a timely fashion due to an increased number of more complex queries, particularly in relation to the Professional Standards Scheme and governance changes. Our challenge has been to keep our team members well-informed on these topics so they can provide effective and timely service to our members.

In the past few years we have continued to invest in technology to increase the digitisation of our membership application and assessment system. The full suite of services in the online application system became operational on 1 December 2016 and in the 12 months of 2017 has seen more than 20,000 applications assessed for membership admission. This includes applications relating to new membership, returning to membership and special admissions. The new system also allows for real-time assessments and by the end of 2017, 47 per cent of applicants using the system were able to receive a live outcome at the point of submitting their application.

ENGAGING WITH MEMBERS

Member engagement is a critical issue and was highlighted in the IRP's findings as an area where we need to strengthen our performance.

We acknowledge that engaging with our members in meaningful and rewarding ways remains central to building a robust CPA Australia. Through holding membership events and workshops, we can build strong, collegiate relationships and create an environment in which members can share insights and knowledge, and learn about regulatory changes and other developments in the profession. We also gain an understanding of the issues affecting members. This can, in turn, determine our policy position and shape our advocacy on their behalf.

Our Division and Branch Councils also have a responsibility for engaging with members. The Councils are advisory bodies elected by the members in the respective divisions. We operate Divisional and Branch Councils in each Australian state and territory and five international Councils (Europe, Greater China, Malaysia, New Zealand and Singapore).

Across the approximately 240 different Councils and Committees are around 1500 volunteer members contributing their time and effort.

In 2017, we held more than 3000 member engagement activities including Council and Committee meetings, branch events, networking information sessions, expos, roundtable discussions, conferences and member celebrations.

Among the various events held throughout the year, some of those that attracted the most interest from members included:

- Automation in Public Relations, a member event organised by the Malaysian Office and supported by RMIT University and the Victorian government
- Emerging Leaders Conference in Melbourne, Sydney and Brisbane where leading chief financial officers (CFOs) and senior finance professionals offered advice on forecasting with the aid of technology and data analysis
- International Women's Day events in Victoria and New South Wales focusing on women and leadership
- Future Leaders Luncheon and President's VIP and Networking event in London
- Not-for-profit CFO of the Future presentation in Melbourne
- Our Malaysian division launched their 'Inspire' series that showcases inspirational female CPA Australia members
- Victorian Division small-to-medium enterprise (SME) Committee Roundtables

COMMUNICATING TO MEMBERS

Keeping our members informed is a key aspect of member engagement and we aim to ensure that our member communications are timely, well-planned and relevant.

During 2017, members expressed discontent with the transparency, timeliness and responsiveness of communications, particularly from a governance perspective. As a result of this, the new Board has undertaken to increase communication with members, with announcements sent to members after each Board meeting from October onwards and when significant decisions or events occur such as the release of the IRP's Final Report.

We also note that through the recent member engagement and satisfaction survey, members have further indicated that the communication strategy should continue to be reviewed, particularly in regard to the amount of above the line (mass media) communications. The Board has committed to do this through the strategic review that is currently underway.

Members have also provided feedback that the frequency of communications around the product offer is not meeting all member needs with fewer, more tailored and relevant communications being desired.

CONNECTING VIA SOCIAL MEDIA

CPA Australia seeks to engage with existing and prospective members by increasing our presence on social media platforms. Overall, CPA Australia connects with more than 639,000 people across various social media platforms including Facebook, Instagram, LinkedIn, Twitter, Weibo and WeChat.

Our key interactions on social media centre around promoting CPA Australia's professional resources such as podcasts and links to articles from INTHEBLACK, offering career advice, communicating and advising members when exam results are available. Where possible, given the limits of social media channels, we also respond to comments and enquiries received from members or direct them to more appropriate channels when their query is more complex.

RECOGNISING OUR MEMBERS

At CPA Australia, we recognise and commemorate the academic achievements and professional milestones of our members. We hold certificate presentation ceremonies to celebrate the achievements of members who have advanced to CPA and FCPA status, reached significant tenure milestones such as 30, 40, 50, 60 or 70 years of membership, or received the Diploma of Financial Planning, Public Practice Certificate or the Certificate of Excellence.

We also acknowledge exceptional service to CPA Australia and the profession by conferring honours and awards such as Life Membership, Honorary Membership, the Divisional President's Award for Excellence and the Board of Directors' Award for Outstanding Service.

In 2017, we held more than 50 certificate ceremonies to mark these events throughout Australia and in a variety of diverse locations, including Auckland, Brunei, Dalian and Hanoi.

PRIVACY

Members and customers share significant personal data with us and we are committed to ensuring the privacy of this data. We do this through our policies and practices and through ongoing upgrades to our systems and applications that house personal data. We have a privacy policy and information security framework and all staff receive training on their obligations, including through our eComply training program.

Our privacy officer is responsible for investigating any external complaints concerning privacy. We encourage our employees to report any areas where there may be a potential for data loss so that we can continuously improve our processes.

In 2017, we had nine substantiated privacy breaches. In each case, we responded in accordance with our privacy policy and the law, and we changed our practice in the areas where there were multiple breaches to avoid further instances. In no cases was sensitive information disclosed. There were no other identified leaks, thefts or losses of member or customer data. We had one complaint from the regulators regarding our unsubscribe procedures in the context of commercial advertising electronic communications.


FUTURE OUTLOOK

A key tenet of the strategic review being undertaken by the Board will be to ensure that member needs are central, notwithstanding the difficulty of meeting member needs across such a diverse membership.

We will also continue to invest in system capability to further streamline our communications with members, to make them more targeted and relevant to individual members.


BRAND AND REPUTATION


2017 PERFORMANCE




NEW MEMBERS FROM
75 COUNTRIES

>**282,000**
STUDENT NETWORK





MARKETING SPEND IN 2017
\$13.3M



A TRUSTWORTHY BRAND
5.5/10

OUR APPROACH

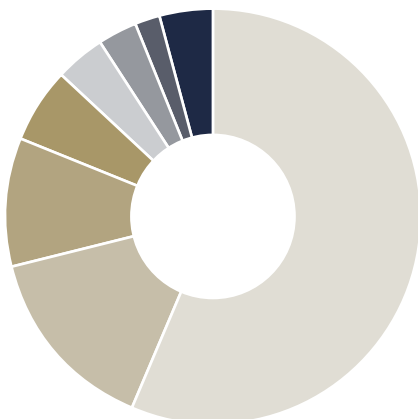
The value of the CPA Australia designation is generated by the technical expertise and reputation of our members. We endeavour to enhance this reputation by building our brand's profile in the global market. We do this through a range of activities including bringing together members with employer and 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.

These activities create meaningful relationships and increase engagement with our members, stakeholders, commercial partners and those who are looking to build a career in accounting.

We acknowledge that the brand and reputation of CPA Australia has been damaged in 2017.

Alongside the member engagement and satisfaction survey, we undertook a study on brand perception in the marketplace (potential members, employers, general public), where CPA Australia performed strongly in key target markets. Members' perception of the brand was however significantly lower, with "a trustworthy brand" rating of 5.5/10.

CPA Australia's marketing investment for 2017 was \$13.3 million (2016: \$15.9 million). A breakdown of this spend is provided in Figure 1.



ADVERTISING

The mix of marketing spend, including the personalisation of the brand, has been raised as a concern by members in submissions to the IRP, which has made recommendations to the Board.

This includes a process to review corporate strategy, including a consolidated marketing strategy which is now underway. The Board also stated on 10 October 2017 that the previous strategy of personalising the leadership through branding the CEO role is over. The CPA Australia brand will be the primary brand moving forward.

Figure 1: Marketing investment

SPONSORSHIP

As part of its marketing mix, CPA Australia engages in a series of paid sponsorships designed to attract our target audiences and support our membership goals. We enter into these commercial relationships to give our brand visibility in key markets and to enhance the reputation of our designation.

The focus of our sponsorship activities is on finance and accounting events and in 2017, CPA Australia sponsored more than 30 such events across the Asia-Pacific region. These include CFO Forums and symposiums in Australia, China and New Zealand, the Accounting and Finance Association of Australia and New Zealand conference, the Accounting Business Expo for public practitioners, the Austrade Export Awards, Austcham China Career Fairs, and a number of workshops in conjunction with international professional accounting bodies.

In 2017, we continued our relationship for a fourth year as the official accounting and business partner of the Australian Tennis Open. Our relationship with the Australian Open gives us global exposure and the ability to showcase our brand across markets throughout the Asia-Pacific region, particularly in Australia, China and New Zealand. Our contract with the Australian Open runs until 2019.

CPA Australia's broadcast sponsorship of the 2016-17 NBL Australian Basketball Season and Finals Series concluded in February 2017. As part of CPA Australia's overall NBL partnership, we sponsored the NBL All Australian Team Tour of China in July 2017. CPA Australia had naming rights to the Australian team during the three-match series played in Beijing, Jilin and Dongguan which was broadcast throughout China, providing strong brand exposure.

We also continued our partnership with Qantas magazine in 2017. This partnership includes a mix of editorial and advertising content profiling CPA Australia and its members to business executives.

In 2017, the new Board ceased sponsorship of the South Sydney Rabbitohs.

We regularly monitor the benefit and return on investment of our sponsorships. To further this, we are undertaking an audit of our sponsorship and partnership arrangements.

BUSINESS DEVELOPMENT

In 2017, we launched our sector strategy that aligns the CPA Australia brand to growth sectors of the Australian economy. This approach will see us focusing our Australian membership acquisition on industries that offer the highest potential for growth: banking and finance, health and aged care, energy and resources, IT and telecommunications, and education. The objectives of this approach are to:

- build relationships within the identified business sector and gain an understanding of the industry's requirements
- create targeted marketing strategies to create a sustainable CPA Australia for all members
- gain market intelligence and influence by becoming an active participant in industry events

HEALTH AND AGED CARE

The healthcare sector is one of the biggest industry groups in the country and represents the largest employment sector in Australia. Expenditure on health represents 10 per cent of total Australian GDP, with increasing demand for health services being forecast from a growing and ageing population.

At CPA Australia, we recognise that the role of finance and accounting in healthcare is an important and specialised area. We've been working closely with the Healthcare Financial Management Association (HFMA) to identify the complexities, priorities and challenges that are unique to the healthcare industry. Our relationship with HFMA has arisen from the Healthcare Leaders Round Table hosted by CPA Australia which brings together finance leaders and CFOs from public and private hospitals, aged care providers, state government, and industry peak bodies.

We are also supporting the Victorian Department of Health and Human Services to increase the number of women sitting on hospital boards.

PUBLIC SECTOR LEADER SERIES

In 2017, we continued our Public Sector Leader Series with nine events held across Australia. Public sector professionals working across all levels of government constitute eight per cent of our membership. CPA Australia members working in government play a vital role in promoting accountability, effective financial management and good governance. The Public Sector Leader Series featured high profile speakers from government and government departments who shared their knowledge on specialist topics with members who are public sector finance professionals. Some of the topics included:

- Digital WA
- Successful business in China
- Leadership - the role of the financier in shaping and influencing organisational change
- CommSec - State of the States Report and Federal and State budgets
- Census case study

RECOGNISED EMPLOYER PROGRAM

CPA Australia has fostered strong relationships with employers in the accounting and finance sector. Our Recognised Employer Program is made up of organisations that have undergone comprehensive assessments and validations of their graduate development and professional development frameworks. CPA Australia has 372* Recognised Employer Partners who demonstrate to students and young professionals that they are committed to providing their employees with best practice learning and development and ongoing support. The benefits flow both ways, for being recognised as a Recognised Employer Partner also helps employers to attract talent. We have Recognised Employer Partners in 17 countries. A full list of our Recognised Employer Partners is available on our website at:

cpaaustralia.com.au/employers/recognised-employer-partners

CPA Australia works with employers in a number of ways, including organising specialist roundtable events for industry practitioners, hosting onsite learning and development opportunities, presenting information sessions on the CPA Program, and bringing employers and their staff together with CPA Australia members.

*In previous years we counted active Recognised Employer Partners and those that were going through the renewal process after the expiry of their original agreement. From 2017 onwards, we are only including active Recognised Employer Partners given that the time taken for the renewal process is considerable.

GLOBAL CAREERS MONTH

The Global Careers Month, held in April, highlights the mobility of the CPA Australia designation and the international job opportunities that are available to members. It also provides our Recognised Employer Partners with access to the talent pool of our worldwide membership.

This initiative provides CPA Australia members with an opportunity to connect with Recognised Employer Partners and learn more about career opportunities around the globe. Employer Partners including, Crowe Horwath, Dairy Farm Singapore, Deloitte, Mazars, PwC and TMF Group, offered CPA Australia members a chance to apply for more than 200 positions in locations such as: Darwin, Ho Chi Minh City, Johor Bahru, Kuala Lumpur, Mianyang, Singapore and Yangon.

PUBLIC SECTOR FINANCE FORUMS

CPA Australia collaborates with various Commonwealth government agencies to facilitate forums in which finance professionals from the public and private sectors, including not-for-profit, can come together to share industry insights and knowledge.

We have held forums with representatives from key Commonwealth agencies, including the Department of the Prime Minister and Cabinet, Department of Immigration and Border Protection, Australian Bureau of Statistics, Department of Foreign Affairs and Trade, Department of Treasury, Department of Finance, Attorney-General's Department, Department of Agriculture and Resources, Department of Education and Training, Department of Social Services, Department of Health, and others.

Topics centre on both soft and technical skills, such as innovations in finance, business finance partnering, resilience and how to cope with change, communicating finance to non-finance managers and a CFO panel where participants discussed employee expectations of a CFO.

The events are free to attend and are held in local venues across the ACT. They are open to CPA Australia members and non-members alike, and represent an opportunity for participants to network and collaborate with finance professionals who work in different sectors and who are at different stages of their careers.

STUDENT NETWORK

CPA Australia connects with a large network of more than 282,000 students and young professionals both face-to-face and online. We promote the benefits of a career in accounting and the value of holding a professional designation. Through events such as careers expos, students and graduates can meet employers and recruitment professionals and receive practical tips about building their CV and attending job interviews, as well as learning about internship and employment opportunities.

We also assist students through a range of other activities such as providing support to student associations at various tertiary institutions in Australia and New Zealand, running a Student Ambassador program in which ambassadors act as a liaison between their university peers and CPA Australia, and convening International Student Forums. Attendees at the forums learn about the support available to international students, hear first-hand accounts from industry professionals who have studied internationally and learn about global career opportunities.

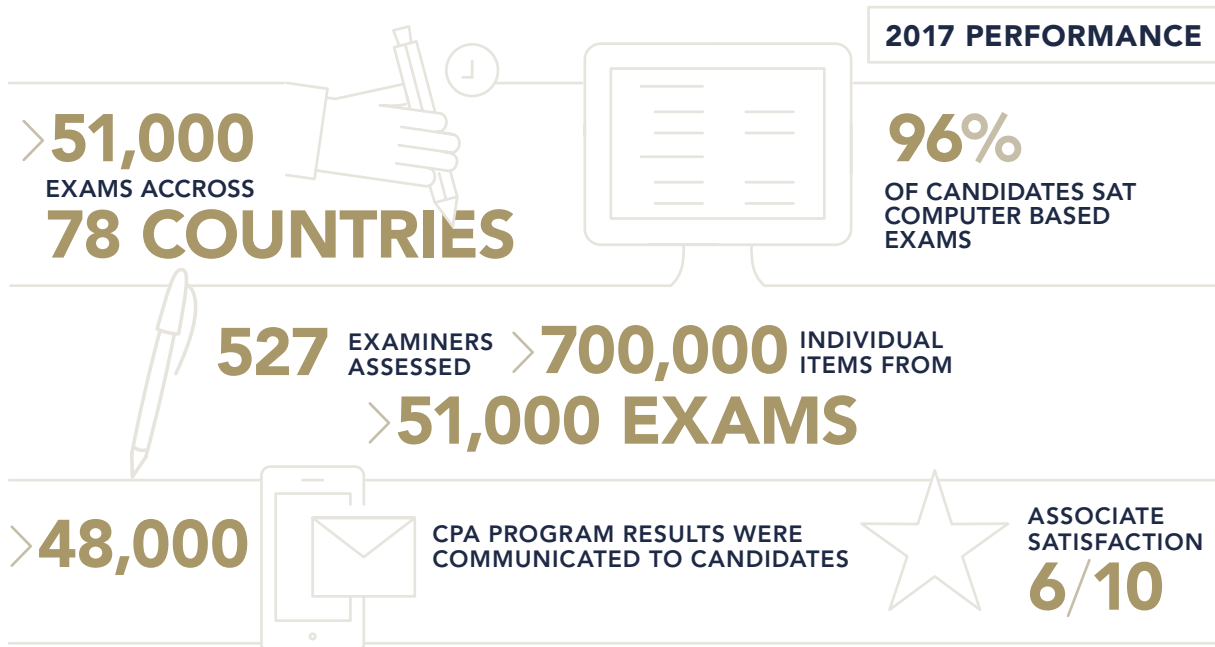
CAREER MENTOR

In 2017, we relaunched our online mentoring site as CPA Career Mentor. This site provides career advice and tips on job seeking, and from 2018 will feature an 'Ask a Member' facility, whereby students and graduates will be able to pose questions to a CPA Australia member.

FUTURE OUTLOOK

The IRP recommended that a consolidated marketing strategy be developed. This will occur in 2018 with the approach founded on critical insights from brand perception research and member engagement and satisfaction research. More information will be made available as part of communicating the corporate strategy to members. We are also undertaking an audit of our sponsorships and partnerships in order to find the correct balance of marketing spend across all channels to maximise the value for our members and the organisation.

CERTIFICATION AND THE CPA PROGRAM



OUR APPROACH

The CPA Program is central to our business. It 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.

Candidates study six subjects, four compulsory subjects and two electives (from a choice of eight), and must also demonstrate three years of practical experience. We continue to expand our offer to ensure that the CPA Program remains relevant and responsive to our profession.

In 2017, we introduced two new financial planning electives: Financial Planning Fundamentals and Superannuation and Retirement Planning. These subjects enable members who want to pursue a career in financial planning to make progress towards the regulated education requirements while they are studying the CPA Program. Two further electives will be introduced in 2018: Risk Advice and Insurance and Investment Strategies.

CPA Australia welcomes applicants with diverse or non-accounting educational backgrounds who wish to achieve the CPA designation. We offer a pathway to these candidates through Foundation exams. Foundation exams are a suite of six bridging subjects, equivalent to undergraduate level, that address specific areas of core knowledge required for entry into the CPA Program.

The subjects are:

- Foundations of Accounting
- Financial Accounting and Reporting
- Fundamentals of Business Law
- Management Accounting
- Business Finance
- Economics and Markets

Our aim over the next five years is to become the first-choice education provider for finance and accounting professionals in the region.

We are working to achieve this by:

- becoming a learner centric educator offering a suite of options and resources that will enable members to choose what they need to learn, when they choose to learn it
- partnering with our members in lifelong learning and increasing our professional development programs
- managing a complex range of learning products and enabling investment in new content and learning styles
- differentiating our offer through innovation
- continuing to provide high quality products and services

While CPA Australia retains control of critical functions relating to content, design specifications, assessment and quality assurance across our education portfolio, we work with the following supply partners to deliver the CPA Program to our members and candidates:

- DeakinCo, who develop teaching and learning materials such as study guides and knowledge checks
- Pearson VUE, who provide exam development, exam delivery and assessment services

- IVEO, who print and distribute study materials
- BPP, who develop teaching and learning materials for the Foundation exams

The size and diversity of our student cohort and the number of countries in which our candidates reside constitutes one of the main practical challenges in delivering the CPA Program. From an education perspective, the main challenge is ensuring that we deliver programs in a way that continues to meet market expectations, particularly in an environment where candidates want greater flexibility in the way they access learning.

We haven't met our CPA Program enrolment target in 2017, falling short of our initial estimates.

DIGITAL LEARNING SERVICES

To enhance our educational offering and meet the preference of young professionals studying the CPA Program, we continue to invest in digital learning products to provide resources that would assist candidates. Digital learning modules provide contemporary, advanced teaching practices that allow candidates to study in their own time and at their own pace. This year we introduced two new interactive business simulations for the Strategic Management Accounting and Global Strategy and Leadership subjects.

These digital resources were designed to allow application of key models and theories from the subject study guide. These models and theories were selected based on examination results and research into areas that candidates had struggled with. By providing additional learning resources, we aim to improve candidate understanding and application and therefore lead to an increase in examination success.

SUBJECT	EXAM PASS RATE	
	SEMESTER BEFORE DIGITAL LAUNCH	SEMESTER OF DIGITAL LAUNCH
Strategic Management Accounting	S2 2016 68.4%	S1 2017 69.3%
Global Strategy and Leadership	S1 2017 77.1%	S2 2017 83.9%

These immersive business simulations complement other interactive resources available in the Ethics and Governance, and Financial Reporting subjects, and offer candidates new perspectives to aid learning.

We continued to extend our roll-out of computer-based testing, with 96 per cent of our exams being computer based, up from 94 per cent in 2016 and 75 per cent in 2015. There are considerable advantages to computer-based testing, including greater flexibility for candidates and tighter security.

EXPANDING THE REACH OF THE CPA PROGRAM

While the overall trend in education is for distance, self-paced learning, some candidates prefer face-to-face learning opportunities. To cater for these members, CPA Australia partners with suitably qualified and reputable education institutions around the world to offer tuition classes for the CPA Program and Foundation exams, or to integrate one or more CPA Program subjects into their own postgraduate programs. In 2017, 19 per cent of our candidates accessed the CPA Program through our network of providers.

Registered tuition providers are authorised to provide CPA Program tuition that is consistent with the current study materials. We partner with 28 tuition providers from seven countries who undergo stringent assessment to ensure they meet our course content requirements and quality standards. We measure the performance of our tuition providers through candidate results, class visits, candidate experience surveys and enrolment numbers.

To support our tuition providers, we offer resources and ongoing training. This year we hosted a delegation of 32 tuition providers from 16 different universities in Greater China for a five-day workshop on program content and delivery. The educators who attended represent institutions that commenced delivery of CPA Program subjects in 2017, or are set to commence in 2018.

In 2017, we partnered with four new universities to introduce the CPA Program alongside their postgraduate courses. The combined Masters of Professional Accounting at La Trobe University allows candidates to study for a Masters degree embedding the CPA Program, while at James Cook University, candidates can combine study of the CPA Program with the Graduate Diploma of Accounting online. Internationally, we introduced the Master of Accountancy at Open University of Hong Kong and a Masters of Professional Accounting with Lincoln University in Christchurch, New Zealand.

To support our presence in the South Pacific, we are also formalising a proposal to launch the CPA Program through the Master of Commerce (Accounting) degree with Fiji National University in 2018.

To offer candidates more flexibility in how they undertake the program, we have trialled a full-time tuition support model in both Malaysia and Australia. While we are not continuing with this model in Australia into 2018 due to low demand, the Malaysian offer at Sunway TES in Kuala Lumpur is ongoing. We are also preparing to trial a similar model in China in 2018. Offering a full-time program allows graduates to progress through the academic component of the CPA Program in a shorter time frame to give them an advantage in the workplace. They are still required to complete three years practical experience before advancing to CPA status.

SCHOLARSHIPS FOR FIRST NATION PEOPLES IN AUSTRALIA AND NEW ZEALAND

Indigenous Accountants Australia (IAA) is a joint initiative of CPA Australia and Chartered Accountants Australia and New Zealand (CAANZ) to address the under-representation of Indigenous Australians in the accounting profession. IAA works with schools, universities, government, the accounting profession and the corporate world to improve the entry, retention, graduation and employment outcomes for Aboriginal and Torres Strait Islander students. We believe that a higher representation of Indigenous accountants promotes greater financial literacy and can generate a self-supporting Indigenous business sector and contribute to successful outcomes at a community scale.

CPA Australia offers up to five scholarships annually to help Aboriginal and Torres Strait Islander students study for the CPA designation. In 2017, three candidates were successful in qualifying for these scholarships.

Alongside this, we also offer two scholarships annually in New Zealand for students of Maori descent to undertake the CPA Program. Two candidates were awarded scholarships in 2017 as part of this program.

ENSURING HIGH STANDARDS

CPA Australia draws on the professional support of members working in academia and industry, as well as our own education and technical specialists, to ensure that the content of the CPA Program remains relevant and contemporary. We do this through a series of specialist committees, including the Professional Qualifications Advisory Committee, which provides advice on the education framework for members, the Examinations Policy Advisory Committee, the Special Consideration Committee and Subject Advisory Panels. Members of these committees include professors and senior academics from prestigious educational institutions alongside leading industry experts.

It is important that CPA Australia upholds the high standards of the profession when it comes to passing candidates. We have adopted best practice methodologies and implemented many measures to ensure assessment is rigorous, and that the marks awarded to a candidate are a true representation of the level of knowledge and skills they have demonstrated.

Exams are marked using a scaled score which is calculated by equating various forms of exams to the same level of difficulty to enable an equitable comparison. In addition, the passing scaled score is determined by a group of subject matter experts selected from our member base, with our members being the ones who set the minimal level of competency required for the subject. As a result of such a process, the passing score for a subject is decided before the exams and will remain the same regardless of how many candidates achieve that level of ability. The Board and management have no input into this process.

CERTIFICATION FOR SPECIALIST LICENSING

As a Registered Training Organisation, CPA Australia offers members the opportunity to earn qualifications in areas with specialist licensing requirements, such as financial planning, registered tax practitioners and consumer credit services. Our programs include:

- FNS50615 Diploma of Financial Planning
- FNS40815 Certificate IV in Finance and Mortgage Broking
- FNSSS00006 Tax (Financial) Adviser – skill set
- Public Practice Program

The Diploma of Financial Planning is embedded within the RG 146 Compliance Solution program and provides members with the knowledge and skills needed to become authorised to provide financial product advice to clients. From 1 January 2019, new education standards will come into effect for all financial advisers. These new education, experience and ethics requirements will be set by the new Financial Adviser Standards and Ethics Authority Limited and are still under development. As a result of these changes, phasing out of the RG 146 Compliance Solution Program has commenced, with CPA Australia assisting those currently enrolled in the program to complete their studies by the end of 2018.

Key program dates around enrolment close, last day for submission of assignments and last date of graduation have been posted which gives a 12-month lead-in time to assist members in planning for and completing this education pathway before the new education reforms come into effect.

Members looking to become a financial adviser from 1 January 2019 will need to meet the new education standards. As the new education framework is developed, CPA Australia will look to replace the RG 146 Compliance Solution with the new financial planning stream as part of the CPA Program. Two of these subjects, Financial Planning Fundamentals and Superannuation and Retirement Planning are already available as part of the CPA Program. Two further subjects, Investment Strategies and Risk Advice and Insurance will be launched in 2018.

PUBLIC PRACTICE PROGRAM

The Public Practice Program is the certification program which allows members to become CPA Australia Public Practitioners. The program has been developed to help members establish themselves in public practice. It builds on the technical expertise and experience gained from the CPA Program and through hands-on business experience. It focuses on non-technical skills such as strategic planning, marketing, risk management and practice development as well as the regulatory expectations of practitioners.

FUTURE OUTLOOK

We will continue to review and adapt the CPA Program to ensure its ongoing high quality and relevance for candidates and employees. From Semester 2, 2018 we're making some important changes to our CPA Program subject Advanced Taxation.

The new Advanced Taxation subject will be offered with an uplift in content and learning outcomes so that it's in line with postgraduate studies. Completion of this subject will seek to meet the advanced taxation requirement of the Tax Practitioners Board (TPB) for registration as a Registered Taxation Agent in Australia.

It is recommended that candidates enrolling in this subject have previously completed undergraduate studies in taxation.

ACCESS TO KNOWLEDGE

2017 PERFORMANCE



OUR APPROACH

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 and up-to-date. We offer a broad range of CPD options from which members can choose, including conferences, networking events, face-to-face workshops, discussion groups, webinars and online and printed self-paced learning modules.

The continuing education market is challenging and competitive and our membership is increasingly diverse which means that we need to continually improve our offering to meet changing member expectations. Our teaching and learning framework supports members with programs that offer flexibility of delivery, variety of content and the ability to choose what, when and how they want to learn. The four principles we apply when developing our programs is that they should be engaging and stimulating, easy to access and understand, effective in achieving learning outcomes and efficient in delivery.

Acknowledging the ongoing preference for self-paced, online learning in place of traditional face-to-face models, we have continued to invest in our digital offering with more than 290 products now available for members.

To support our learning and development activities, we provide a comprehensive suite of professional resources via CPA Australia's corporate website, as well as library services and an exclusive podcast series. We also place an emphasis on regular, high quality communication and produce a range of print and online publications that cover issues pertinent to the accounting and finance sector.

Through our member engagement and satisfaction survey and other member feedback, we know that our CPD offer and INTHEBLACK content are two areas where members would like to see improvements.

MEMBER PUBLICATIONS

CPA Australia's print and online publications provide coverage on current issues and emerging trends in the accounting, finance and business sector. These publications cater to the broad areas of interest and varied business practices of members by providing a mix of general interest subject matter and specialised, technical content. They are also key vehicles used for communicating information about CPA Australia and its activities for members.

IN AN AVERAGE	
WEEK	
21,000+	Associates open and read ASA CPA Update
50,000+	CPAs open and read CPA Update
8000+	subscribers open and read Tax News
MONTH	
70,000+	visits to intheblack.com
74,000+	members open and read INTHEBLACK newsletter
4000+	Public Practitioners open and read the INPRACTICE newsletter
500+	members take out loans from CCH e-books
64,000+	member page views in Ebook Central

PODCASTS

We offer a complimentary series of podcasts covering current issues in the accounting and finance profession. In mid-2017 we relaunched our podcast channel, changing the broadcast schedule from an ad-hoc series to regular weekly episodes that feature interviews and discussions between experts and leading voices in the industry. This exclusive content covers topics alternating between technical issues, policy matters, public practice and strategic leadership and management. Members can subscribe or listen via iTunes, Stitcher or Libsyn, or download transcripts from the website.

In total, there have been more than 60,000 downloads from our podcast channel. In 2017, we have recorded 38 episodes that have generated an average of just under 1600 downloads per episode.

CONGRESS

'Embrace change', 'be agile' and 'make technology and innovation work for you' were some of the take-away messages from CPA Congress 2017, our premier networking and professional development event. It brings together accounting, finance and business professionals to share insights, discuss global best practice, and track key trends impacting the sector.

This year's event was held over 27 days, in 13 locations, across six countries. Overall, more than 9000 delegates heard from 400 speakers and presenters. The variety of topics was mirrored by the gender diversity of presenters, including 41 per cent female presenters across Australian congresses and, highlighting the calibre of our own members, 21 per cent of the presenters at this year's Australian events were also FCPAs or CPAs. Continuing the theme of 'Connecting the Biggest Minds,' high-profile speakers at Congress 2017 included:

- Kevin Brady, head of financial operations, Qantas
- Jo Hands, CFO, Sensis
- Charlotte Hayes, CFO, Invictus games
- Matthew Luhn, former illustrator and filmmaker, Pixar
- Jason Wheeler, former CFO, Tesla

Following the successful trial of a revamped format in 2016, this year's Congress comprised a mix of keynote presentations plus a series of technical workshops in which delegates collaborated in a collegiate environment. This year, all guests received an e-book called *The Inspiring Minds of CPA Congress* that offered an overview of some of the keynote presentations.

In addition to Congress, we held three conventions in Newcastle, Townsville and Wollongong, bringing the highlights of Congress to regional locations.

LEARNING AND DEVELOPMENT

As a member of the International Federation of Accountants (IFAC), CPA Australia places great importance on the value of lifelong learning. To maintain the CPA designation, members participate in a prescribed amount of CPD each year: a minimum of 20 hours per year and a total of 120 hours over a three-year period.

Embedding this requirement into the designation ensures that members build and maintain the requisite knowledge and skills to service their clients and uphold the integrity of the profession.

It also ensures that members' skills and experience remain relevant, current and reflective of best practice. Participating in CPD enables members to add value to their organisation and their clients and give themselves the opportunity to excel and build their career.

To make our CPD offering engaging and valuable for members, we have developed a suite of practical, learning resources that cover the complete spectrum of the accounting, finance and business profession. Our offering in 2017 included a total of 241 workshops, 60 webinars and 332 self-paced courses (recorded webinars, online, learning manuals). In 2017, we increased our focus on the five content areas that are of most interest to our members:

- Taxation
- Strategic management accounting
- Financial accounting
- Excel
- Leadership and governance

To make it easier for members to access these modules, we offer these in a variety of delivery modes, including face-to-face workshops, webinars, self-paced online courses and printed learning manuals.

As part of our professional development offer we also offer corporate learning solutions that offer tailored content to businesses and public-sector organisations to meet their needs and priorities.

We have also partnered with the Chartered Institute of Public Finance and Accountancy in the UK to provide public sector organisations in Australia, New Zealand, Asia and the South Pacific with an internationally recognised framework and a measurement tool.

FUTURE OUTLOOK

Through our member survey and other member feedback we know that our CPD offer and INTHEBLACK content are two areas where members would like to see improvements made. These areas will form part of the strategic review currently underway. The Board has also announced that all members will have access to 28.5 hours free CPD from 2018 on an ongoing basis. The offer will be delivered online to ensure maximum accessibility to members wherever they live and work.



In 2018, we will also be co-hosting the World Congress of Accountants (WCOA), the premier accounting conference for the global business and finance community. Held every four years, WCOA 2018 will bring together in Sydney, more than 6000 delegates from 130 countries. This event's theme is *Global Challenges | Global Leaders*, reflecting the accounting profession's willingness to embrace change, disruption and to look beyond the horizon.



PUBLIC INTEREST AND THE PROFESSION



MATERIAL ISSUES

Material issues represented in this section include:

- Protecting the public interest and professional standards – M9, M11
- CPA Australia Advice – M18
- Representation and advocacy – M14



STRATEGIC GOALS*

- To be a recognised and respected voice in the global business, accounting and leadership space
- Ensuring the highest standards for all our members



OUTCOMES

- Protection of the public interest
- A stronger accounting profession



VALUE CREATED

- Public confidence
- Consistency, comparability and transparency of financial information that drives better business decisions
- Stable capital markets
- Sustainable businesses

*These goals were in place under the previous corporate strategy and will be reviewed as part of the strategic renewal being undertaken by the Board.

PROTECTING THE PUBLIC INTEREST AND PROFESSIONAL STANDARDS



OUR APPROACH

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 the applicable industry standards and regulations.

We support and belong to many professional standards bodies, including the IFAC International Ethics Standards Board for Accountants (IESBA) and the Accounting Professional and Ethical Standards Board (APESB).

We help to develop standards for the profession through engagement, advocacy and consultation with industry bodies in all regions where our members practice.

We aim to provide learning opportunities through technology platforms and traditional learning mediums. We develop customised tools that support members to adopt sustainable practices that meet consumer and stakeholder expectations and comply with regulator standards.

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. These reviews are conducted by peers in public practice who have the relevant experience, training and demonstrated expertise.

To ensure that members abide by the applicable standards and regulations, CPA Australia has instituted a formal process to investigate complaints against members. Such investigations are conducted in an impartial and timely manner; and in a such a way that preserves the rights of members while respecting the concerns of complainants.

In 2017, we recorded 674 enquiries / complaints with 413 of those requiring further investigation, which resulted in 28 adverse findings against members. These findings are disclosed on our website at cpaaustralia.com.au/conduct2017

STANDARDS AND OVERSIGHT

CPA Australia has played an important role in setting professional standards. We were a founding member of the APESB and continue to work closely with them to enhance professional standards for the protection of the public interest.

The APESB is an independent body that sets the code of ethics and professional standards for Australia's accounting professionals.

CPA Australia's quality review program has continued to evolve in response to changing professional and ethical standards. Each year our quality assurance team undertakes quality reviews with public practitioners to monitor our members' compliance with standards, help educate our members about best practice and check the effectiveness of their quality control processes. In 2017, we conducted more than 1000 quality reviews. Of significant interest was that the highest category of risk, follow-up reviews, has declined by nearly half in the past five years. This is a direct result of the investment CPA Australia has made in the education, training and support of members. CPA Australia's quality review team have worked closely with regulators such as the ATO and the Australian Security and Investments Commission (ASIC) with the purpose of improving standards across the profession.

SUPPORTING PUBLIC PRACTITIONERS

The business and regulatory environment in which our members practice is dynamic and evolving more quickly than ever before. To anticipate our members' needs, CPA Australia actively seeks feedback from members through member surveys, specialist advisory committees, client research and by engaging with Board, Divisional and Branch Committees.

Our members in Public Practice have highlighted key issues affecting their practices and clients. These include the changing regulatory environment for practitioners and the impact of technology, as well as more specific topics such as the removal of the Accountants Exemption in 2016, anti-money laundering legislation, proposed changes to the ASIC industry funding model and financial abuse of older people.

We acknowledge that many of our practitioner members do not feel we have done enough to support them through these changes and this is reflected in their satisfaction rating of 5.3/10. In particular, practitioners were least satisfied with ongoing professional development tailored to them, support from their local office and the level of ongoing information and support to build a sustainable practice.

CPA Australia is committed to increasing support to public practitioners by continuing to develop customised tools, guides and learning opportunities for members, making submissions to relevant government departments on the issues affecting our members and the public, and developing initiatives such as our Lead the Change campaign. This campaign is aimed at the next generation of accountants and will feature a series of videos that highlight the opportunities available to public practitioners.

In 2017, we increased our communication with members via an expanded live chat series, more regular podcasts and an increased schedule for INPRACTICE, our dedicated public practice e-newsletter, which this year moved to a monthly publication. INPRACTICE is distributed on average to more than 13,800 people per month. The e-newsletter, launched in March provides news and information for public practitioners, as well as links to resources and guides on cpaaustralia.com.au

This online portal covers more than 20 topics from current issues, such as information on anti-money laundering reforms in Australia and New Zealand, advice on recruitment and human resources, strategies for risk management and guidelines for administering wills and estates. The resources are presented in a variety of formats including webinars, live chats, practical guides, templates, checklists and video tutorials.

In 2017, we introduced a new resource called Public Practice Concierge. This is a bespoke service in which CPA Australia offers customised advice to members based on their individual needs and the profile of their practice. Our teams visit the members and work with them to identify the needs of the practice, provide one-on-one mentoring and ensure they have access to the tools and resources that are right for them. Members can utilise the Concierge service by contacting us at ppconcierge@cpaaustralia.com.au. This year, 87 visits were made to members utilising the Concierge service.

Members who have a public practice related enquiry can contact us directly at publicpractice@cpaaustralia.com.au

PROFESSIONAL STANDARDS COUNCIL LIMITED LIABILITY SCHEME

The PSC Limited Liability scheme protects our members by capping the amount of damages an individual practitioner is required to pay in the event that a claim against them is upheld in court and compensation is awarded.

A key element in protecting the public interest is to ensure that CPA Australia has in force a valid PSS. A PSS limits the liability of professional service providers and ensures they can meet any damages awarded against them in a court action. It has been well publicised that CPA Australia's PSS expired on 7 October 2017, prior to a new scheme being approved, and this caused considerable concern for practitioners. To ensure that consumers and practitioners remain protected until the new PSS came into effect, CPA Australia arranged a group Member Professional Indemnity Excess Insurance Policy for public practice certificate holders.

On 21 December 2017, the New South Wales Minister approved CPA Australia's Scheme for gazettal on 22 December 2017. Subsequently, the relevant Ministers in each of the remaining States and Territories approved the Scheme for gazettal in each of those states and territories.

Although CPA Australia Advice has been cited as one of the factors behind the delay in approving a new CPA Australia PSS, the IRP's Final Report released on 30 November 2017 stated that the existence of CPA Australia Advice in itself was no impediment to CPA Australia making an application for a PSS.

CPA Australia had been working closely with the PSC on our application for a new Scheme since January 2017.

Post the public notification process in September and October, the PSC Board advised it required an amendment to the Scheme in order to recommend its approval.

In practical terms, with the required amendment, the Scheme will not apply to Members who either themselves hold an unlimited Australian Financial Services Licence (AFSL) (this was also the case with the previous Scheme) or are "Representatives" of a person or company which does.

We will be in further consultation with the PSC to see if we can broaden coverage of the Scheme. All PPC Holders will continue to be covered by the group Member's Professional Indemnity Excess Insurance Policy which CPA Australia previously arranged to support members in public practice for those services covered by the Policy. Full details of this policy are available to be viewed at cpaaustralia.com.au/Insurancepolicy

FUTURE OUTLOOK

In 2018, increased focus will be placed on expanding member engagement via divisional based updates, webinars and live chats to provide practitioners with an opportunity to examine, and provide feedback on emerging issues. The Public Practice toolkit will be expanded to provide more practical guidance to support members to address practice growth supported by new learning and development opportunities. The CPA Australia Concierge service will also be expanded to enable one-on-one partnering with more members via individual relationship managers.

CPA AUSTRALIA ADVICE

2017 PERFORMANCE



OUR APPROACH

CPA Australia Advice is a wholly owned subsidiary of CPA Australia. CPA Australia Advice was granted an AFSL and an Australian Credit Licence (ACL) by ASIC in April 2016 and commenced operations on 1 July 2016. CPA Australia Advice's operations are consistent with Section 923A of the *Corporations Act (2001)* and with APES230, the standard for members engaged in the provision of financial planning services to clients.

CPA Australia Advice was established with the intention of providing members working in public practice with an independent licensing solution. Our model involves CPA Australia Advice taking on the responsibility for the member's reporting, compliance and licence administration. This allows public practitioners who become authorised representatives of CPA Australia Advice to offer advice to clients without having to obtain their own AFSL.

As an authorised representative, members can provide strategic advice to clients in relation to financial planning products on a fee-for-service basis. We charge members a fee to act as CPA Australia Advice authorised representatives and in addition to the licensing and administration, CPA Australia Advice provides a range of business support tools such as software, templates and ongoing professional development.

Our approach enables members who become an adviser with CPA Australia Advice to operate independently from product providers and conflicted advice models. We believe this approach has merit and reflects one of the key objectives in setting up CPA Australia Advice, which was to enable members to offer financial advice solely in the client's best interest.

CPA Australia Advice has not performed in line with original expectations and has failed to meet the targets for the number of authorised representatives after 18 months of operation.

As at 31 December 2017, we have 37 authorised advisers which is significantly below our original projections.

As a result of the low number of authorised representatives, CPA Australia Advice has not generated revenue in line with expectations, leading to financial loss during the period of operation. The financial loss is less than originally projected for this stage of the business, however, the lower than expected number of advisers has impacted the time it will take to reverse the financial loss*.

We identified cost as one of the key reasons behind the low uptake of public practitioners electing to become authorised representatives. In response to feedback from the market and our members, we reviewed our pricing model during 2017 and reduced the cost for members to obtain a licence with CPA Australia Advice. We have received a positive response to this action.

Another factor contributing to the low uptake of authorised advisers was practitioner uncertainty around the future education, training and ethical standards of financial advisers as a result of amendments to the *Corporations Act (2001)* as well as the status of CPA Australia's PSS and potential conflict with CPA Australia Advice as a wholly owned subsidiary of CPA Australia.

In August 2017, the PSC advised that the existence of CPA Australia Advice in itself did not present an impediment to CPA Australia applying for a new PSS.

Through a benchmarking process undertaken in 2016, four key areas were identified as being the most material for reporting the progress of CPA Australia Advice:

- Governance and accountability
- Adviser remuneration
- The right advice
- Adviser training and onboarding

An update on these areas follows.

*Refer to page 90 for further information on the treatment of the loan to CPA Australia Advice.

GOVERNANCE AND ACCOUNTABILITY

CPA Australia Advice offers compliance support to its authorised representatives and has in place formal policies and procedures, including the Board, Compliance Committee, Investment Committee, Risk Committee and regular Board and management meetings.

As highlighted in the IRP's Final Report, although CPA Australia Advice lodged a Profit and Loss Statement, Balance Sheet and Audit Report with ASIC before the required deadline, we did not provide a full copy of the financial report as required, until 14 days after all ASIC Forms were required to be filed.

This oversight arose from the fact that this was the first time these ASIC Forms were submitted with respect to CPA Australia Advice's AFSL, and this was rectified.

On 31 December 2017, Graeme Wade and Michele Dolin resigned from the Board of CPA Australia Advice. The remaining directors are Suzanne Haddan (Chair) and Arun Nangia (who was appointed on 18 December 2017).

As at 31 December 2017, no member of the CPA Australia Board also sits on the Board of CPA Australia Advice.

REMUNERATION

CPA Australia Advice was established so that members could offer financial advice in the clients' best interest on a straight-forward fee-for-service basis. This means no commissions, no hidden incentives or asset-based fees. This approach reduces the conflict of interest inherent in many financial planning offers and minimises the chance of clients receiving advice that is compromised.

All advisers must adhere to a strict independence policy. We have not received any reports of breaches to this policy or of any instances of a conflict of interest occurring.

THE RIGHT ADVICE

Providing customers with the information, advice and products which are most suitable for their circumstances is at the heart of the CPA Australia Advice offer. A non-conflicted advice model means advisers have access to a wide range of investments selected by the Credit and Investment Committee and backed by Morningstar, to enable them to offer truly fit-for-purpose advice.

We received one client complaint in 2017 that related to the timeliness of receiving advice.

ADVISER TRAINING AND ONBOARDING

To become authorised under CPA Australia Advice, an adviser must carry the CPA or FCPA designation and hold a CPA Public Practice Certificate, or be employed in a CPA Australia public practice. This ensures that all licensed advisers have the same education and professional background that is fundamental to providing quality financial advice.

Members must also be a Registered Tax Agent or Tax (Financial) Adviser and have completed relevant RG 146 training, aligned to the Authorisation they are applying for.

To support its advisers, CPA Australia Advice offers a comprehensive suite of training from induction to ongoing support.

This includes:

- Initial training to enable advisers to transition into the business of advice
- Ongoing tailored training aligned to the appropriate level of authorisation and advice needs
- Ongoing technical advice and support
- Paraplanning support
- Practice management support
- Software, templates, tools and processes to help with accuracy and efficiencies
- Compliance and professional standards support

We recently held our inaugural professional development days for new advisers in Sydney, Perth and Melbourne. These face-to-face professional development sessions brought together first-time advisers to discuss the issues surrounding advice and support that has been helpful to them making the transition to providing financial planning advice.

As at 31 December 2017, CPA Australia Advice had 37 advisers. The process from expressing interest to becoming fully authorised takes, on average, approximately 30 to 33 weeks. This is mainly due to the education and training required before the adviser is fully qualified. Milestones achieved in 2017 include our first practice with multiple CPA Australia Advice authorised representatives and our first adviser transferring into CPA Australia Advice from another practice.

FUTURE OUTLOOK

In its Final Report released on 30 November 2017, the IRP made recommendations with respect to CPA Australia Advice. These recommendations received the support of the Board in its response of 15 December 2017 and an independent post implementation review of CPA Australia Advice will be undertaken in 2018.

Significant change to the appointment rate of members to be authorised representatives is not expected prior to the completion of the independent post implementation review.

REPRESENTATION AND ADVOCACY

2017 PERFORMANCE

MORE THAN **80** SUBMISSIONS TO GOVERNMENTS AND REGULATORS

OUR APPROACH

One of our core services is to represent the views of our members and the profession to policy makers, standard setters, industry regulators and the wider business community.

Our advocacy takes a variety of forms, including meeting with government ministers, making submissions to relevant agencies, collaborating with professional bodies, releasing policy documents, speaking to the media, and participating in industry, government and academic committees and conferences.

We formulate our policy positions by engaging with members and seeking their input on issues that are relevant to the profession.

USING OUR VOICE

In 2017, we contributed opinion pieces to various media outlets on issues as diverse as the use of data analytics in audit and how accountancy can be a tool in combatting modern slavery. We also provided commentary on issues such as the tax deductibility of travel and other expenses by employees, changes to company tax thresholds, proposed changes to discretionary trusts, and the misuse of ABNs.

We contributed to Treasury's Black Economy Taskforce, which submitted its final report in October 2017, by making three separate submissions, running an article on intheblack.com, and interviewing the Chair of the Taskforce, Michael Andrew.

In addition to this, CPA Australia made more than 80 submissions to various government and industry stakeholders. These include the Department of Treasury, the ATO, the Attorney-General's Department, ASIC, the Department of Foreign Affairs and Trade, the Department of Home Affairs, parliamentary standing committees, the Productivity Commission as well as regulatory and Standards Boards such as the International Auditing and Assurance Standards Board (IAASB), the IESBA, the Australian Accounting Standards Board (AASB) and the TPB.

Our submissions are made in response to calls for comment and consultation and are prepared by CPA Australia policy advisers in consultation with members. They are made on behalf of our members and the profession, and are consistent with our goal of protecting the public interest.

Some of the major topics on which we made submissions in 2017 were:

- 2017-18 Pre-budget submission
- Housing affordability
- Tax reform savings
- The regulation of accountants as part of the *Anti-Money Laundering and Counter-Terrorism Financing Act (2006)*
- Review of tax and corporate whistleblower protections in Australia
- Recommendations of the Task Force on Climate-Related Financial Disclosures
- Financial abuse of elders
- Australia and Hong Kong free trade agreement
- Small business company tax rate changes
- Review of the future of the tax profession

The final submissions are published on the CPA Australia website at cpaaustralia.com.au/consultations where members can also view and provide input on current consultations under consideration.

AUSTRALIAN FEDERAL BUDGET

In Australia, the announcement of the Federal Budget is important to many of our members and their clients. We therefore make it a priority to provide informed commentary and detailed analysis of initiatives announced in the package.

Our policy advisers were in Canberra on 9 May for the announcement of the budget and issued a media release on the night outlining the major components of the budget. We also provided detailed information through our other communication channels, CPA Tax News, CPA Update and INTHEBLACK, as well as recording a podcast on the winners and losers of the 2017 budget.

CPA Australia also participated in the public discussion of the budget, being invited to provide commentary on ABC television and ABC radio, as well as in various business publications, on the key measures surrounding housing affordability, investment in infrastructure, tax and superannuation.

SUPERANNUATION CHANGES IN AUSTRALIA

A number of superannuation reforms came into effect on 1 July 2017. The changes carried implications for many of Australia's 16 million superannuation account holders as well as CPA Australia members who provide licensed and unlicensed financial and tax advice.

In making superannuation an area of policy focus in 2017, we engaged with our members and made representations to government on key issues.

We successfully advocated for ASIC to allow an extension for practitioners to provide a Statement of Advice leading up to the changes taking effect, and made representations to the ATO arguing against the introduction of a Self-Managed Superannuation Fund 'event-based' reporting framework.

To help members prepare for the introduction of the changes, we created a suite of resources, including guidance notes, frequently asked questions and links to relevant resources from the ATO. This included an interview with James O'Halloran, Deputy Commissioner, Superannuation, ATO, on the impact of the changes and the action members need to take to ensure ongoing compliance.

ACCOUNTING FOR SUSTAINABILITY

We contribute to global conversations on emerging topics in the accounting profession. A topic of increasing global significance is the role that accountancy plays in assessing climate risk and the way it is measured and disclosed by businesses under complex regulatory conditions. We accepted an invitation to join the Commonwealth Climate and Law Initiative, and as one of four organisations, led a roundtable of policy-makers discussing the wide-ranging director liability, accounting and audit implications of the Financial Stability Board's global initiative on climate-related financial disclosures.

We participated in a Senate Economics References Committee inquiry on Carbon Risk disclosure, which resulted in a series of recommendations tabled in the Australian Parliament. CPA Australia was also one of 13 international accounting bodies convened under HRH The Prince of Wales' Accounting for Sustainability Project providing formal support as part of the December 2017 Paris One Planet Summit aimed at driving global corporate and business response to "the ecological emergency of our planet".

AUDIT AND ASSURANCE

To support members working in audit and assurance we provide a range of professional resources and training opportunities for members. In addition, CPA Australia contributed to thought-leadership through funding and publishing research, making submissions on consultations, and collaborating with regulators, standard setters and other professional accounting bodies to develop audit quality initiatives.

We recorded a series of podcasts on the regulators' audit inspection findings, ran an online forum on auditing small entities, presented a webinar on non-compliance with laws and regulations, held roundtables and information sessions in conjunction with the Australian Audit and Assurance Standards Board (AUASB) and engaged closely with key industry regulators (ASIC, ATO, the Australian Charities and Not-for-profit Commission (ACNC) and the Australian Prudential Regulation Authority (APRA)).

In response to proposed changes to auditing and ethics standard setting by The Monitoring Group, the international body overseeing the governance of auditing and ethics standards, CPA Australia convened and chaired roundtable discussions with key industry stakeholders, including representatives from ASIC, the Financial Reporting Council, AUASB, the APESB and IFAC. The proposed reforms will have a significant impact on the way auditing standards are developed, so bringing these groups together enabled the respective participants to gain a fuller understanding of the issues.

INTERNATIONAL ADVOCACY

CPA Australia also uses its presence in the regions in which we operate to gain an understanding of local issues and where appropriate, contribute to public discussion and advocate on behalf of our local members. In line with this, CPA Australia provided commentary and analysis for the 2017 Hong Kong and New Zealand budget announcements. As with the Australian budget, our focus is on informing our members.

We provided commentary on a range of issues that affected our members in 2017, including the Australia and Hong Kong free trade agreement, changes to retirement protection in Hong Kong, a new competency framework proposal for CFOs in Malaysia and the benefits that could be realised by the formation of an economic mega-city in the Greater Bay Area of China.

In January, we released the results of the seventh annual small business survey. The survey is conducted across a range of small business entities in eight countries in the Asia-Pacific region, and had just under 3000 respondents. The results of the survey inform our pre-budget submission to government and highlight emerging topics and trends across different countries. One of the key insights to emerge from the 2017 survey was the extent of the digital divide between nations, with small businesses in Asia being more digitally literate than their Australian counterparts, and therefore more likely to be benefiting from e-commerce opportunities.

FINANCIAL REPORTING

CPA Australia continues to contribute to the development and implementation of financial reporting frameworks, and to promote and assist with the adoption of IFRS in emerging economies. In 2017, we collaborated with government regulators and local professional bodies to conduct workshops and training sessions in Vietnam and the Philippines.

We are working with the major regulators on a far-reaching Financial Reporting Framework project looking at the effectiveness of current financial reporting in Australia. We made submissions to the International Public Sector Accounting Standards Board (IPSASB), IASB, AASB, ATO, ACNC and Treasury on a range of proposed initiatives, including disclosure, standard setting frameworks, financial reporting on heritage assets and modernising business registry services. We have also developed and published a series of resources around new accounting standards, including revenue, leasing and income in not-for-profit entities.

FUTURE OUTLOOK

In 2018, we are looking to new approaches to help us deepen our engagement with members. This may be through opening new channels for members to share ideas and participate, or by increasing access to the existing forums we use to inform our policy positions, such as Divisional and Branch Councils, member discussion groups, workshops, industry roundtable events, member surveys and our Centres of Excellence.



HOW WE DO BUSINESS



MATERIAL ISSUES

Material issues represented in this section include:

- Our people – M8, M10
- Board of Directors – M5, M6



STRATEGIC GOALS*

- A high performance organisation that has the people, resources and skills base to deliver on our broader objectives



OUTCOMES

- A sustainable organisation



VALUE CREATED

- Public confidence
- Consistency, comparability and transparency of financial information that drives better business decisions
- Stable capital markets
- Sustainable businesses

*These goals were in place under the previous corporate strategy and will be reviewed as part of the strategic renewal being undertaken by the Board.

OUR PEOPLE

2017 PERFORMANCE



OUR APPROACH

CPA Australia aims to ensure a stable, capable and skilled workforce that is equipped to deliver on our organisational goals and provide a high level of service to our members. To achieve this, we have implemented recruitment policies and workplace practices that are centred around attracting, developing and retaining the best talent.

We recruit locally from the various markets in which we operate. New employees who join the organisation undertake a comprehensive induction program and have access to ongoing training and development opportunities throughout their employment. Employees participate in a formal performance and development review process that acknowledges achievements and sets pathways for ongoing improvement.

There are formal policies in place that govern our recruitment, conditions of employment, remuneration and benefits, personnel administration, workplace health and safety, performance management, counselling and termination.

CPA Australia has developed a workplace culture based on five value statements that reflect what we stand for and inform how our people interact with our members and with each other:

- People are at the heart of what we do
- Service is personal
- We are bold and curious
- We are passionate about success
- We always act with integrity

The focus on our organisation throughout 2017 created a challenging environment for our employees. Our guiding principle during this period was to support our people while providing continuity of service to members. With major leadership and organisational changes occurring at CPA Australia during 2017, we responded to the needs of employees by developing and offering support programs that assisted our people to navigate their way through the change and maintain resilience. We thank our employees for their commitment and dedication during this time.

We aim to create a culture of high performance and continuous improvement. We do this by investing in our people through training and development and by having in place best-practice systems and processes.

In this way, we ensure that our people are equipped with the skills they require to create value for our members and we have the appropriate systems to operate efficiently. We also provide career opportunities for individual employees by identifying and developing our talent for suitable promotions and to fill internal vacancies.

Figure 2 shows the percentage of our people employed to support each of our strategic themes. This remains relatively stable in comparison to 2016, however we have separated out CPA Australia Advice into its own category. We will continue to review and allocate resources to ensure that our people and resources are focused on our strategic objectives, and this will continue with the current review of the organisation’s strategy.

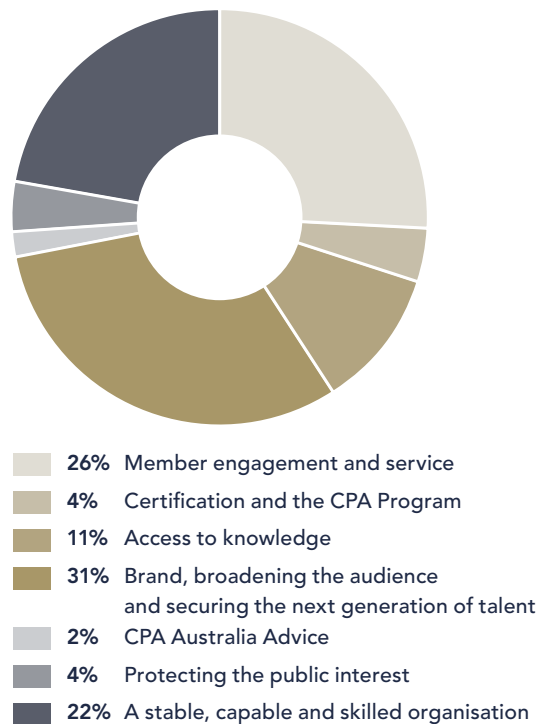


Figure 2: Full time equivalent (FTE) by strategic theme

EMPLOYEE TRUST AND ENGAGEMENT

As part of driving a high-performance culture, we understand that a focus on employee engagement leads to better organisational performance.

In December 2017, we engaged a third-party vendor to undertake an employee engagement survey to better understand concerns our people held.

Our employee engagement score of 69 per cent which was under the benchmark* of 73 per cent demonstrated the need to focus on some key areas in 2018 in order to increase employee trust and engagement, and empower our people to operate at their best and increase organisational performance.

The top five drivers of employee engagement were as follows:

- Believing innovation and creativity are highly valued
- Believing CPA Australia is heading in the right direction
- Feeling sufficiently challenged and motivated by work
- Feeling secure in your job
- Feeling empowered to do what is best for stakeholders

Confidence in the future of the organisation and job security are generally less frequent drivers of engagement but do emerge in organisations going through significant change.

DIVERSITY AND INCLUSION

CPA Australia employs 527 people (full time, part time and casual) from a diverse range of nationalities, age groups and backgrounds. The diversity of our workforce mirrors the diversity of our membership and creates an inclusive culture within our organisation.

CPA Australia reports our workplace profile with the Workplace Gender Equality Agency in Australia. We support gender equality through policies, such as those related to flexible work, equal employment opportunities and parental leave.

As shown in Table 3 on page 44, at 31 December 2017, the gender composition of our workforce was 66 per cent female and 34 per cent male.

EQUAL REMUNERATION

Australia is a significant location of operation as it represents more than 80 per cent of our workforce. No other location exceeds five per cent, therefore, under the Global Reporting Initiative (GRI) Standards they are not considered a significant location for the purpose of remuneration ratios.

In regards to equal remuneration between men and women (refer to Table 7 on page 46) there are a number of technical specialist roles where in order to be market competitive and attract suitably qualified candidates we are required to offer remuneration at a higher rate in the range, this mostly occurs in our technology business unit where there a number of level three and four positions which are predominantly occupied by males. All level seven and eight roles were occupied by males which impacts the gender pay gap across these levels. During 2017, the gender pay gap was a key focus for the annual remuneration review, and we have taken steps to address the gender pay gap issues across all levels, including level six roles, which was effective January 2018.

REMUNERATION POLICIES

CPA Australia uses job evaluation as a method for assessing the work value of positions. We utilise the methodology of the Korn Ferry Hay Group (KFHG) to conduct job evaluations to determine the relativity of jobs in our organisation considering the complexity, authority and accountability for different roles. Remuneration ranges are created for each location and job level in accordance with the KFHG methodology and data. On an annual basis, the Nomination and Remuneration Committee make determinations on the mid-points for each remuneration range.

Further information on remuneration of the Board of Directors and other Key Management Personnel can be found in Note 18 (c) to the Financial Statements on page 94 of this report and in the Schedule of Directors' Remuneration on page 114. Table 8 on page 46 also shows the remuneration for the 20 highest paid individuals in the organisation.

A CAPABLE AND SKILLED WORKFORCE

To ensure that our employees are equipped to provide members with a high level of service, we have the following programs and initiatives in place:

- A workplace induction program designed to immerse all new employees into the culture of the organisation and fast track their knowledge
- The MyBusiness program which provides training across our products and services as well as eComply, which ensures that employees understand the relevant regulations and their responsibilities relating to privacy, occupational health and safety, equal opportunity employment, dealing with credit card data, and competition and consumer law

FUTURE OUTLOOK

In 2018, we will be working to support our people as the organisation undergoes significant change. At the centre of this will be addressing the key focus areas identified through our employee engagement survey and empowering our people to act on our revised corporate strategy.

As part of our review of governance the Board is also looking at initiatives to address inclusion and diversity and we expect to announce more on these areas in the first half of 2018 including changes to existing, or creation of new, policies.

*The benchmark data set includes information from more than 180 organisations and 1.9 million employees.

Table 3: CPA Australia employees (including casuals) by region*

	2017			2016		
	FEMALE	MALE	TOTAL	FEMALE	MALE	TOTAL
Australia	63%	37%	80%	63%	37%	80%
China	87%	13%	9%	84%	16%	8%
Malaysia	89%	11%	4%	85%	15%	4%
Singapore	53%	47%	4%	65%	35%	3%
Other	64%	36%	5%	70%	30%	4%
Total	66%	34%	100%	66%	34%	100%

Table 4: CPA Australia employees by employment type*

	2017			2016		
	FEMALE	MALE	TOTAL	FEMALE	MALE	TOTAL
Full time	62%	38%	84%	62%	38%	83%
Part time	86%	14%	11%	94%	6%	10%
Casual	60%	40%	3%	56%	44%	5%
Maternity / paternity leave	100%	0%	2%	100%	0%	3%

Table 5: CPA Australia employees by region*

	FULL TIME		PART TIME		CASUAL		MATERNITY / PATERNITY		TOTAL	
		%		%		%		%		%
Australia	335	80%	57	14%	15	4%	12	3%	419	80%
China	45	100%	0	0%	0	0%	0	0%	45	9%
Malaysia	18	95%	1	5%	0	0%	0	0%	19	4%
Singapore	19	100%	0	0%	0	0%	0	0%	19	4%
Other	24	96%	1	4%	0	0%	0	0%	25	5%
Total	441	84%	59	11%	15	3%	12	2%	527	100%

*All figures are rounded so totals may not equal 100 per cent

Table 6: Workforce diversity*

	CASUAL			ADMINISTRATION AND SUPPORT (L1 AND L2)		
	FEMALE	MALE	TOTAL	FEMALE	MALE	TOTAL
Below 20	50%	50%	100%	0%	0%	0%
20-29	4%	6%	10%	56%	9%	65%
30-39	0%	0%	0%	28%	6%	34%
40-49	2%	0%	2%	15%	8%	23%
50-59	3%	0%	3%	15%	5%	20%
60+	0%	0%	0%	25%	0%	25%
Total	2%	1%	3%	27%	6%	33%

	SUPERVISOR AND TECHNICAL SUPPORT (L3 AND L4)			PROFESSIONAL SPECIALIST / MANAGER (L5)		
	FEMALE	MALE	TOTAL	FEMALE	MALE	TOTAL
Below 20	0%	0%	0%	0%	0%	0%
20-29	10%	16%	26%	0%	0%	0%
30-39	37%	25%	62%	2%	2%	4%
40-49	33%	19%	52%	12%	5%	17%
50-59	34%	15%	49%	8%	11%	19%
60+	20%	25%	45%	5%	15%	20%
Total	31%	21%	52%	5%	4%	9%

	SENIOR MANAGEMENT (L6 AND L7)			EXECUTIVE (L8)		
	FEMALE	MALE	TOTAL	FEMALE	MALE	TOTAL
Below 20	0%	0%	0%	0%	0%	0%
20-29	0%	0%	0%	0%	0%	0%
30-39	0%	0%	0%	0%	0%	0%
40-49	2%	4%	6%	0%	1%	1%
50-59	6%	3%	9%	0%	0%	0%
60+	0%	10%	10%	0%	0%	0%
Total	1%	2%	3%	0%	0%	0%

*All figures are rounded so totals may not equal 100 per cent

Table 7: Ratio of female to male remuneration (Australia only)

Average gross salaries Female to male ratios	SALARY RATIO 2017	SALARY RATIO 2016	SALARY RATIO 2015	SALARY RATIO 2014	SALARY RATIO 2013	SALARY RATIO 2012
Administration and support	0.96	0.96	1.02	1.05	0.99	1.00
Supervisor or technical specialist	0.95	0.94	0.95	0.95	0.95	0.97
Professional specialist or manager	0.95	0.94	0.95	0.89	0.91	0.91
Senior management (L6)	0.88	0.92	0.88	0.88	0.92	0.87
Senior management (L7)	0	0	0	1.00	0.86	0.88
Executive	0	0	0	0	0	0

Table 8: Banded summary - Total remuneration of highest 20 paid employees 2017

2017 Salary and fees band	NUMBER OF EXECUTIVES	
	2017	2016
\$200,000 - \$300,000	8	7
\$300,001 - \$400,000	8	8
\$400,001 - \$500,000	1	1
\$500,001 - \$600,000	-	1
\$600,001 - \$700,000	-	-
\$701,001 - \$800,000 ⁽¹⁾	2	-
\$800,001 - \$900,000 ⁽²⁾	1	1
\$900,001 - \$1,000,000	-	1
\$1,700,001 - \$1,800,000	-	1
Total number of executives	20	20

The above bands are based on Total Salary Cost (TSC) which includes total gross remuneration plus employer superannuation contributions. Fringe benefits and fringe benefits tax have also been included where applicable.

Further remuneration details can be found on pages 94 and 114 of this report.

2017 Notes:

(1) Remuneration of former COO member services excludes termination pay, accrued annual leave and long service leave entitlements paid on termination.

(2) Remuneration of former CEO from 1 January 2017 to 23 June 2017 excludes termination pay, accrued annual leave and long service leave entitlements paid on termination.

BOARD OF DIRECTORS

The Board of Directors is the governing body for CPA Australia and it has responsibility for independently and objectively assessing the organisation's decisions and overseeing the performance and activities of management. Changes made to the Board and governance issues occurring in 2017 are addressed in the Governance section at the front of this report on pages 6 to 8.

BOARD SKILLS MIX AND DIVERSITY

The Nomination and Remuneration 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 and Remuneration Committee regularly considers diversity issues and manages the diversity of the Board and its committees. The previous Board had set a minimum of 25 per cent of directors on the Board as female, the current composition of the Board has 55 per cent female directors. The diversity of the current Board is shown in the tables below with the skills represented on the Board and its Committees on page 48.

Table 9: Board diversity as at 31 December*

	TOTAL		FEMALE		MALE	
	Number	%	Number	%	Number	%
2017						
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%
2016						
Under 30	0	0%	0	0%	0	0%
30 – 50	5	42%	2	17%	3	25%
Over 50	7	58%	3	25%	4	33%
Total	12	100%	5	42%	7	58%

Table 10: Board diversity - Total Board members in 2017*

	TOTAL		FEMALE		MALE	
	Number	%	Number	%	Number	%
Under 30	0	0%	0	0%	0	0%
30 – 50	5	23%	1	5%	4	18%
Over 50	17	77%	9	41%	8	36%
Total	22	100%	10	46%	12	55%

*All figures are rounded so totals may not equal 100 per cent

Table 11: Board skills matrix as at 31 December 2017 (Number of directors with skills and experience)

	BOARD OF DIRECTORS	AUDIT AND RISK	FINANCE	NOMINATION AND REMUNERATION	MEMBER ENGAGEMENT
SKILLS AND EXPERIENCE					
Financial / commercial acumen	11	6	5	4	3
Leadership	11	6	4	4	3
Public relations / media	5	2	1	3	2
Marketing / communications	5	2	–	2	1
Human resources	8	3	–	5	2
Regional (Asia-Pacific)	8	4	2	4	1
Legal / regulatory	8	4	4	2	3
Organisational management	11	5	3	4	3
Risk management	11	6	4	4	3
Strategy	11	5	4	5	3
IT / technology	4	2	1	2	–
Stakeholder management	11	6	3	3	3
Sustainability (economic, environmental and social impacts)	8	3	3	3	1
Corporate governance	11	6	4	4	3
INDUSTRY / ROLE EXPERIENCE					
Academia	2	–	–	1	–
ASX100 / large corporate	6	2	1	3	1
Board Chair	8	1	1	1	1
Board director	11	3	4	4	2
Audit Committee (or similar)	5	5	1	2	2
Large accounting firm	3	1	1	2	1
Public sector / not-for-profit	8	3	2	2	2
Senior management	9	3	1	3	2
Small accounting firm / practitioner	3	2	1	–	2
SME	6	2	–	1	2

BOARD OF DIRECTORS



Peter Wilson AM FCPA

President and Chairman of the Board
BCom (Hons) MA (Melb) FCPHR FAICD
FCIPD (UK)

Peter Wilson has 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, Kimberly Clark, and the Commonwealth Safety Rehabilitation and Compensation Commission as Chairman.

Peter is Chairman of the Australian Human Resources Institute Limited, and has two honorary chair roles with the Australian Network on Disability Limited, and the World Federation of People Management Associations, as its World President until June 2018.

He is currently a non-executive director of Bank First and Vision Super, where he chairs its Audit, Risk and Compliance Committee.

Peter is an Adjunct Professor in Management at the Monash Business School, Monash University, Melbourne. He is also Chairman of the Advisory Council of the Victorian Institute of Strategic Economic Studies at Victoria University, and an accredited PhD Supervisor at the La Trobe Business School, La Trobe University.

Peter 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.

Peter has been appointed to the Board for two years.



Merran H Kelsall FCPA

Deputy President
BCom (Hons) FCA MBA FAICD

Merran has a portfolio of independent directorships. She has considerable directorship and corporate governance experience, having served on numerous boards and committees in the private and public sectors.

Merran has expertise in audit, risk and compliance and particular interest in corporate governance including financial and non-financial external reporting to include strategy and risk management and aligning performance management with strategy. She has particular experience with organisations focused on outcomes including member, stakeholder and public interest.

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. Her former appointments include Chair and CEO, Australian Auditing and Assurance Standards Board, member International Auditing and Assurance Standards Board and director of Superpartners Pty.Ltd and Health Service Alliance Ltd.

Merran has been appointed to the Board for three years.



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.

Chin Aik has been appointed to the Board for three years.



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 both the not-for-profit and public sectors of the profession, both nationally and internationally.

Ric is presently the Deputy Auditor General and COO with the Tasmanian Audit Office. He is also currently a member of the Australasian Council of Auditors-General (ACAG) technical group, the Financial Reporting and Accounting Committee, Chair of ACAG's Heads of Financial Audit Group and a member of CPA Australia's External Reporting Centre of Excellence.

Ric has served on CPA Australia's Tasmanian Divisional Council from 2005 to 2014 and again in 2017, was President of that division in 2009, a member of the Representative Council from 2013 to 2014 and a member of CPA Australia's Sector Network since 2012.

Ric has been appointed to the Board for one year.



Robyn Erskine FCPA

Director
BBus CA RITF

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

As a highly regarded practitioner, she is a current director and life member of ARITA where she was President from June 2011 to May 2013.

Robyn has actively served the accounting profession by serving on a number of committees. She is currently Deputy President of CPA Australia's Victorian Divisional Council and has served on the Victorian Public Practice Committee. In January 2015, Robyn was appointed to the IFAC Small and Medium Practices Committee where she represents CPA Australia and CAANZ and Chairs the Ethics Task Force.

Robyn has been appointed to the Board for two years.



Helen Lorigan

Director
BCom GAICD SF Fin

Helen Lorigan was appointed as a Venture Partner of Sapien Ventures, a venture capital company with partners based in Sydney, Silicon Valley, Melbourne and Shanghai, in April 2017. Helen commenced as an executive-in-residence at Sapien Ventures in February 2016 which led to her subsequent appointment to two fintech company Advisory Boards: HashChing and Investfit. Helen is leading and curating a number of key initiatives across superannuation, self-directed advice and funds management, enterprise software and online marketplaces.

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 after initially commencing with Elders as general manager, wealth management in 2006. Helen has also held senior executive leadership positions with the ANZ Group, CBA and MLC responsible for managed funds, superannuation, investments, insurance and banking.

Helen has served as a director, responsible manager and Advisory Board member on numerous financial services Boards and Australian Financial Services Licences and in 2018 was invited to become an Alumni Leader, UNSW Business School.

Helen has been appointed to the Board for three years.



Jon Scriven

Director

MA (Cantab) FCA FAHRI

Jon Scriven retired from the position of Group Executive HR and Office of the CEO with Qantas Airways in December 2017 having joined Qantas in April 2009. Jon was responsible for all aspects of HR for the Qantas Group. He also managed the Office of the CEO which comprises the key governance functions of safety, security, risk, internal audit, legal and was Company Secretary for the Group.

Jon previously held the position of group human resources director with Coca-Cola Amatil (2002-2009) and was a partner in Human Capital Services with Andersen (1999-2002) specialising in Board and executive remuneration advice. Jon started his career in audit with Price Waterhouse in London and is a Fellow of CAANZ.

Jon is also a Fellow of the Australian Human Resources Institute where he has been a Board director since 2013.

Jon holds a master's degree in mathematics from Cambridge University in the UK.

Jon has been appointed to the Board for one year.



Rosemary Sinclair CPA

Director

BA LLB BBus MCom FAICD

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 currently CEO Energy Consumers Australia.

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 over 15 years. Rosemary has international experience in telecommunications and internet policy development committees.

Rosemary is a member of the Australian Communications and Media Authority.

Rosemary has been appointed to the Board for three years.



Caroline Spencer FCPA

Director

BBus CA GAICD AGIA

Caroline is a public practitioner based in Canberra specialising in governance and assurance. Having commenced practice in business services and Big 4 firms in Sydney, she has worked with organisations in various sectors and undertaken engagements across Australia and in Singapore and the Pacific. She has a passion for promoting accountability and continuous improvement in public institutions as a means of enhancing trust and performance for the communities they serve.

Caroline has a strong interest in non-financial assurance and over-the-horizon issues affecting our profession and has advocated for members and contributed her skills to CPA Australia through Divisional Council, the Centre of Excellence in Reporting and Assurance and other forums.

She is currently appointed as an independent member to a number of public sector audit committee and board roles.

Caroline has been appointed to the Board for two years.



James Dickson FCPA

Director
FAICD

James Dickson has extensive experience and interest in supporting the accountancy profession and its development, both in Australia and internationally, including working with international, regional and national accountancy bodies.

He is the immediate past Chair of the IFAC Compliance Advisory Panel and a longstanding advocate for monitoring and improving the standards of the profession globally.

James was appointed a director of CPA Australia in 2010. James resigned from the CPA Australia Board on 31 December 2017.



Sharon Portelli FCPA

Director
BBus (Acc), GAICD

Sharon Portelli has over twenty-five years' experience in a number of accounting and business roles, including commerce, financial planning and public practice. She has operated at partner level in public practice for over fifteen years and specialises in small to medium enterprises in a wide variety of industries. She serves on a number of advisory boards in the private and government sectors.

Sharon has served on CPA Australia's NSW Divisional Council, was President of that division in 2012 and a member of the Representative Council from 2013 to 2014. She was appointed as a director in 2015.

Sharon resigned from the CPA Australia Board on 31 December 2017.

RISK MANAGEMENT

CPA Australia has a risk management framework, risk policy and risk management program, which includes formal processes to update the Board through the Audit and Risk Committee. This framework, policy and management program is used throughout the organisation. The goal of our risk management processes and structures is to maximise opportunities to achieve our objectives and goals without exposing the organisation to unnecessary risk.

The Board discusses strategic and major operational risks as part of its regular meeting agenda. The organisation's risk profile, including identification and treatment of risks and mitigating controls, is reviewed annually before being approved by the Board. Senior management monitors our risk profile and reports any risks to the Board via the Audit and Risk Committee.

As part of our approach to risk and ongoing planning, trends in our operating environment are regularly reviewed. Risk assessment is part of our operational planning and covers our strategic, governance, people, sustainability, operational, financial and compliance risks.

Our key strategic risks and opportunities and our response to them can be found on pages 54 to 55. Part of CPA Australia's risk management approach includes a business continuity plan. In light of the issues facing the organisation in 2017, the business continuity plan was enacted in June, this included the setting up of an incident management team and an associated business continuity communications management team.

FRAUD AND CORRUPTION

CPA Australia has zero tolerance for any form of fraud and corruption. We strive to prevent all forms of international corruption as outlined in the *Criminal Code Amendment (Bribery of Foreign Public Officials) Act (1999)*, or the equivalent laws of any country in which we operate.

Anti-corruption practices are governed by the CPA Australia Code of Conduct, which prohibits conflicts of interest, gifts and gratuities, and requires all employees and volunteers to ensure that their behaviour is in compliance with all laws and regulations relevant to the legal jurisdictions in which we operate.

The Code of Conduct applies to all directors, employees and volunteers. All employees are encouraged to report any breaches of the Code. All directors receive training on the Code at their induction and when substantial changes are made thereafter. Employees are assessed on their adherence to the Code of Conduct as part of their performance reviews.

All CPA Australia personnel have a responsibility to report improper conduct, as defined by the Code, in accordance with the CPA Australia Whistleblower Policy, which is reviewed by the Board every two years.

Our risk management approach also provides a system of internal controls across the three lines of defence (front line management, risk management and compliance, internal audit) to ensure we minimise the risk of fraud and corruption, and includes:

- The CPA Australia Code of Conduct
- The rigour of our systems and processes
- Yearly online compliance training for staff and the Board
- Annual internal controls questionnaire for executive managers, as part of the annual financial statements
- Regular internal audits

The internal auditor regularly reviews, on a rotational basis, key areas of the business where inherent fraud and corruption risks could occur, although we have in place internal controls to manage the risks. Management developed a Fraud and Corruption Policy which was adopted by the Board in December 2010 and revised in 2013. The policy reflects international regulations and covers how issues of fraud and corruption will be addressed, managed and reported. Additionally a biennial control self-assessment survey of fraud and corruption of staff with financial delegations in all business units was completed in 2011, 2014 and 2016 with the results presented to the Audit and Risk Committee.

There were no fraud and corruption incidents reported in 2011, 2012, 2015 or 2016. In 2013 and 2014, there were two reported incidents of alleged minor financial misconduct related to credit card misuse. These matters were investigated and dealt with in line with CPA Australia policy, and the Board and senior management informed. In 2017, we had one substantiated issue and one that is currently under investigation. Both issues relate to minor financial misconduct regarding credit card misuse.

FUTURE OUTLOOK

With the appointment of the new Board, CPA Australia's risk management system will be reviewed and updated under the direction of the Audit and Risk Committee. The Board's Audit and Risk Committee has also resolved to review the organisation's whistleblower policy and, as a priority, establish an external concern reporting mechanism.

This work will be undertaken with regard to recent events within CPA Australia and forthcoming legislative reforms and best practice.

RISKS, OPPORTUNITIES AND FUTURE OUTLOOK

Table 12: Risks, opportunities and future outlook

STRATEGIC RISKS AND OPPORTUNITIES	DESCRIPTION
Reputation	It is critical that CPA Australia preserves its long-standing reputation within the business and wider community and the trust in the quality of the CPA designation. CPA Australia's brand image and reputation could be damaged in numerous ways and this was the case in 2017. In particular, members, Divisional Councils and the media questioned the transparency of CPA Australia's governance arrangements and advocated for change.
Brand and recognition	CPA Australia seeks to broaden the audience of those who take an interest in what CPAs do and what CPA Australia does in order to increase the value of our brand and increase interest in the CPA designation. Brand damage may be short-term but the increasing speed and availability of communication channels may also lead to longer-term brand and reputational damage, heightening the risk for CPA Australia. This proved the case in 2017.
Financial planning	In response to failures in financial planning, we established the CPA Australia Advice business to offer fit-for-purpose, independent and transparent advice to the Australian consumer. As with any new business this presents both risks and opportunities.
Member standards and regulation	CPA Australia takes a leading role in influencing major issues, policies and regulations in order to protect the interests of the public and our members. The value of the CPA designation and brand is closely tied to the high ethical and professional standards to which our members are held.
Uncertain regulatory environment	The work we do is impacted by the changing reporting, regulatory and political environments in the markets in which we operate. Fiscal uncertainty and failure of governance could lead to increasing regulation, which has the potential to impact the role CPA Australia plays and the activities of its members.
Competition	Recent years have seen more association bodies enter the markets in which we operate and there is an increase in discussions between bodies around consolidation and partnerships.
Changing education and knowledge marketplace	CPA Program - the rapid pace of technology change has impacted the education space and led to the emergence of multiple forms of higher education providers with differing capabilities. CPD - our members and customers have diverse careers and knowledge needs that extend beyond core accounting skills.
Corporate governance	Good corporate governance is fundamental to CPA Australia's credibility as a professional accounting association. Concerns have been raised by members and the press around governance issues and this has been part of the impact on reputational risk.
Technology environment and change	The rise of social media, mobile and internet-based applications is acknowledged across all areas of business, and technology increasingly plays a part in the products and services we deliver. This presents both risks and opportunities that have the potential to impact CPA Australia's assets, processes and reputation.

* 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.















Protecting the public interest



Driving world's best member engagement and service

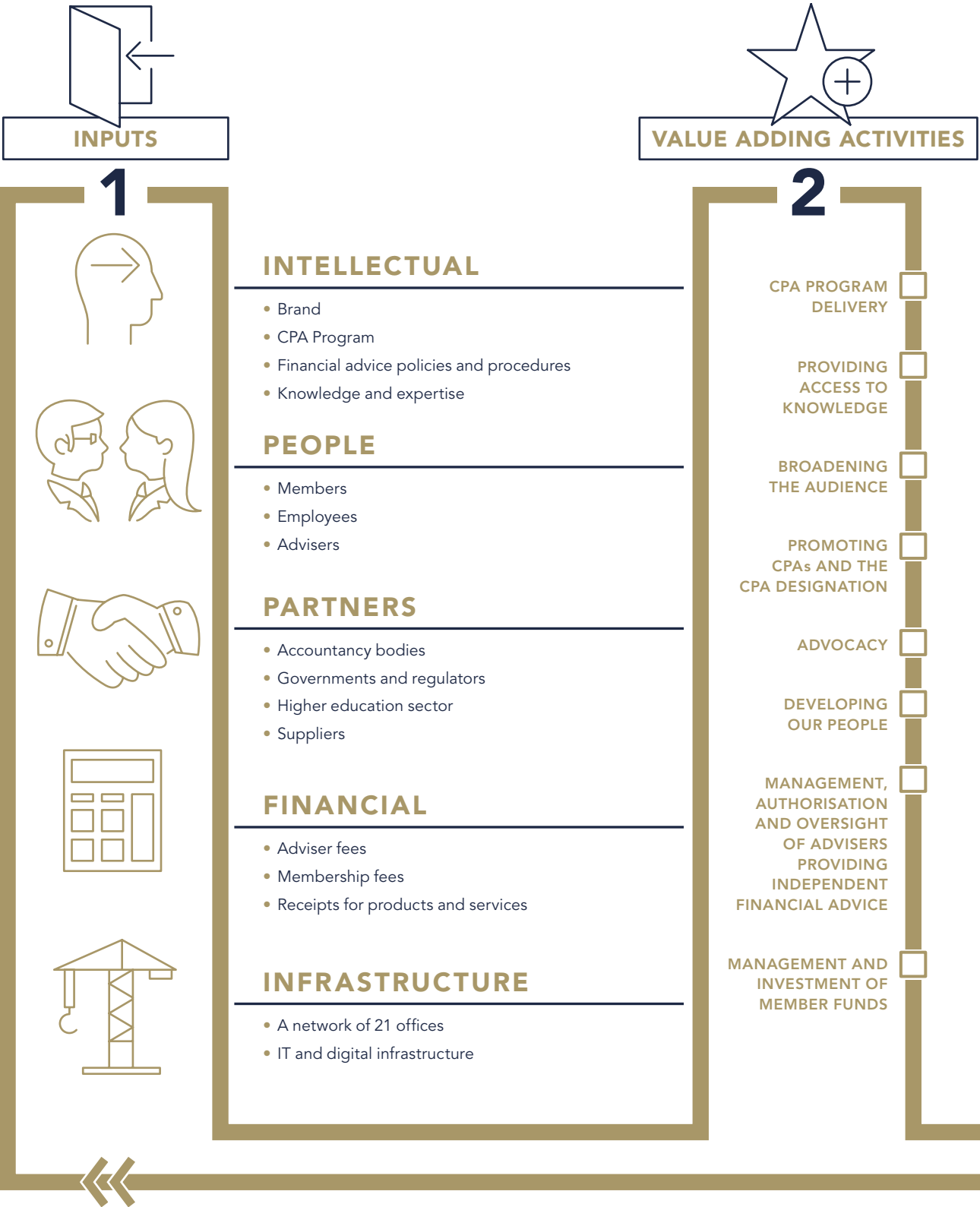


Providing access to knowledge

OUR RESPONSE	STRATEGIC GOALS IMPACTED	MATERIAL ISSUES IMPACTED	IMPACT ON VALUE CREATION*
<ul style="list-style-type: none"> • Board renewal • CEO removal • Establishment of an Independent Review Panel with findings released publicly • Governance changes made in 2017 with further changes to the constitution to be taken to the 2018 AGM (For more details please refer to page 6 to 8) 	   	<p>M1, M2, M4, M5, M6, M7, M8, M17</p>	<p>Short to medium-term</p>
<ul style="list-style-type: none"> • Ensuring our brand is seen in the right places at the right time to attract new members and increase our recognition • Adoption of recommendations from the IRP – strategic review, marketing review, refocusing of brand on the CPA Australia master brand 	 	<p>M2, M16, M17</p>	<p>Medium to long-term</p>
<ul style="list-style-type: none"> • Providing an independent, transparent financial advice model through CPA Australia Advice • Post implementation review of CPA Australia Advice as recommended by the IRP 	 	<p>M1, M2, M6, M18</p>	<p>Short to medium-term</p>
<ul style="list-style-type: none"> • Maintaining professional rigour, competencies and entry standards • Ensuring the long standing and ongoing integrity of our professional education program • Continuing to ensure that our members comply with a professional code of conduct 	 	<p>M1, M2, M3, M4, M9, M11</p>	<p>Ongoing</p>
<ul style="list-style-type: none"> • Developing and delivering thought leadership and advocacy content that challenges views and ignites discussion • Continuing our strong and enduring relationships with policymakers, regulators and the wider business community 	 	<p>M9, M11, M14</p>	<p>Long-term</p>
<ul style="list-style-type: none"> • Integrated business development strategies that enhance our value in key market sectors • Utilizing our digital channels to make the process to become a member clear and compelling • Growing our existing markets and entering new markets as appropriate 	 	<p>M3, M17</p>	<p>Medium to long-term</p>
<ul style="list-style-type: none"> • Building on our recognition for being leaders in global strategy and leadership • Continuing to deliver the highest quality relevant content to support members and employers • Continuing investment in flexible content delivery options 	  	<p>M3, M4, M7, M15</p>	<p>CPA Program – Medium to long-term CPD – Short to medium-term</p>
<ul style="list-style-type: none"> • Board renewal • Adoption of recommendations from IRP • Governance changes to be taken to 2018 AGM • Increased disclosures in this report 	 	<p>M1, M2, M5, M6, M8, M10, M11</p>	<p>Short to medium-term</p>
<ul style="list-style-type: none"> • Investing in our digital channels • Investing in the right technology infrastructure to support delivery of our goals • Systems and processes that support a flexible and creative workforce 	   	<p>M3, M7, M12, M14, M15</p>	<p>Short to medium-term</p>

OUR BUSINESS MODEL

EXTERNAL ENVIRONMENT | RAPID TECHNOLOGY CHANGE | REGULATORY AND POLICY ENVIRONMENT



□ CHANGING EDUCATION AND KNOWLEDGE MARKETPLACE

□ COMPETITION

□ GEOPOLITICAL CHANGES



OUTPUTS

3

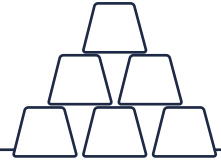
- HIGH CALIBRE ACCOUNTING PROFESSIONALS
- STRONG SERVICE CULTURE
- THOUGHT LEADERSHIP AND INFLUENCE
- BRAND VALUE AND RECOGNITION
- CAPABLE AND PASSIONATE WORKFORCE
- ROBUST FINANCIAL MANAGEMENT
- INDEPENDENT FINANCIAL ADVICE ACCESSIBLE TO ALL AUSTRALIANS



OUTCOMES

4

- PROTECTION OF THE PUBLIC INTEREST
- A STRONGER ACCOUNTING PROFESSION
- GLOBAL DEMAND AND OPPORTUNITIES FOR CPAs
- WORLD'S BEST MEMBER SERVICE
- STRATEGIC FINANCIAL ADVICE THAT SERVES THE CLIENTS' BEST INTERESTS
- SUSTAINABLE ORGANISATION



VALUE CREATED

5

- PUBLIC CONFIDENCE AND TRUST
- CONSISTENCY, COMPARABILITY AND TRANSPARENCY OF FINANCIAL INFORMATION THAT DRIVES BETTER BUSINESS DECISIONS
- STABLE CAPITAL MARKETS
- SUSTAINABLE BUSINESSES
- CLIENT WEALTH GROWTH



MATERIALITY PROCESS

As part of the development of this report, we worked with independent consultancy Materiality Counts to undertake a materiality determination process. This process determined the issues that are relevant for CPA Australia and all its entities,* by incorporating:

- Issues of most importance to internal and external stakeholders including our members
- Issues that have the most potential to impact the business' ability to create value over the short, medium and long-term**



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 and there has been substantial changes to the material issues selected by stakeholders from previous years as discussed further below.

Figure 4 shows the ranking for each of our material issues. We asked stakeholders to rank the importance of each issue to them in terms of CPA Australia's activities in the short, medium and long-term, with management then ranking each issue for its potential impact on our ability to create value as a business in the short, medium and long-term.

To provide context for this report, we also asked stakeholders to identify their top three issues and explain why each one was important to value creation.

Our most material issues are the basis of this report and are shown in Table 12 on page 60 in order of priority. The boundary of each issue is also reported, alongside which stakeholder groups are most impacted.

The boundaries for each material issue remain consistent with 2016.

*For further detail on the entities covered by this report please refer to Note 20 on page 97.

**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.

Seven new material issues are included for 2017 which are

- Member trust in CPA Australia
- Reputation of the brand and designation
- Transparency of governance processes
- Employee trust and engagement
- Remuneration policies
- Marketing and brand investment
- Attracting students and young professionals



Issues from 2016 that were assessed as having lower materiality in 2017 and thus are no longer included in the report as distinct issues are

- Brand and broadening the audience
- Stable and motivated workforce
- Economic performance

These issues are however, covered in other sections of the report as applicable, including in the financial results at the rear of this report. Where the impact of an issue is inside the organisation it applies to all of CPA Australia's subsidiaries, locations and offices. Where an impact is outside the organisation, it is relevant across all our locations, although the magnitude of the impact may vary from location to location. The only exclusion to this is the material issue, CPA Australia Advice, which only impacts the Australian market and operations.

MATERIAL ISSUES

MATERIALITY RADAR 2017

Stakeholder concern 
 Business impact 

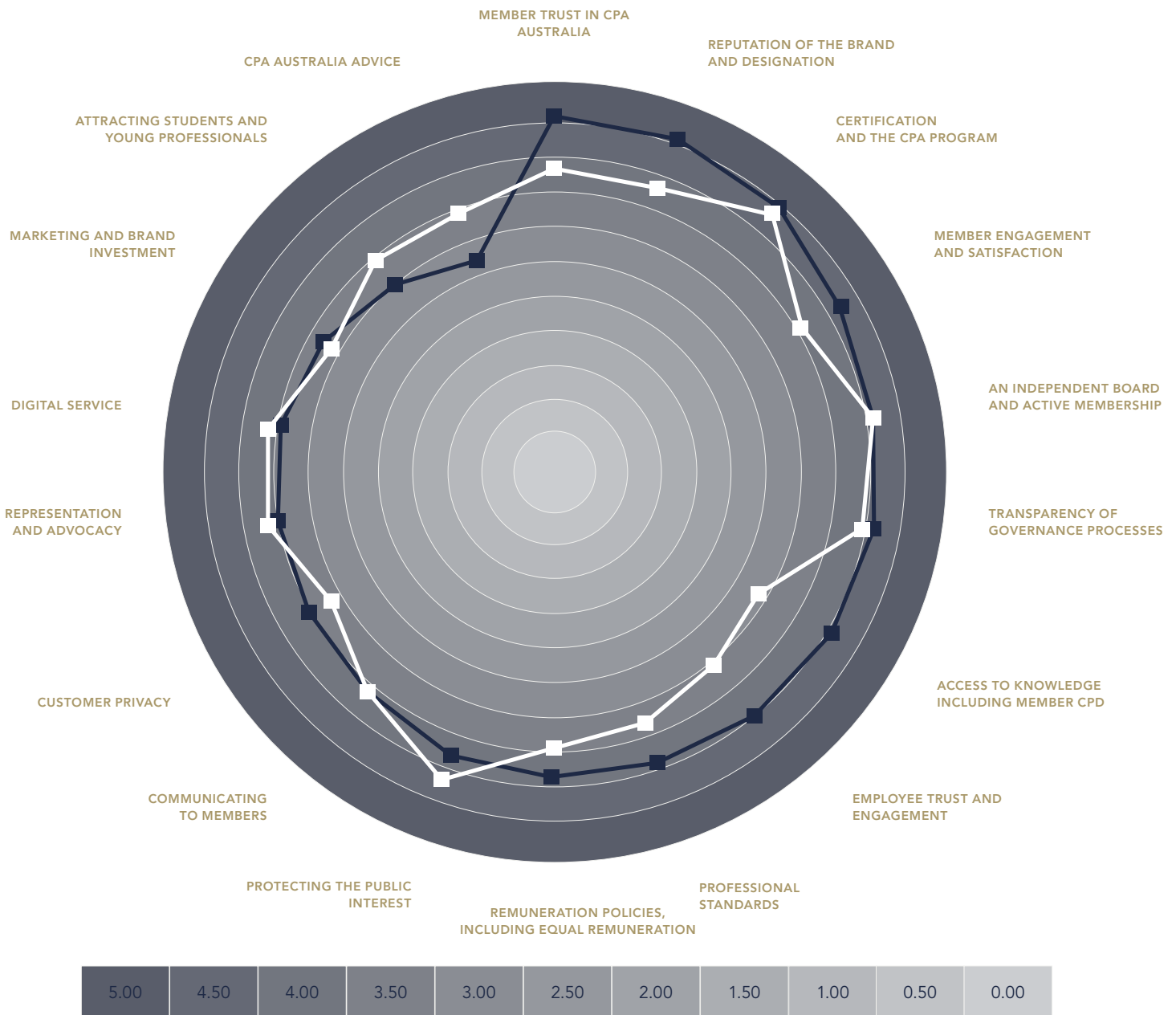


Figure 4: Materiality matrix

Table 12: Material issues in order of priority

CODE	MATERIAL ISSUE	BOUNDARY AND STAKEHOLDERS IMPACTED
M1	Member trust in CPA Australia	Outside (members)
M2	Reputation of the brand and designation	Inside (Board, employees), outside (members, regulators, broader public)
M3	Certification and the CPA Program	Outside (members, employers, higher education sector, potential members, regulators)
M4	Member engagement and service	Outside (members)
M5	Independent board and active membership	Inside (Board, employees), outside (members)
M6	Transparency of governance processes	Inside (Board, employees), outside (media, members, regulators)
M7	Access to knowledge	Outside (members, potential members)
M8	Employee trust and engagement	Inside (employees)
M9	Professional standards	Outside (members, broader public, regulators)
M10	Remuneration policies	Inside (Board, employees) Outside (media, members, broader public)
M11	Protecting the public interest	Outside (members, broader public)
M12	Communicating to members	Outside (members)
M13	Customer privacy	Outside (members)
M14	Representation and advocacy	Outside (members, broader public, regulators)
M15	Digital service	Outside (members, potential members)
M16	Marketing and brand investment	Outside (members, partners, potential members)
M17	Attracting students and young professionals	Outside (employers, members, potential members)
M18	CPA Australia Advice	Inside (Board, employees), outside (media, members, broader public)

GRI MATERIALITY

We also undertake a parallel and aligned materiality process that meets the definition of materiality in the GRI Standards which differs from that contained in the <IR> framework in that it looks at the issues that have the most significant economic, environmental, and social impacts rather than a focus on value creation.

Material issues identified through that process are closely aligned to those using the <IR> definition with a stable, capable and skilled workforce and member professional development being the only two additional issues identified. As such we have included information on these in the "Our people" and "Access to knowledge" sections of this report. The GRI Materiality matrix, boundary and stakeholder information can be found online at cpaaustralia.com.au/informationgri The GRI Index can be found on pages 108 to 109. All other GRI materiality requirements are contained in this materiality section.

RESPONDING TO OUR STAKEHOLDERS

To inform this report and our operations we gather a wide range of input across our day-to-day activities from our members, potential members, committees, employees, key influencers (including regulators, media, governments and their agencies), employers, professional industry bodies, academic institutions and research partners.

Specific report feedback is undertaken annually, this year members were recruited using an independent third party so that feedback received from members was independent of CPA Australia, this process included members from a range of industry sectors, geographies and demographic backgrounds.

Internal stakeholders represented key business areas and processes.

We have used this feedback to make changes to this year's report including consideration of new material issues and further detailing out of some material issues to better cover the specific issues raised by members (i.e. brand and broadening the audience was split into reputation of the brand and designation, marketing and brand investment and brand and broadening the audience).

The addition of further material issues has a negative impact on the conciseness of the report, but it was felt that broader coverage of issues to enhance transparency was of greater importance.

The issues raised by our key stakeholders and our response to them can be found on page 61.

STAKEHOLDER	HOW WE ENGAGED	KEY ISSUES RAISED	OUR RESPONSE
Members	<ul style="list-style-type: none"> • Division; councils and committees • Customer service activities • Discussion groups • Materiality survey and interviews • Member research • Networking and professional development events • Social media 	<ul style="list-style-type: none"> • Access to knowledge • An independent board and active membership • Certification and the CPA Program • CPA Australia Advice • Communicating to members • Customer privacy • Marketing and brand investment • Member engagement and satisfaction • Member trust in CPA Australia • Professional standards • Protecting the public interest • Remuneration policies • Reputation of the brand and designation • Transparency of governance processes 	As our members raise a wide range of material issues, and they are the key stakeholders for our report, our responses form the basis of this report and are found throughout this report, particularly pages 6 to 48
Prospective members	<ul style="list-style-type: none"> • Career and Become a CPA events • On campus activities • Research • Social media • Student network • The Naked CEO 	<ul style="list-style-type: none"> • Attracting students and young professionals • Certification and the CPA Program • Reputation of the brand and designation 	Our response to these issues can be found on pages 24 to 29
Community / broader public	<ul style="list-style-type: none"> • Advocacy activities • News and media articles • Opinion articles • Partnerships with community organisations 	<ul style="list-style-type: none"> • Professional standards • Protecting the public interest • Remuneration policies • Reputation of the brand and designation 	Our response to these issues can be found on pages 24 to 26, 34 and 43
Employees	<ul style="list-style-type: none"> • Formal performance appraisals • Materiality survey and interviews • Intranet • Staff newsletter • All-staff gatherings 	<ul style="list-style-type: none"> • An independent board and active membership • Access to knowledge • Certification and the CPA program • Digital service • Employee trust in CPA Australia • Member engagement and satisfaction • Member trust in CPA Australia • Protecting the public interest • Remuneration policies • Reputation of the brand and designation 	As our employees raise a wide range of material issues our responses are found throughout this report, particularly pages 6 to 48
Regulators and government	<ul style="list-style-type: none"> • Advocacy activities • Contribution to parliamentary enquiries • Departmental and Ministerial level meetings • Meetings with regulators • Ongoing written correspondence • Participation in consultation forums 	<ul style="list-style-type: none"> • CPA Australia Advice • Marketing and brand investment • Professional standards • Protecting the public interest • Remuneration policies • Representation and advocacy • Reputation of the brand and designation • Transparency of governance processes 	Our response to these issues can be found in the following pages 6 to 48
Employers	<ul style="list-style-type: none"> • Employment roadshows • Events and presentations • Meetings and phone calls • Recognised Employer Program 	<ul style="list-style-type: none"> • Certification and the CPA Program • Professional standards • Reputation of the brand and designation 	Our response to these issues can be found on pages 24 to 29, and 34 to 35
Academic institutions and academics	<ul style="list-style-type: none"> • Accreditation activities • Advocacy activities • Conferences and forums • Councils and committees • Global Research Perspectives Program 	<ul style="list-style-type: none"> • Certification and the CPA Program • Member trust in CPA Australia • Reputation of the brand and designation • Remuneration policies 	Our response to these issues can be found on pages 21 to 29, and 43
Suppliers	<ul style="list-style-type: none"> • Contract negotiations • Informal meetings • Operational delivery • Quarterly reviews • Tender and proposal requests and responses 	<ul style="list-style-type: none"> • Certification and the CPA Program • Communicating to members • Digital service • Marketing and brand investment • Member engagement and satisfaction • Reputation of the brand and designation 	Our response to these issues can be found on pages 16 to 29
Professional industry bodies	<ul style="list-style-type: none"> • Meetings with senior executives • Participation in global accounting forums such as the International Federation of Accountants (IFAC) 	<ul style="list-style-type: none"> • Professional standards • Protecting the public interest • Representation and advocacy • Reputation of the brand and designation 	Our response to these issues can be found on pages 24 to 26, and 34 to 39

COUNCILS AND COMMITTEES

PRESIDENT AND DEPUTY PRESIDENTS FOR 2017

Full councillor list is available at cpaaustralia.com.au/council

AUSTRALIAN CAPITAL TERRITORY

Steve Wearn FCPA, President
Darren Schaeffer FCPA, Deputy President
Jill Divorty FCPA, Deputy President

NEW SOUTH WALES

Simon Chhoeu FCPA, President
Shabnam Amirbeaggi FCPA, Deputy President

NORTHERN TERRITORY

Belinda Howie FCPA, President
Randle Walker FCPA, Deputy President
Natalie Scott FCPA, Deputy President

QUEENSLAND

Gerard Byrne FCPA, President
Matthew Snelleksz FCPA, Deputy President
Melissa Georgiou FCPA, Deputy President

SOUTH AUSTRALIA

Amanda Taylor FCPA, President
Glenn Bain FCPA, Deputy President
Andrew Dow FCPA, Deputy President

TASMANIA

Brad Hilder FCPA, President
Sue Shoobridge FCPA, Deputy President
Andrew Pearce FCPA, Deputy President

VICTORIA

Terence Brooks FCPA, President
Robyn Erskine FCPA, Deputy President
Clare Lezaja FCPA, Deputy President

WESTERN AUSTRALIA

Paul Tiernan FCPA, President
Dale Pinto FCPA, Deputy President
Kerry Harris FCPA, Deputy President

CHINA – EAST AND CENTRAL CHINA

Charles Yang FCPA, President
Charlie Chan FCPA, Deputy President
Tom Lin FCPA, Deputy President

CHINA – GREATER CHINA

Ivan Au FCPA, President
Paul Ho FCPA, Deputy President
Thomas Wong FCPA, Deputy President

CHINA – NORTH CHINA

Sun Cui FCPA, President
Derek Chan FCPA, Deputy President
Dora Song FCPA, Deputy President

CHINA – SOUTH CHINA

Peter Kung FCPA, President
Ken Chen FCPA, Deputy President
Kevin Wong FCPA, Deputy President

EUROPE

Rajeev Adrian FCPA, President
Philip Sourry FCPA, Deputy President

MALAYSIA

Teresa Chong FCPA, President
Sharman Arumugam FCPA, Deputy President
Jimmy Lai FCPA, Deputy President

NEW ZEALAND

Andrew Dickeson FCPA, President
Mathew Croad FCPA, Deputy President
Tracy Hickman FCPA, Vice President

SINGAPORE

Yeoh Oon Jin FCPA, President
Ong Pang Thye FCPA, Deputy President

BOARD COMMITTEES

AUDIT AND RISK COMMITTEE

Chin Aik Wong FCPA, Chair
Ric De Santi FCPA
James Dickson FCPA
Robyn Erskine FCPA
Caroline Spencer FCPA

FINANCE COMMITTEE

Merran Kelsall FCPA, Chair
Helen Lorigan
Sharon Portelli FCPA
Caroline Spencer FCPA

INDEPENDENT REVIEW IMPLEMENTATION COMMITTEE

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

MEMBER ENGAGEMENT COMMITTEE

Robyn Erskine FCPA, Chair
Ric De Santi FCPA
Jon Scriven
Rosemary Sinclair CPA
Caroline Spencer FCPA

NOMINATION AND REMUNERATION COMMITTEE

Peter Wilson FCPA, Chair
Merran Kelsall FCPA
Helen Lorigan
Jon Scriven (Remuneration only)

ADVISORY COMMITTEES

PROFESSIONAL QUALIFICATIONS ADVISORY COMMITTEE

Kim Watty FCPA, Chair
Weina Ang FCPA
Garry Carnegie FCPA
Mary Dunkley FCPA
Bryan Howieson FCPA
Jason Kotkin CPA
Steven Ngaifei Hui FCPA
Gary O'Donovan FCPA
Carla Wilkin CPA

PUBLIC PRACTICE ADVISORY COMMITTEE

Robert Eastoe FCPA, Chair
Dinesh Aggarwal FCPA
Louise Cox FCPA
Justin Enright FCPA
Brad Golchin FCPA
Stephen Jones FCPA
Terrence Cheong FCPA

QUALITY REVIEW ADVISORY COMMITTEE

Greg Sharpley, Chair
David Lissauer FCPA
Phil McCann FCPA
Margot Thompson FCPA
Thomas Zollo FCPA

REPRESENTATIVE COUNCIL

James Dickson FCPA,
Chair - Retired 31 December
Ivana Bosio FCPA
Huey Min Chia-Tern FCPA
Teresa Chong FCPA
Rosalie Degabriele FCPA
Piotr Jakubicki FCPA
Clare Lezaja FCPA
Tony Marks FCPA
Kerry Phillips FCPA
Bernard Poon FCPA
Mark Powell FCPA
Sue Shoobridge FCPA
Paul Tiernan FCPA

DISCIPLINARY PANEL

Gerry Schembri FCPA, Chair
Rebecca Hemperger FCPA,
Deputy Chair
James Syme, Deputy Chair
David Morgan, Deputy Chair

LIFE MEMBERS

Elizabeth Alexander 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
Penny Egan FCPA
Scott Henderson AM FCPA
Robert Jeffery FCPA
Jim Kropp FCPA
Loh Hoon Sun FCPA
Low Weng Keong FCPA
Alex Malley 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 FCPA
Richard Petty FCPA
Patrick Ponting FCPA
Poon Wing Cheung FCPA
Trevor Russell AM FCPA
Graeme Wade FCPA
Brian Waldron OAM FCPA
Bernard Wright FCPA

CENTRE OF EXCELLENCE CHAIRS

ENVIRONMENTAL, SOCIAL AND GOVERNANCE CENTRE OF EXCELLENCE

Vladimir Malcik FCPA, Chair

EXTERNAL REPORTING CENTRE OF EXCELLENCE

Jessie Wong FCPA, Chair

RETIREMENT SAVINGS CENTRE OF EXCELLENCE

Noelle Kelleher CPA, Chair

TAXATION CENTRE OF EXCELLENCE

Andrew O'Bryan FCPA, Chair

OTHER BOARDS AND COMMITTEES

CONFEDERATION OF ASIAN AND PACIFIC ACCOUNTANTS (CAPA)

Low Weng Keong FCPA

INTERNATIONAL FEDERATION OF ACCOUNTANTS (IFAC) BOARD*

Rachel Grimes FCPA, President
Richard Petty FCPA

IFAC COMPLIANCE ADVISORY PANEL*

Penny Egan FCPA

IFAC NOMINATING COMMITTEE*

Anne Loveridge

IFAC PLANNING AND FINANCE COMMITTEE*

Richard Petty FCPA

IFAC SMALL AND MEDIUM PRACTICES COMMITTEE (SMP)*

Robyn Erskine FCPA

IFAC INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS BOARD (IPSASB)*

Mike Blake FCPA

IFAC INTERNATIONAL ETHICS STANDARDS BOARD FOR ACCOUNTANTS (IESBA)*

Ian McPhee FCPA

IFAC PROFESSIONAL ACCOUNTANTS IN BUSINESS (PAIB)

Paul Urquhart FCPA

INTERNATIONAL INTEGRATED REPORTING COUNCIL

Adam Awty CPA (as interim CEO)

*CPA Australia shares representation on these committees with other parties.

ABOUT THIS REPORT

This report focuses on the issues that have impacted CPA Australia throughout 2017, with details provided in the Governance section on pages 6 to 8 of this report.

Specific issues covered in the Governance section include:

- Board changes
- AGM
- Remuneration disclosures
- Independent review
- Director recruitment
- Staff changes and CEO recruitment

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, New Zealand and the Pacific for the calendar year 1 January to 31 December 2017. Our last report covered the calendar year to 31 December 2016 and was published in March 2017.

This report has been prepared in accordance with the IIRC <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 value.

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 www.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 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 58).

This structure also reflects our strategic goals and related activities for 2017, and our expectations for 2018 and beyond. The principal audience for this report is our members, but the information will also be of value to other stakeholders (page 61).

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 AASB and the *Corporations Act (2001)*.

We are also reporting in accordance with the 'Core' requirements of the GRI Sustainability Reporting Standards. The GRI Standards are the first global standards for sustainability reporting and feature a modular, interrelated structure, representing global best practice for reporting on a range of economic, environmental and social impacts. We are a member of the GRI Standards Pioneer Program and have early adopted the Standards for our 2017 reporting. Deloitte Touche Tohmatsu has undertaken a limited assurance engagement over the GRI information. Please see pages 108 to 109 for the GRI Index and 110 to 112 for the independent limited assurance conclusion. For more information about the GRI and the Standards please visit www.globalreporting.org

In response to requests from members we have significantly increased our disclosures including remuneration, financial statements, member demographics and occupancy notes throughout this report. We have also changed the method of our reporting of Recognised Employer Partners (refer page 26 for more details). There are no material exclusions from this report. There have been significant changes to CPA Australia's Governance structures as detailed on pages 6 to 8 of this document. There have been no other significant changes to our size or ownership from previous reporting periods.

CPA Australia's Board applies its collective mind to ensure the integrity of the information in this report through review of regular integrated reports prepared by management and has oversight of key milestones in development, with sign off via the Audit and Risk Committee. It is the Board's opinion that this report is presented in accordance with the <IR> Framework.

This report is available online at cpaaustralia.com.au/annualreport and we utilise selected sections to provide content for our websites in other languages.

*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.

FINANCIAL REPORT



REPORT OF THE BOARD OF DIRECTORS

DIRECTORS

The directors submit the annual financial report of CPA Australia Ltd ("CPA Australia") and its controlled entities ("Consolidated Entity") for the financial year ended 31 December 2017. In order to comply with the *Corporations Act (2001)* and the 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 47 to 52 of the Annual Report, together with their qualifications, experience and special responsibilities. Details of meeting attendance are set out on pages 68 and 69 and their remuneration is included in Note 18 on pages 92 to 95.

COMPANY SECRETARY

Adam Awty, BBus (Acc), CPA was appointed as Company Secretary on 9 April 2010 and resigned on 23 June 2017. Mr Awty was also COO commercial and CFO from 1 January 2017 to 23 June 2017 with responsibility for the company secretarial, finance, planning and administration, technology, legal and compliance, people and culture, business development, brand and marketing communications, policy and corporate affairs and social media functions. Mr Awty was appointed as interim CEO on 24 June 2017.

Andrew Kaynes, BA LLB LLM was appointed as Company Secretary on 23 June 2017.

PRINCIPAL ACTIVITIES

The principal activities of the Consolidated Entity 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 \$10,452,000 (2016: \$7,497,000). The consolidated surplus after tax for the year was \$10,292,000 (2016: \$8,209,000).

REVIEW OF OPERATIONS

A review of the operations of the Consolidated Entity during the financial year and the results of those operations are contained in the discussion and analysis of the financial results – see pages 72 to 73.

CORPORATE GOVERNANCE

During 2017 CPA Australia's governance arrangements were questioned by members, Divisional Councils and the media. As a result, seven directors resigned from the Board of CPA Australia between 30 May 2017 and 15 June 2017. On 16 June 2017, one new director was appointed to the Board in accordance with article 60(b) of the Constitution. On 30 September 2017, three of the remaining directors ceased their terms and director Graeme Wade also retired. To facilitate the transfer of corporate knowledge, director James Dickson and director Sharon Portelli remained on the Board until their resignation on 31 December 2017.

Nine new directors commenced their terms on 1 October 2017. The director appointment process is detailed in the Governance section on pages 6 to 8 of this report. A new Board is in place from 1 January 2018.

At the beginning of the reporting period there were three Board Committees of directors, Audit and Risk, Finance and Nomination and Remuneration. In October 2017, two additional Board Committees were established, Member Engagement and Independent Review Implementation.

Further information on the governance of the Company is included in the corporate governance statement on our website at cpaaustralia.com.au/about-us/corporate-governance-statement

We intend to review our corporate governance statement in 2018.

DIRECTORS' MEETINGS

The tables on pages 68 to 69 set out the number of Board and Board Committee meetings held and the number of meetings attended by each director during 2017.

CHANGES IN STATE OF AFFAIRS

During the financial year there was no significant change in the state of affairs of the Consolidated Entity, other than referred to in the financial statements or notes thereto.

SUBSEQUENT EVENTS

Following an independent review of operations of CPA Australia during 2017, the Board is currently consulting with members regarding the proposed recommendations included in the Independent Review Final Report and the potential changes required to CPA Australia's constitution. Finalised motions will be included in the notice of meeting and put to members for determination at the AGM on 22 May 2018.

Further details on the Independent Review Final Report are outlined in the Governance section on pages 6 to 8 of the Annual Report and can be accessed at cpaaustraliareview.com/final-report

A detailed response to the Independent Review Final Report was issued by the Board on 15 December 2017 and can be accessed at cpaaustralia.com.au/decemberstatement

Apart from the above, there has been no 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 Consolidated Entity, the results of those activities or the state of affairs of the Consolidated Entity in the ensuing or any subsequent financial year.

FUTURE DEVELOPMENTS

Likely developments in the activities of the Consolidated Entity are noted elsewhere in this report, with the Consolidated Entity working towards the achievement of its objectives and maintaining a breakeven or surplus position in 2018.

As noted elsewhere in this report, a number of potential changes may be required to CPA Australia's constitution as a result of the implementation of recommendations of the Independent Review Final Report. These changes will be included in the notice of meeting and put to members for determination at the AGM on 22 May 2018.

CPA Australia will also be undertaking an independent post implementation review of CPA Australia Advice in 2018 with the final report expected in June 2018. Until the review is complete and the report is received and considered, the directors will continue to operate CPA Australia Advice in accordance with the existing operating structure.

INDEMNIFICATION OF OFFICERS AND AUDITORS

During the year CPA Australia 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 70 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.

	MEETINGS			MEETINGS	
	ELIGIBLE	ATTENDED		ELIGIBLE	ATTENDED
BOARD OF DIRECTORS MEETINGS 2017			AUDIT AND RISK COMMITTEE MEETINGS 2017		
Tyrone Carlin, Chair ⁽¹⁾	6	6	Deborah Ong, Chair ⁽⁵⁾	1	1
Deborah Ong ⁽⁵⁾	8	8	Richard Alston ⁽³⁾	1	0
James Dickson, Chair ^{(2) (10)}	23	23	Martin Hourigan ⁽⁵⁾	1	1
Richard Alston ⁽³⁾	6	5	Richard Petty ⁽⁸⁾	2	1
Michele Dolin ⁽⁸⁾	19	19	Kerry Ryan ⁽³⁾	1	1
Martin Hourigan ⁽⁵⁾	8	8	Timothy Youngberry, Chair ^{(6) (8) (15)}	1	1
Jennifer Lang ⁽⁵⁾	8	8	Michele Dolin ⁽⁸⁾	1	1
Richard Petty ⁽⁸⁾	19	17	POST 1 OCTOBER 2017		
Sharon Portelli ⁽¹⁰⁾	23	20	Chin Aik Wong, Chair ^{(9) (11)}	1	1
Kerry Ryan ⁽³⁾	6	6	Ric De Santi ⁽⁹⁾	1	1
David Spong ⁽⁴⁾	7	6	James Dickson ⁽¹⁰⁾	1	1
Graeme Wade ⁽⁷⁾	19	19	Robyn Erskine ⁽⁹⁾	1	1
Timothy Youngberry ^{(6) (8)}	11	11	Caroline Spencer ⁽⁹⁾	1	1
POST 1 OCTOBER 2017			FINANCE COMMITTEE MEETINGS 2017		
Peter Wilson, Chair ^{(9) (11)}	4	4	James Dickson, Chair ^{(10) (13)}	1	1
Merran Kelsall ⁽⁹⁾	4	4	Michele Dolin ⁽⁸⁾	1	1
Chin Aik Wong ⁽⁹⁾	4	4	Jennifer Lang ⁽⁵⁾	1	1
Ric De Santi ⁽⁹⁾	4	4	Sharon Portelli ⁽¹⁰⁾	2	2
Robyn Erskine ⁽⁹⁾	4	4	David Spong ⁽⁴⁾	1	1
Helen Lorigan ⁽⁹⁾	4	4	POST 1 OCTOBER 2017		
Jon Scriven ⁽⁹⁾	4	3	Merran Kelsall, Chair ^{(9) (11)}	1	1
Rosemary Sinclair ⁽⁹⁾	4	2	Helen Lorigan ⁽⁹⁾	1	1
Caroline Spencer ⁽⁹⁾	4	4	Caroline Spencer ⁽⁹⁾	1	1

	MEETINGS	
	ELIGIBLE	ATTENDED
NOMINATION AND REMUNERATION COMMITTEE MEETINGS 2017		
Graeme Wade, Chair ^{(7) (14)}	1	1
Tyrone Carlin ⁽¹⁾	1	1
James Dickson ⁽¹⁰⁾	4	4
Kerry Ryan ⁽³⁾	1	1
Timothy Youngberry, Chair ^{(6) (8) (15)}	3	3
POST 21 JULY 2017		
Rhonda O'Donnell ⁽¹²⁾	3	3
Geoff Rees ⁽¹²⁾	3	3
Leanne Rowe ⁽¹²⁾	3	3
Peter Wilson, Chair ^{(9) (11)}	2	2
Merran Kelsall ⁽⁹⁾	2	2
Helen Lorigan ⁽⁹⁾	2	1
Jon Sciven ^{(9) (16)}	2	2
MEMBER ENGAGEMENT COMMITTEE MEETINGS 2017		
Robyn Erskine, Chair ^{(9) (11)}	2	2
Ric De Santi ⁽⁹⁾	2	2
Jon Scriven ⁽⁹⁾	2	2
Rosemary Sinclair ⁽⁹⁾	2	2
Caroline Spencer ⁽⁹⁾	2	2

INDEPENDENT REVIEW IMPLEMENTATION COMMITTEE 2017

DIRECTORS

Peter Wilson, Chair ^{(9) (11)}

Merran Kelsall ⁽⁹⁾

Chin Aik Wong ⁽⁹⁾

DIVISIONAL COUNCIL PRESIDENTS

Shabnam Armirbeaggi

Ivan Au

Dale Pinto

The Independent Review Implementation Committee was established on 9 October 2017 and the first meeting was held on 8 February 2018.

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 FCPA
Director

Merran Kelsall FCPA
Director

16 March 2018

1. Resigned as director and Chair effective 30 May 2017
2. Chair effective 31 May 2017 to 30 September 2017
3. Resigned as director effective 7 June 2017
4. Resigned as director effective 9 June 2017
5. Resigned as director effective 15 June 2017
6. Appointed as director effective 15 June 2017 (Casual Vacancy)
7. Resigned as director effective 30 September 2017
8. Term as a director concluded 30 September 2017
9. Appointed as director effective 1 October 2017

10. Resigned as director effective 31 December 2017
11. Chair effective 1 October 2017
12. Independent non-director Committee members from 21 July 2017 to 30 September 2017
13. Term as Chair concluded 30 May 2017
14. Term as Chair concluded 22 June 2017
15. Chair effective 23 June 2017 to 30 September 2017
16. Member of Remuneration Committee only

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

550 Bourke Street
Melbourne VIC 3000
GPO Box 78
Melbourne VIC 3001 Australia

Tel: +61 3 9671 7000
Fax: +61 3 9671 7001
www.deloitte.com.au

16 March 2018

The Board of Directors
CPA Australia Ltd
Level 20, 28 Freshwater Place
SOUTHBANK VIC 3006

Dear Directors

CPA Australia Ltd

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of CPA Australia Ltd.

As lead audit partner for the audit of the financial statements of CPA Australia Ltd for the financial year ended 31 December 2017, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Mark Stretton
Partner
Chartered Accountants

OVERVIEW OF FINANCIAL RESULTS

for the year ended 31 December 2017

OPERATING UNITS (CONSOLIDATED)		2017 \$'000s	2016 \$'000s
Membership and member value	Revenue	91,837	89,158
	Cost	(35,639)	(35,482)
	Result	56,198	53,676
Training and development	Revenue	15,399	16,496
	Cost	(14,338)	(14,602)
	Result	1,061	1,894
Education	Revenue	64,620	65,911
	Cost	(23,387)	(23,515)
	Result	41,233	42,396
Brand, ethics and the profession	Revenue	222	90
	Cost	(21,735)	(22,901)
	Result	(21,513)	(22,811)
Business development	Revenue	85	199
	Cost	(14,887)	(15,443)
	Result	(14,802)	(15,244)
Member support and corporate services	Revenue	9,127	8,150
	Cost	(49,581)	(49,416)
	Result	(40,454)	(41,266)
Corporate governance and committees	Revenue	51	63
	Cost	(7,534)	(5,517)
	Result	(7,483)	(5,454)
CPA Australia Advice	Revenue	217	48
	Cost	(4,005)	(5,742)
	Result	(3,788)	(5,694)
Total CPA Australia	Revenue	181,558	180,115
	Cost	(171,106)	(172,618)
	Tax credit / (expense)	(160)	712
Result	10,292	8,209	
Other comprehensive income / (expense) for the year, net of tax		1,616	1,323
Total comprehensive income for the year		11,908	9,532

Following a review of our operating units during 2017, a number of activities were reallocated between the units to provide additional clarity and information to the reader. This includes the addition of a new operating unit in respect of CPA Australia Advice. All prior year values have been reallocated accordingly.

The Consolidated Entity operates in eight operating units which are membership and member value, training and development, education, brand, ethics and the profession, business development, member support and corporate services, corporate governance and committees and CPA Australia Advice as shown to the left.

Membership and member value's core activities are delivery of the membership offer including administration and assessment of member admissions and advancements, the library services, INTHEBLACK, CPA Update and membership retention.

Training and development's core activity is the development and delivery of professional development products that meet the needs of members and potential members.

Education's major activities are the development and examination of the CPA Program and Public Practice Program, along with the management of the registered tuition provider program and the Skilled Migration Internship Program: Accounting.

Brand, ethics and the profession's core activities include managing and developing the brand, promotion, policy and research, advocacy and government relations, support for the profession locally (AASB, AUASB and APESB) and internationally (IFAC, AFA, CAPA etc.), external affairs, professional standards and quality assurance.

Business development's major activities are to create meaningful and effective relationships with employers, recruiting agencies, academics and others in the higher education sector, converting awareness of CPA Australia into new members. In addition to this, business development looks for opportunities to develop new geographical and functional markets.

Member support and corporate services provides internal support to the organisation that includes management, finance, legal, procurement, property management, technology, organisational development, human resources and planning. This area also includes activities associated with the assessment of overseas qualifications for recognition by the Department of Immigration and Border Protection.

Corporate governance and committees represents the activities associated with the Board, Board Committees, the Representative Council, Board secretariat, internal audit, Divisional Councils, investigation and discipline and advisory committees.

CPA Australia Advice includes all activities associated with the operation of the wholly owned subsidiary, which provides an independent licensing solution for CPA Australia members engaged in the provision of financial planning services to clients.

DISCUSSION AND ANALYSIS OF THE FINANCIAL RESULTS 2017

FINANCIAL RESULTS

In 2017, the organisation delivered an operating surplus before tax of \$10.5m (2016: \$7.5m) and an overall comprehensive income of \$11.9m (after tax, defined benefit, FX and unrealised gain on investments) (2016: \$9.5m). This allows us the opportunity to move forward and further invest in improving member service, engagement and experience.

Following feedback from members during 2017, the presentation of the Statement of Profit or Loss and Other Comprehensive Income has been changed to provide additional information to the reader; increased disclosure on specific revenues and expenses is also included in the notes to the financial statements.

REVENUE

Overall revenue increased by \$1.4m (2016: \$5.6m) or 0.8 per cent (2016: 3.2 per cent) over the 2017 financial year to \$181.6m (2016: \$180.1m). Continued growth in membership, higher qualification assessment revenue and higher income from investments were the key drivers behind this result. However, this was partially offset by lower education and CPA Program, professional development and marketing, promotion and publications revenue for the year.

The organisation ended the year with **163,750** members. This result was driven by new member growth and member retention levels consistent with 2016, which resulted in higher membership revenue of \$3.4m or 4.2 per cent.

EXPENDITURE

Expenditure before tax was \$1.5m or 0.9 per cent lower than 2016 at \$171.1m (2016: \$172.6m). The decrease is primarily attributable to lower advertising and promotion costs due to the cancellation of *In Conversation* and a reduction in sponsorship expenses, lower depreciation and amortisation costs and lower event delivery costs due to a decrease in sales. Employee benefits costs were higher due to the termination payments made to the former CEO and former COO – member services, however, this was partially offset by savings associated with a number of staff vacancies during the year.

The total cost of the Independent Review in 2017 was \$1m; further details are outlined in Note 4(e) and Note 4(g) to the financial statements.

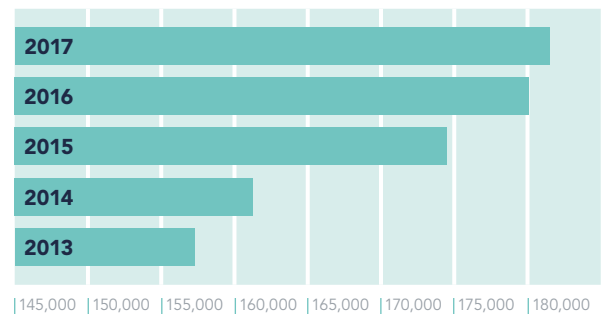
The depreciation of the Australian dollar also resulted in higher operational costs in overseas locations and a larger FX translation loss, increasing member support and corporate services costs.

CPA AUSTRALIA ADVICE

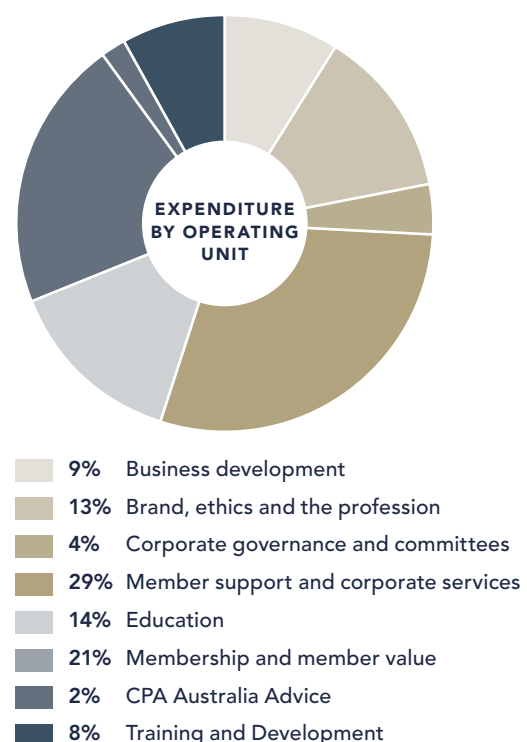
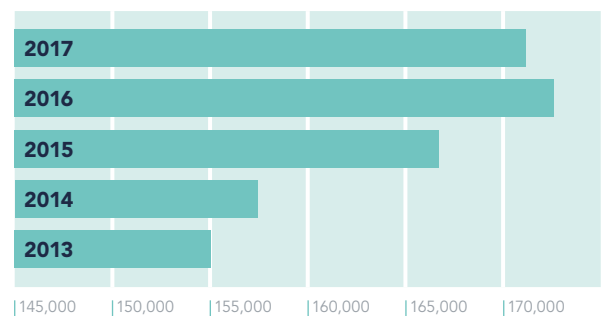
CPA Australia Advice has not performed in line with original expectations and has failed to meet the targets for the number of authorised representatives after 18 months of operation. As at 31 December 2017, we have 37 licenced advisers which is significantly below our original projections. As a result of the low number of authorised representatives, CPA Australia Advice has not generated revenue in line with expectations, leading to financial loss during the period of operation.

The financial loss is less than originally projected at this stage of the business, however, the lower than expected number of advisers will impact the time it will take for the business to generate operating profit.

TOTAL REVENUE



TOTAL EXPENDITURE EXCLUDING TAX



The loss before income tax for the year was \$3.8m (2016: \$5.7m), reflecting a reduction in staff costs, professional services and technology costs in 2017.

TAXATION

The income tax expense recognised in profit or loss for 2017 is \$0.2m (tax income for 2016 is \$0.7m). Total income tax expense recognised in other comprehensive income for the year is \$0.7m. This is primarily attributable to the deferred tax liability recognised on taxable temporary differences at balance date.

FOREIGN EXCHANGE

Subscription fees, where a foreign currency option is available, are reviewed and adjusted if required on a weekly basis to reflect exchange rate movements. Foreign currency cash holdings are also limited to the requirements for the funding of local operations to minimise CPA Australia's exposure to fluctuations in exchange rates. The depreciation of the Australian dollar against the currencies where substantial cash is held contributed to a foreign exchange loss on translation of \$0.9m for the full year (2016: \$0.6m). The exchange loss of \$0.03m (2016 : \$0.2m) on translation of foreign operations at 31 December 2017 is recognised in Other Comprehensive Income.

CASH FLOW

CPA Australia's cash flow and liquidity remained strong in 2017 with net cash inflows from operating activities of \$13m (2016: \$24.9m). The net decrease in cash and cash equivalents of \$7.6m during the year was due to a significant investment in financial assets and an increase in capital purchases. In real terms, the operating cash balance is \$106.8m (2016: \$90.6m) when subscriptions and other income received in advance are excluded from cash and equivalents, plus other financial assets.

INVESTMENTS

CPA Australia's investment portfolio continues to perform well returning \$5.2m (2016: \$4.4m) in revenue and an unrealised gain of \$1.7m in 2017 (2016: \$1.4m). This was directly due to the strengthening of Australian equity markets in 2017.

BALANCE SHEET

CPA Australia's balance sheet reflects net assets increasing by \$11.9m or 13.1 per cent, which is largely attributable to the surplus delivered in 2017.

Cash and cash equivalents decreased by \$7.6m due to increased investment in financial assets and an increase in capital purchases. The timing of payments received from members renewing their subscriptions was also behind the prior year.

Trade and other receivables remain consistent at \$2.5m compared to 2016.

Other current assets are \$1.8m higher than the prior year due to higher prepaid expenses.

Current and non-current other financial assets are higher than 2016 by \$22.2m which is directly attributable to an increase in investments during 2017 and unrealised gains at financial year-end.

Deferred tax assets have decreased due to an increase in taxable temporary differences. Current year tax losses have been recognised as a deferred tax asset to the extent of the current year taxable temporary differences.

Property, plant and equipment has increased by \$0.8m compared to 2016 which is attributable to upgrades in information technology equipment and office fit outs.

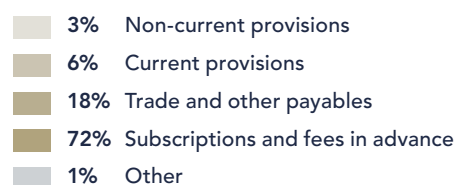
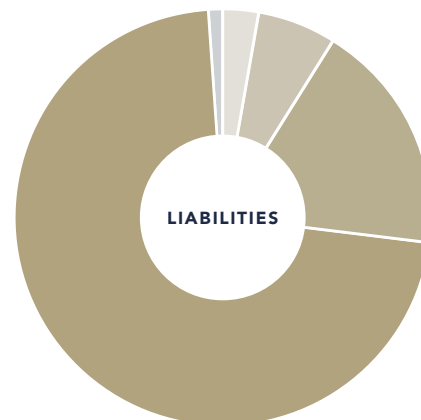
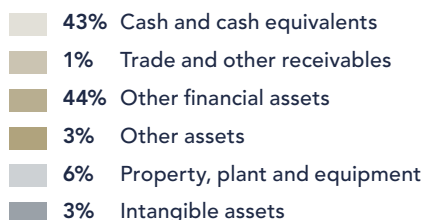
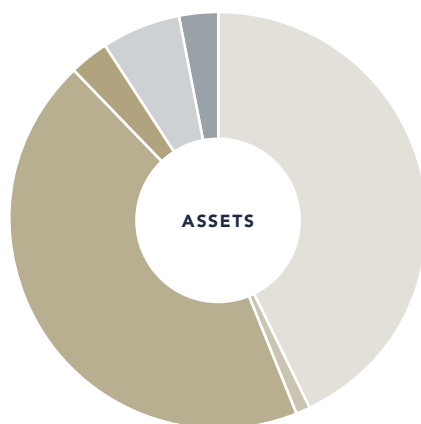
Intangible assets are lower than 2016 by \$4.5m, which is directly attributable to the amortisation charged during the year and a number of assets which were fully amortised during 2017.

Other non-current assets are consistent with the prior year.

Trade and other payables were higher by \$2m compared to the previous year; this is due to a timing difference in payments to trade creditors.

Short term provisions ended the year \$0.4m higher than 2016. This is the result of the higher leave provision required at year end offset by a decrease in the make good provision for our property portfolio.

Other current liabilities were lower by \$1.7m, which is associated with lower CPA Program, membership and Public Practice fees being paid in advance than in the prior year.



STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2017

	Note	CONSOLIDATED	
		2017 \$'000s	2016 \$'000s
Revenue	3(a)	176,374	175,672
Investment revenue	3(b)	5,184	4,443
Employee benefits expense	4(a)	(66,522)	(64,483)
Education and CPA Program expense	4(b)	(19,786)	(19,996)
Advertising and promotion expense	4(c)	(13,322)	(15,934)
Rent and outgoings		(12,980)	(12,509)
Computer hardware and software licences expense		(3,222)	(2,634)
Event delivery expense	4(d)	(11,087)	(11,832)
Professional services expense	4(e)	(11,509)	(9,695)
Printing and communication expense	4(f)	(6,929)	(6,773)
Travel and catering expense	4(g)	(5,979)	(5,941)
Other staff costs	4(h)	(2,682)	(2,909)
Depreciation and amortisation expense	10, 11	(9,529)	(11,795)
Finance costs		(10)	(17)
Net foreign exchange gain / (loss)		(868)	(563)
Gain / (loss) on disposal of investments		560	191
Impairment gain / (loss)		150	30
Gain / (loss) on sale of property, plant and equipment		(4)	(6)
Other expenses	4(i)	(7,387)	(7,752)
Profit before income tax		10,452	7,497
Tax (expense) / income	5(a)(b)	(160)	712
Profit for the year		10,292	8,209
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified subsequently to profit or loss:			
Actuarial gain / (loss) on defined benefit plan	21	(92)	86
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		(31)	(161)
Net gain / (loss) on available-for-sale assets		1,739	1,398
Other comprehensive income for the year, net of tax		1,616	1,323
Total comprehensive income for the year		11,908	9,532

STATEMENT OF FINANCIAL POSITION

as at 31 December 2017

	Note	CONSOLIDATED	
		2017 \$'000s	2016 \$'000s
CURRENT ASSETS			
Cash and cash equivalents	6	89,433	97,069
Trade and other receivables	7	2,451	2,474
Other financial assets	9	13,747	–
Other assets	8	6,752	4,960
Total current assets		112,383	104,503
NON-CURRENT ASSETS			
Deferred tax assets	5(d)	–	767
Other financial assets	9	78,388	69,918
Property, plant and equipment	10	11,381	10,561
Intangible assets	11	5,134	9,612
Other assets	8	29	29
Total non-current assets		94,932	90,887
Total assets		207,315	195,390
CURRENT LIABILITIES			
Trade and other payables	12	18,565	16,587
Provisions	13	6,069	5,686
Other liabilities	14	75,356	77,055
Total current liabilities		99,990	99,328
NON-CURRENT LIABILITIES			
Provisions	13	2,958	2,990
Other liabilities	14	1,500	2,113
Total non-current liabilities		4,458	5,103
Total liabilities		104,448	104,431
Net assets		102,867	90,959
MEMBERS' FUNDS			
Reserves		8,469	6,761
Retained surplus		94,398	84,198
Total members' funds		102,867	90,959

STATEMENT OF CHANGES IN MEMBERS' FUNDS

for the year ended 31 December 2017

	INVESTMENT REVALUATION RESERVE	FOREIGN CURRENCY TRANSLATION RESERVE	RETAINED EARNINGS	TOTAL
	\$'000s	\$'000s	\$'000s	\$'000s
CONSOLIDATED				
Balance at 1 January 2016	4,917	607	75,903	81,427
Net gain / (loss) on available-for-sale assets	1,398	–	–	1,398
Exchange differences on translating foreign operations	–	(161)	–	(161)
Actuarial gain / (loss) on defined benefit plan	–	–	86	86
Surplus for the year	–	–	8,209	8,209
Balance at 1 January 2017	6,315	446	84,198	90,959
Net gain / (loss) on available-for-sale assets	1,739	–	–	1,739
Exchange differences on translating foreign operations	–	(31)	–	(31)
Actuarial gain / (loss) on defined benefit plan	–	–	(92)	(92)
Surplus for the year	–	–	10,292	10,292
Balance at 31 December 2017	8,054	415	94,398	102,867

STATEMENT OF CASH FLOWS

for the year ended 31 December 2017

	Note	CONSOLIDATED	
		2017 \$'000s	2016 \$'000s
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from operations		194,501	192,527
Payments to suppliers and employees		(181,484)	(167,637)
Net cash inflows from operating activities	6	13,017	24,890
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for property, plant and equipment and intangible assets	10, 11	(5,873)	(3,663)
Net receipts / (payments) for bank bills less than 1 year but greater than 90 days		(13,690)	250
Net receipts / (payments) for bank bills greater than 1 year		(59)	–
Loan to Australian Accounting Technicians (AAT)		150	30
Net receipts / (payments) from sale of investment securities		560	191
Purchase of investment securities		(5,987)	(3,524)
Investment interest received		5,141	4,655
Net cash outflows from investing activities		(19,758)	(2,061)
Net increase / (decrease) in cash and cash equivalents held		(6,741)	22,829
Cash and cash equivalents at the beginning of the financial year		97,069	74,290
Effects of exchange rate changes in the balance of cash held in foreign currencies		(895)	(50)
Cash and cash equivalents at the end of the financial year	6	89,433	97,069

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

1. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

CPA Australia and its subsidiaries adopt all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to the operations and effective for the current annual reporting period.

In the current year, CPA Australia has adopted the following amendment to Australian Accounting Standards issued by the AASB which is mandatorily effective for accounting periods on or after 1 January 2017:

AASB 2016-2 'Amendments to Australian Accounting Standards – Disclosure Initiative Amendments to AASB 107'

AASB 2016-2 amends AASB 107 'Statement of Cashflows' to require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The amendment does not have a material impact on the financial statements.

Prior year numbers have been restated as a result of the amendment however this does not have a material impact on the consolidated financial statements.

A number of Australian Accounting Standards and Interpretations are in issue but are not yet effective, and have not been applied in preparing these financial statements. The following summarises those future requirements and their impact on the Consolidated Entity when adopted:

AASB 9 'Financial Instruments'

AASB 9 'Financial Instruments' replaces AASB 139 'Financial Instruments: Recognition and Measurement' and applies to annual periods beginning on or after 1 January 2018.

It includes guidance on the classification and measurement of financial assets and liabilities, introduces an expected credit loss model to be used in the calculation of impairment of financial assets and provides a new set of hedge accounting rules.

Based on a preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted.

AASB 15 'Revenue from Contracts with Customers'

AASB 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. It applies to annual periods beginning on or after 1 January 2018. AASB 15 will supersede the current revenue recognition guidance including AASB 118 'Revenue,' AASB 111 'Construction Contracts' and the related Interpretations when it becomes effective.

The core principle of AASB 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Under AASB 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

CPA Australia is in the process of undertaking a detailed assessment of the impact of AASB 15 however, based on our preliminary assessment the Standard is not expected to have a material impact on the transactions and balances recognised in the consolidated financial statements when it is first adopted.

AASB 16 'Leases'

AASB 16 provides 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 will require lessees to recognise all leases on balance sheet, except for short-term leases and leases of low value assets.

AASB 16 applies to annual periods beginning on or after 1 January 2019. CPA Australia is in the process of undertaking a detailed assessment of the impact of AASB 16 and the transition method to be adopted however, based on our preliminary assessment the Standard is expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted.

This would include an increase in assets and associated lease liabilities and a reduction in operating lease expense offset by an increase in amortisation and interest expense. As disclosed in Note 16, the nominal value of operating leases as at 31 December 2017 is \$42.3m.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PREPARATION

The 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.

To provide further transparency and clarity on the nature of expenses to members, the Statement of Profit or Loss and Other Comprehensive Income has been changed to classify expenses by nature rather than by function within the entity as in prior years. Additional information on material expense items has been disclosed in the notes to the financial statements.

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 financial report is a general purpose financial report that has been prepared in accordance with the Accounting Standards, Interpretations, other authoritative pronouncements of the AASB and the *Corporations Act (2001)*. Accounting standards include Australian equivalents to International Financial Reporting Standards ('A-IFRS'). CPA Australia is a not-for-profit entity that complies with A-IFRS which ensures that financial statements and notes of the Consolidated Entity comply with International Financial Reporting Standards (IFRS). CPA Australia is not applying paragraphs specific to not-for-profit entities.

CPA Australia is limited by guarantee and domiciled in Australia.

The financial statements were authorised by the Board of Directors on 16 March 2018.

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 so as to obtain benefits from its activities.

All intra-group 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, are 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 CPA Australia'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 recognised in the foreign currency translation reserve, and recognised in the profit and loss.

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. WEBSITE COSTS

The primary focus of the CPA Australia website is as an information tool for members, future members and the organisation. All maintenance and operational expenditure have been treated as expenses incurred in the period.

H. CRITICAL JUDGEMENTS IN APPLYING THE ENTITY'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 recognised to the extent that the tax consolidated group has sufficient taxable temporary differences.

Current year unused tax losses have not been 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. REVENUE	CONSOLIDATED	
	2017	2016
	\$'000s	\$'000s
(A) REVENUE FROM OPERATING ACTIVITIES		
Member fees and subscriptions	85,075	81,675
Education and CPA Program	61,785	63,111
Professional development	16,997	17,673
Other services	5,859	5,308
Marketing, promotion and publications	6,658	7,899
Property	–	6
	176,374	175,672
(B) OTHER REVENUE		
Interest revenue on:		
AAT Loan	–	6
Bank deposits	109	246
Financial assets (held to maturity)	1,405	1,094
Dividends and distributions	3,670	3,097
	5,184	4,443
Total revenue	181,558	180,115

Revenue is recognised net of discounts to the extent that it is probable that the economic benefits will flow to CPA Australia and that it can be reliably measured.

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. 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 at the time of completion of the examination. 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.

Interest

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Income from investments

Revenue is recognised when the income is earned.

Other revenue generating activities

Revenue from training and development courses is recognised at the time the course takes place.

Revenue from the sale of goods is recognised at the time the goods are passed to the purchaser as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

Revenue from marketing, promotion and publications activity is accounted for on an accruals basis.

4. EXPENDITURE

(A) EMPLOYEE BENEFITS EXPENSE

	CONSOLIDATED	
	2017 \$'000s	2016 \$'000s
Salaries and other benefits	61,924	60,025
Defined contribution	4,553	4,412
Defined benefit plan	45	46
	66,522	64,483

(B) EDUCATION AND CPA PROGRAM EXPENSE

Exam delivery	12,832	14,865
Exam and content development	6,404	4,666
Exam support	550	465
	19,786	19,996

(C) ADVERTISING AND PROMOTION EXPENSE

Advertising	7,542	6,347
Sponsorships	2,039	3,560
In Conversation	1,364	2,869
Member engagement activity	745	660
Business development activity	475	1,087
Naked CEO activity	340	647
Member benefits	311	170
Media monitoring	186	198
Research prizes and grants	145	121
Brand activity	20	85
Other	155	190
	13,322	15,934

(D) EVENT DELIVERY EXPENSE

Professional development events	8,992	9,377
Education events	137	295
Member engagement events	1,550	1,708
Recruitment events	408	452
	11,087	11,832

(E) PROFESSIONAL SERVICES EXPENSE

Corporate support	3,216	2,100
Publications	1,735	1,821
Technology projects	2,216	3,075
Legal	1,341	987
Independent review costs	945	–
Business development activity	559	613
Product development and delivery	608	321
Professional conduct activity	176	159
Social media activity	140	240
Board and company secretary	403	120
Internal audit	170	121
Brand refresh	–	138
	11,509	9,695

	CONSOLIDATED	
	2017	2016
	\$'000s	\$'000s
(F) PRINTING AND COMMUNICATION EXPENSE		
Publications	3,601	3,485
Telephone, internet and WAN costs	1,180	1,168
Printing and stationery	950	1,011
Postage	798	722
Other	400	387
	6,929	6,773
(G) TRAVEL AND CATERING EXPENSE		
Business development activity	1,634	1,420
Member engagement activity	1,029	1,033
Corporate support	820	1,089
Education and professional development activity	521	410
Board and internal audit	846	845
Public practice activity	434	371
Advocacy	554	663
Professional conduct activity	90	110
Independent Review	51	–
	5,979	5,941
(H) OTHER STAFF COSTS		
Agencies employment expense	1,274	1,551
Staff training and development	420	477
Staff recruitment	523	510
Other staff costs	465	371
	2,682	2,909
(I) OTHER EXPENSES		
QA review	2,045	2,227
Merchant fees and bank fees	2,618	2,735
Memberships and contributions	2,334	2,186
Other	390	604
	7,387	7,752

	CONSOLIDATED	
	2017	2016
	\$'000s	\$'000s
5. TAXATION		
(A) INCOME TAX RECOGNISED IN PROFIT OR LOSS		
TAX EXPENSE / (INCOME) COMPRISES:		
Deferred tax expense / (income) relating to the origination and reversal of temporary differences (refer (d) on page 83)	20	(846)
Tax expense overseas entities	140	134
Total income tax expense / (income)	160	(712)

CONSOLIDATED

(B) RECONCILIATION OF PRIMA FACIE INCOME TAX

The assessable income of CPA Australia 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:

	2017 \$'000s	2016 \$'000s
Profit before income tax	10,452	7,497
Income tax expense calculated at 30%	3,136	2,249
Surplus attributable to mutual activities and foreign branch expenditure – exempt income	(3,721)	(2,961)
Effect of current year unused tax losses not recognised as deferred assets	745	–
Total tax expense / (income)	160	(712)

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.

CONSOLIDATED

(C) INCOME TAX RECOGNISED IN OTHER COMPREHENSIVE INCOME

	2017 \$'000s	2016 \$'000s
Deferred tax expense arising on the fair value remeasurement of available-for-sale financial assets (refer (d) below)	745	–
Total income tax recognised in other comprehensive income	745	–

The deferred tax expense arising on the fair value measurement of available-for-sale assets is included in the net gain / (loss) on available-for-sale assets in other comprehensive income in the Statement of Profit or Loss and Other Comprehensive Income.

	CONSOLIDATED						
	OPENING BALANCE 2016	RECOGNISED IN PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	CLOSING BALANCE 2016	FX REVALUATION	RECOGNISED IN PROFIT OR LOSS	RECOGNISED IN OTHER COMPREHENSIVE INCOME	CLOSING BALANCE 2017
(D) DEFERRED TAX ASSETS / (LIABILITIES) ARISE FROM THE FOLLOWING:	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
ASSETS							
Investments	(1,495)	(400)	(1,895)	–	–	(745)	(2,640)
Property, plant and equipment	(323)	(26)	(349)	–	(42)	–	(391)
Employee benefits	245	87	332	–	47	–	379
Provisions	188	(49)	139	–	(22)	–	117
Tax losses	1,383	1,157	2,540	–	(3)	–	2,537
FX Revaluation	–	–	–	(2)	–	–	(2)
	(3)	770	767	(2)	(20)	(745)	–
LIABILITIES							
Accrued income	(76)	76	–	–	–	–	–
	(79)	846	767	(2)	(20)	(745)	–

As at 31 December 2017, all prior period accumulated tax losses have been recognised as a deferred tax asset to the extent that the tax consolidated group has sufficient taxable temporary differences. Consequently, future tax losses are not taken into consideration.

Current year unused tax losses of \$0.7m have not been recognised as a deferred tax asset as it is not probable that a sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

In assessing its income tax liability, CPA Australia applies the principles of mutuality to its revenues and expenses. Revenue in the form of member receipts represents mutual income and is not subject to income tax. Expenses associated with such mutual activities are not tax deductible for income tax purposes. All other receipts and payments of CPA Australia are classified for income tax purposes in accordance with income tax legislation.

CPA Australia and its Australian subsidiary CPA Australia Advice formed a tax consolidated group with effect from 1 April 2016. Tax amounts are allocated to CPA Australia and CPA Australia Advice in accordance with the tax sharing and tax funding agreement entered into by the group.

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

Deferred income tax liabilities are recognised for all taxable temporary differences.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable surplus will be available against which the deductible temporary differences and the carry-forward of unused tax assets and unused tax losses can be utilised.

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.

Current and deferred tax are recognised in profit or loss, except where they relate to items recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

6. CASH AND CASH EQUIVALENTS

CURRENT

Cash on hand, at bank and short term bank bills

CONSOLIDATED

2017
\$'000s

2016
\$'000s

89,433 97,069

89,433 97,069

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 SURPLUS AFTER INCOME TAX TO NET CASH

Inflow from operating activities

Surplus after income tax

10,292 8,209

PLUS / (MINUS) NON-OPERATING ITEMS:

Interest and dividend income received

(5,141) (4,655)

Net gain on sale of property, plant and equipment

(4) 6

Realised (gain) / loss

(560) (191)

PLUS / (MINUS) NON-CASH ITEMS:

Foreign exchange translation

868 563

Depreciation and amortisation

9,529 11,792

Finance cost

10 –

Reversal of impairment provision

(150) (30)

CHANGE IN ASSETS AND LIABILITIES:

(Increase) / decrease in receivables

23 5,152

(Increase) / decrease in other assets

(1,770) (213)

Increase / (decrease) in payables

1,973 (488)

Increase / (decrease) in subscriptions and fees in advance

(1,675) 4,285

Increase / (decrease) in other liabilities

(637) (636)

Increase / (decrease) in provisions

351 1,010

CHANGE IN ITEMS IN EQUITY

Amounts recognised in equity relating to defined benefit plan

(92) 86

Net cash inflow from operating activities

13,017 24,890

7. TRADE AND OTHER RECEIVABLES

CURRENT

	CONSOLIDATED	
	2017 \$'000s	2016 \$'000s
Trade and other receivables	2,379	2,425
Less allowance for doubtful debts	(11)	(24)
	2,368	2,401
Other receivables:		
Accrued interest on bank deposits	11	20
Accrued interest on financial assets (held to maturity)	72	53
	83	73
	2,451	2,474

	CONSOLIDATED			CONSOLIDATED	
	2017 \$'000s	2016 \$'000s		2017 \$'000s	2016 \$'000s
AGEING OF PAST DUE BUT NOT IMPAIRED			MOVEMENT IN THE ALLOWANCE FOR DOUBTFUL DEBTS		
60 – 90 days	133	156	Balance at the beginning of the year	24	102
90 – 120 days	200	150	Allowances taken up as doubtful	–	–
Total	333	306	Reduction in allowances	(13)	(40)
			Amounts written off as uncollectible	–	(38)
			Balance at the end of the year	11	24

Loans and receivables

The terms of trade are 30 days from invoice date. Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as "loans and receivables". Loans and receivables are measured at amortised cost using the effective interest rate method less impairment. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

In determining the recoverability of a trade receivable, the Consolidated Entity 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 consists of a large number of members and customers, spread across diverse industries and geographical areas. The Consolidated Entity 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. No interest is charged on trade receivables.

8. OTHER ASSETS	Note	CONSOLIDATED		9. OTHER FINANCIAL ASSETS	CONSOLIDATED		
		2017 \$'000s	2016 \$'000s		2017 \$'000s	2016 \$'000s	
CURRENT				CURRENT			
Defined benefit plan		453	553	Bank bills less than 1 year but greater than 90 days		13,747	–
Prepayments		6,299	4,407			13,747	–
		6,752	4,960				
NON CURRENT				NON CURRENT			
Loan to related parties (at amortised cost)	18 (e)	–	320	Available for sale assets carried at fair value:			
Less provision for impairment	18 (e)	–	(320)	Listed non-derivative financial assets available for sale		74,625	66,175
Security deposit and other		29	29	Non-listed non-derivative financial assets available for sale		3,763	3,743
		29	29			78,388	69,918

Defined benefit plan

A small percentage (0.83 per cent) of staff participates in the CPA Australia defined benefit plan.

Mercer Benefit Services has provided actuarial calculations of the current benefit of the defined benefit liability.

Actuarial gains and losses are recognised in full, directly in retained earnings, in the period in which they occur, and presented in the statement of 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.

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. The plan is no longer open to new members as of 31 December 1999.

Further detail about the defined benefit plan is provided in Note 21.

Defined contribution superannuation

Contributions to defined contribution superannuation plans are expensed when paid.

Loan to related parties

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

CPA Australia had previously recognised an impairment provision in 2015 for the full amount of the loan.

Investments and financial assets

As per CPA Australia's Investment Policy, bank bills must be held in an authorised deposit taking institutions with a minimum S&P credit rating of BBB+ (or Moody's / Fitch equivalent).

Held to maturity investments

Investments such as bonds and term deposits that are intended to be held to maturity are initially measured at fair value less cost and are subsequently measured at amortised cost using the effective interest method. The effective interest rate method is a method of calculating amortised cost of a financial asset and of allocating interest income over the relevant period.

Financial instruments

Financial instruments such as non-derivative financial assets available-for-sale are recorded at fair value through comprehensive income. Revaluation is accumulated in an investment revaluation reserve in equity.

All financial assets are recognised and derecognised on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through comprehensive income, which are initially measured at fair value.

Financial assets are classified into the following categories: "held-to-maturity" investments, "available-for-sale" financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

10. PROPERTY, PLANT AND EQUIPMENT

GROSS CARRYING AMOUNT

	CONSOLIDATED				TOTAL \$'000s
	BUILDING AT COST \$'000s	PLANT AND EQUIPMENT AT COST \$'000s	LIBRARY BOOKS AT COST \$'000s	CAPITAL WORK IN PROGRESS \$'000s	
Balance at 1 January 2016	3,800	35,781	92	570	40,244
Additions	–	–	9	2,071	2,080
Disposals	–	(1,499)	(28)	–	(1,527)
Transfers to / from asset class	–	1,963	–	(1,963)	–
Balance at 1 January 2017	3,800	36,245	73	678	40,797
Additions	–	–	17	4,360	4,377
Disposals	–	(2,267)	(22)	–	(2,289)
Transfers to / from asset class	–	4,575	–	(4,575)	–
Balance at 31 December 2017	3,800	38,553	68	463	42,884

ACCUMULATED DEPRECIATION AND IMPAIRMENT

Balance at 1 January 2016	(1,368)	(25,664)	(47)	–	(27,079)
Disposals	–	1,494	28	–	1,522
Depreciation	(76)	(4,584)	(19)	–	(4,679)
Balance at 1 January 2017	(1,444)	(28,754)	(38)	–	(30,236)
Disposals	–	2,265	23	–	2,288
Depreciation	(76)	(3,464)	(15)	–	(3,555)
Balance at 31 December 2017	(1,520)	(29,953)	(30)	–	(31,503)

NET BOOK VALUE

Property, plant and equipment as at 31 December 2016	2,356	7,491	35	678	10,561
Property, plant and equipment as at 31 December 2017	2,280	8,600	38	463	11,381

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

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 (excluding freehold land) as follows:

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

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.

Land and Buildings

Valuations are obtained biennially and were obtained in 2017. All valuations received were in excess of their 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 by the Consolidated Entity where there exists an obligation to restore the property to its original condition. These costs are included in the value of the leasehold improvements with a corresponding provision for the 'restoration' taken up.

Sale of Non-Current Assets

The net gain / (loss) of non-current asset sales are included as revenue / (expenses) at the date control passes to the buyer, usually when an unconditional contract of sale is signed.

The net gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal.

Assets which satisfy the criteria in AASB 5 *Non-current Assets Held for Sale and Discontinued Operations* as assets held for sale are transferred to current assets and separately disclosed as non-current assets held for sale on the face of the Statement of Financial Position. These assets are measured at the lower of carrying amount and fair value less costs to sell. These assets cease to be depreciated from the date on which they satisfy the "held-for-sale" criteria.

11. INTANGIBLE ASSETS	CONSOLIDATED		
	INTANGIBLE ASSETS AT COST	CAPITAL WORK IN PROGRESS – INTANGIBLE ASSETS	TOTAL
	\$'000s	\$'000s	\$'000s
GROSS CARRYING AMOUNT			
Balance at 1 January 2016	30,040	1,606	31,646
Additions	–	1,583	1,583
Disposals	(94)	–	(94)
Transfers to / from asset class	3,189	(3,189)	–
Balance at 1 January 2017	33,135	–	33,135
Additions	–	1,496	1,496
Disposals	–	–	–
Transfers to / from asset class	751	(751)	–
Balance at 31 December 2017	33,886	745	34,631
ACCUMULATED AMORTISATION AND IMPAIRMENT			
Balance at 1 January 2016	(16,501)	–	(16,501)
Disposals	94	–	94
Depreciation	(7,116)	–	(7,116)
Balance at 1 January 2017	(23,523)	–	(23,523)
Disposals	–	–	–
Depreciation	(5,974)	–	(5,974)
Balance at 31 December 2017	(29,497)	–	(29,497)
NET BOOK VALUE			
Intangible assets as at 31 December 2016	9,612	–	9,612
Intangible assets as at 31 December 2017	4,389	745	5,134

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.

Impairment of intangible assets

At each reporting date, the Consolidated Entity reviews the carrying amounts of its intangible and other tangible 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 in order 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 Consolidated Entity estimates the recoverable amount of the cash-generating unit to which the asset belongs. 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.

12. TRADE AND OTHER PAYABLES

CURRENT

	CONSOLIDATED	
	2017 \$'000s	2016 \$'000s
Trade creditors and accruals	18,565	16,587
	18,565	16,587

CPA Australia Terms and Conditions of Purchase state payment terms of 30 days from date of invoice.

CPA Australia has financial risk management policies in place to ensure that all payables are paid within the credit terms (refer to Note 22).

Trade creditors represent liabilities for goods and services provided to the Consolidated Entity prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

13. PROVISIONS

CURRENT

	CONSOLIDATED	
	2017 \$'000s	2016 \$'000s
Employee benefits	6,069	5,686
	6,069	5,686

NON CURRENT

Employee benefits	1,561	1,372
Restoration of leased properties	1,397	1,618
	2,958	2,990
	9,027	8,676

Employee benefits

The provision of employee benefits represents annual leave, vested and unvested long service leave entitlements accrued and compensation claims made by employees. Employee benefits expected to be settled within one year have been measured at the amounts expected to be paid. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. Discount rate used reflects national government securities that most closely match the terms of maturity of the related liabilities.

Annual leave

The provision for annual leave represents the amount which CPA Australia has a present obligation to pay resulting from employees' services provided up to balance date. The provision has been calculated at the amounts expected to be paid when the liability is settled and includes on-costs.

Long service leave

The liability for employee benefits for long service leave represents the present value of the estimated future cash outflows to be made by the employer resulting from employees' services provided up to the balance date.

In determining the liability for employee benefits, account has been taken of future increases in wage and salary rates, and CPA Australia's experience with staff departures. Related on-costs have also been included in the liability.

RECONCILIATION OF RESTORATION OF LEASED PROPERTIES	2017 \$'000s
Balance at 1 January 2017	1,618
Reduction resulting from re-measurement	(231)
Unwinding of discount and effect of changes in the discount rate	10
Balance as at 31 December 2017	1,397

	CONSOLIDATED	
	2017	2016
EMPLOYEE NUMBERS		
Average number of full time equivalent employees (FTE's) during the financial year	480	470

14. OTHER LIABILITIES

CURRENT

Subscriptions and fees received in advance (net of discounts)	74,744	76,419
Lease incentive	612	636
	75,356	77,055

NON-CURRENT

Lease incentive	1,500	2,113
	76,856	79,168

15. PARENT ENTITY DISCLOSURES

FINANCIAL POSITION

ASSETS

Current assets	107,652	100,055
Non-current assets	96,101	100,434
Total assets	203,753	200,489

LIABILITIES

Current liabilities	100,139	99,225
Non-current liabilities	4,434	5,067
Total liabilities	104,573	104,292

MEMBERS' FUNDS

Retained surplus	91,279	90,038
Reserves		
Investment revaluation reserve	8,054	6,315
Foreign currency translation reserve	(153)	(156)
Total members' funds	99,180	96,197

CONSOLIDATED

2017 2016
\$'000s \$'000s

2017 2016
\$'000s \$'000s

YEAR ENDED 2017
YEAR ENDED 2016
\$'000s \$'000s

FINANCIAL PERFORMANCE

Surplus for the year	1,093	13,550
Other comprehensive (expense) / income net of tax	1,616	1,323
Total comprehensive income for the year	2,709	14,873

Loan to subsidiary

On 1 June 2015, CPA Australia entered into a loan facility with its wholly owned subsidiary, CPA Australia Advice. The maximum amount that can be advanced under the loan facility is \$20m; all amounts advanced are interest free and are repayable in full by 8 June 2025.

All loan amounts are initially recognised at fair value, with the difference between the loan amount and the fair value recorded as an 'investment in subsidiary' in the parent entity in accordance with AASB 139 *Financial Instruments: Recognition and Measurement*. Fair value is estimated by discounting the future loan repayments using a market rate of interest for a similar instrument.

The fair value of the \$4m loan amount advanced during 2017 was determined using a market rate of 5.35 per cent.

Subsequently, the loan is held at amortised cost which is the loan amount initially recognised less any repayments plus / minus cumulative amortisation using the effective interest method.

As at 31 December 2017, the total amount advanced under the loan facility is \$12.44m; the carrying value of the loan is \$8.44m. The directors have assessed the loan and the investment in subsidiary and concluded that there is objective evidence of impairment of the loan to CPA Australia Advice at 31 December 2017. A full provision for impairment has been recognised.

Prior period numbers of the Parent Entity have been restated to improve comparability of numbers presented in respect of the interest component of the loan to CPA Australia Advice. In the prior period, interest of \$0.2m was offset against investment in the subsidiary when it should have been recognised as interest income. In the current period, the interest charge of \$0.2m in 2016 has been adjusted in the Statement of Profit or Loss as an interest expense, in the Statement of Financial Position as a decrease in non-current assets and in the Statement of Changes in Member Funds as an increase in opening retained surplus as at 1 January 2017 for the effect of the restatement.

16. COMMITMENTS FOR EXPENDITURE

Non-cancellable operating lease commitments relate to property rental and outgoing leases, technology hardware leases and novated leases.

	2017 \$'000s	2016 \$'000s
LEASING ARRANGEMENTS		
A. NON-CANCELLABLE OPERATING LEASE COMMITMENTS		
Aggregate amounts contracted for at balance date but not recognised as liabilities:		
Not later than one year	13,239	11,844
Later than one year but not later than five years	25,635	28,819
Later than five years	3,418	343
	42,292	41,006
In respect of non-cancellable operating leases the following liabilities have been recognised:		
CURRENT		
Lease incentive	612	636
NON CURRENT		
Restoration of leased properties	1,397	1,618
Lease incentive	1,500	2,113
	3,509	4,367

Leased assets

Leases, where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to the company are classified as finance leases. Finance leases are capitalised. Assets and liabilities are recorded at the present values of the minimum lease payments, including any guaranteed residual values at date of inception.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefits of incentives are 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.

B. OTHER COMMITMENTS

In 2018, CPA Australia will continue to support the following organisations: AASB, AUASB, APESB, IFAC and the IIRC.

CPA Australia has provided support in 2017 to IFAC in the pursuit of their objectives. The contribution for the 2017 year was \$1,345,578 (2016: \$1,215,914).

As part of the undertakings with APESB, CPA Australia, CAANZ and the IPA contribute funds necessary for the pursuit of the objectives of APESB. The contributions for the 2017 year were \$527,976 (2016: \$469,887).

These contributions are included in other expenses in the Statement of Profit or Loss and Other Comprehensive Income.

17. 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 CPA Australia being wound up would not exceed \$10 per member.

18. 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 CPA Australia Ltd Group ("Consolidated Entity").

The following were KMP of CPA Australia Ltd Group 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 Consolidated Entity. Unless otherwise indicated, the following non-executive directors and executives were KMP for the entire period:

Name	Title	Appointed / Retired / Resigned
NON - EXECUTIVE DIRECTORS		
Tyrone Carlin	Former Chairman and President	Resigned 30 May 2017
	Former director - CPA Australia Advice Pty Ltd	Resigned 30 May 2017
James Dickson	Former Deputy President	Resigned 30 May 2017
	Former Chairman and President	Appointed 31 May 2017
	Former director	Resigned 30 September 2017 Resigned 31 December 2017
Kerry Ryan	Former director	Resigned 7 June 2017
Richard Alston	Former director	Resigned 7 June 2017
David Spong	Former director	Resigned 9 June 2017
Deborah Ong	Former Deputy President	Resigned 15 June 2017
Jennifer Lang	Former director	Resigned 15 June 2017
Martin Hourigan	Former director	Resigned 15 June 2017
Timothy Youngberry	Former director	Appointed 15 June 2017
		Retired 30 September 2017
Michele Dolin	Former director	Retired 30 September 2017
	Former director - CPA Australia Advice Pty Ltd	Resigned 31 December 2017
Graeme Wade	Former director	Resigned 30 September 2017
	Former Chairman - CPA Australia Advice Pty Ltd	Resigned 31 December 2017
Richard Petty	Former director	Retired 30 September 2017
	Former director - CPA Australia Advice Pty Ltd	Resigned 30 September 2017
Sharon Portelli	Former director	Resigned 31 December 2017
Peter Wilson	Chairman and President	Appointed 1 October 2017
Merran Kelsall	Deputy President	Appointed 1 October 2017
Chin Aik Wong	Deputy President	Appointed 1 October 2017
Ric De Santi	Director	Appointed 1 October 2017
Robyn Erskine	Director	Appointed 1 October 2017
Helen Lorigan	Director	Appointed 1 October 2017
Rosemary Sinclair	Director	Appointed 1 October 2017
Caroline Spencer	Director	Appointed 1 October 2017
Jon Scriven	Director	Appointed 1 October 2017
EXECUTIVES		
Alex Malley	Former CEO	Ceased 23 June 2017
Adam Awty	Former COO commercial	Ceased 23 June 2017
	Interim CEO	Appointed 24 June 2017
	Director - CPA Australia (M) Sdn. Bhd.	
Jeff Hughes	Former COO member services	Ceased 31 December 2017
	Former director - CPA Australia (M) Sdn. Bhd.	Resigned 19 December 2017
	Former director - CPA Australia (Shanghai) Co. Ltd	Resigned 19 December 2017
Nicholas Diss	Interim CFO	Appointed 24 June 2017
	Director - CPA Australia (Shanghai) Co. Ltd	

B. COMPENSATION OF KEY MANAGEMENT PERSONNEL

(i) Non-executive director compensation

Board remuneration is recommended annually by the Nomination and Remuneration Committee. Article 45 of the CPA Australia Constitution provides guidelines as to the maximum remuneration that should apply to directors of the Company. The maximum amount paid in a calendar year must not exceed:

- President and Chairman - 60% of the total annual salary package of the Auditor-General of Australia
- Deputy President - 25% of the total annual salary package of the Auditor-General of Australia
- Directors - 15% of the total annual salary package of the Auditor-General of Australia

The approved Board remuneration for 2017 was as follows:

- President and Chairman – \$311,979 (44.25% of the total annual salary package of the Auditor-General of Australia)
- Deputy President – \$129,991 (18.44% of the total annual salary package of the Auditor-General of Australia)
- Directors – \$98,604 (14.32% of the total annual salary package of the Auditor-General of Australia)

CPA Australia directors do not receive additional remuneration for sitting on Committees of the Board. CPA Australia 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.

The new board of CPA Australia (effective 1 October 2017) has implemented a more rigorous benchmarking program to benchmark remuneration of all directors, the CEO, and direct reports of the CEO. External benchmarking experts, the Godfrey Remuneration Group, were appointed. The Board determined to have only member based organisations included in the benchmarking comparator group – the “Mutual Survey Group”. Since receipt of the final report in February 2018 the Board of CPA Australia agreed to adopt the following Board fees (inclusive of superannuation) from 1 October 2017:

- President and Chairman \$225,000
- Deputy President \$112,500
- Directors \$75,000

The Board has also determined that no committee fees will be paid to any directors. Where a non-director is a member of a Board committee they will be entitled to a per diem amount. For the Independent Review Implementation Committee, Divisional Presidents seconded to this committee are entitled to receive a per diem amount of \$2,300, capped at 20 days in total and to apply throughout 2018.

During the independent benchmarking process, directors did not receive any remuneration from CPA Australia. Payments will be made early 2018 to the nine new directors back dated to 1 October 2017. Director fees relating to the period 1 October 2017 to 31 December 2017 have been accrued in the 2017 financial statements.

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 have been set at a lower level, both of which are 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 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. CEO remuneration is recommended by the Nomination and Remuneration Committee and approved by the Board. Salary increases for all other staff including executives are determined by the CEO in consultation with business unit leaders and are ratified by the Nomination and Remuneration Committee.

CPA Australia has in place an incentive scheme for its staff that is designed to focus employees on critical member service and value outcomes, and business development outcomes and to reward employee commitment to the overall objectives of CPA Australia. Overall CPA Australia KPI's as set out in the Performance Contract must be achieved for incentive payments to be made. The incentive pool available is based on organisational achievement as set out in the Performance Contract. The scoring of the Performance Contract and the determination of the reward pool, is the authority of the Finance Committee and is ultimately approved by the Board.

The Board has determined to review incentive arrangements during 2018, with any changes to the scheme applying from 1 January 2019. 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% from the market median will be used going forward to determine relevant salary ranges for each executive position taking in account the individual's experience and competence.

Any higher duties allowance associated with CPA Australia Advice where it existed for senior executives at CPA Australia has been removed.

C. 2017 COMPENSATION – KEY MANAGEMENT PERSONNEL

NON - EXECUTIVE DIRECTORS

NAME	COMPANY	POSITION
Tyrone Carlin ⁽⁵⁾	CPA Australia Limited	Former Chairman and President
	CPA Australia Advice Pty Ltd	Former director
	Total	
James Dickson ⁽⁸⁾	CPA Australia Limited	Former Deputy President Former Chairman and President Former director
	Total	
	CPA Australia Limited	Former director
Tim Ebbeck	CPA Australia Limited	Former director
Kerry Ryan	CPA Australia Limited	Former director
Richard Alston	CPA Australia Limited	Former director
David Spong	CPA Australia Limited	Former director
Deborah Ong	CPA Australia Limited	Former Deputy President
Jennifer Lang ⁽⁶⁾	CPA Australia Limited	Former director
Martin Hourigan ⁽⁶⁾	CPA Australia Limited	Former director
Timothy Youngberry ⁽⁷⁾	CPA Australia Limited	Former director
Michele Dolin	CPA Australia Limited	Former director
	CPA Australia Advice Pty Ltd	Former director
	Total	
Graeme Wade	CPA Australia Limited	Former director
	CPA Australia Advice Pty Ltd	Former Chairman
	Total	
Richard Petty	CPA Australia Limited	Former director
	CPA Australia Advice Pty Ltd	Former director
	Total	
Suzanne Haddan ⁽⁴⁾	CPA Australia Advice Pty Ltd	Director
Sharon Portelli ⁽⁸⁾	CPA Australia Limited	Former director
Peter Wilson ⁽⁸⁾	CPA Australia Limited	Chairman and President
Merran Kelsall ⁽⁸⁾	CPA Australia Limited	Deputy President
Chin Aik Wong ⁽⁸⁾	CPA Australia Limited	Deputy President
Ric De Santi ⁽⁸⁾	CPA Australia Limited	Director
Robyn Erskine ⁽⁸⁾	CPA Australia Limited	Director
Helen Lorigan ⁽⁸⁾	CPA Australia Limited	Director
Rosemary Sinclair ⁽⁸⁾	CPA Australia Limited	Director
Caroline Spencer ⁽⁸⁾	CPA Australia Limited	Director
Jon Scriven ⁽⁸⁾	CPA Australia Limited	Director
EXECUTIVES		
Alex Malley ⁽⁹⁾	CPA Australia Limited	Former CEO
Adam Awty ^{(10) (11)}	CPA Australia Limited	Former COO Commercial
	CPA Australia Limited	Interim CEO
	CPA Australia (M) Sdn. Bhd.	Director
	Total	
Jeff Hughes ^{(11) (12)}	CPA Australia Limited	Former COO Member Services
	CPA Australia (M) Sdn. Bhd.	Former director
	CPA Australia (Shanghai) Co. Ltd	Former director
	Total	
Nicholas Diss ^{(11) (13)}	CPA Australia Limited	Interim CFO
	CPA Australia (Shanghai) Co. Ltd	Director
Total		

Notes:

- (1) Includes annual leave entitlements accrued during 2017.
- (2) Other short-term benefits include car parking, fringe benefits and associated fringe benefits tax payable.
- (3) Other long-term benefits include long service leave entitlements accrued during the year.
- (4) Remuneration for Suzanne Haddan was included as a KMP in 2016 however, she is not considered a KMP of the group in 2017. Her remuneration is therefore not included in 2017.
- (5) By mutual agreement with Mr. Carlin and the Company, no remuneration was payable for the period 1 April 2017 to 30 May 2017.
- (6) Superannuation was overpaid by \$365 in 2017 and is currently in the process of being recouped.
- (7) In addition to the director fees paid to Mr. Youngberry for the period 15 June 2017 to 30 September 2017, consultancy fees were also paid to PFM Advisory Services Pty Ltd ("PFM"), a company of which Mr. Youngberry is a director. Please refer to Note 18(e) for further details.
- (8) During the independent benchmarking process, the directors agreed to defer receipt of remuneration from CPA Australia. Following completion of the independent benchmarking process and the outcome thereof, director fees relating to the period 1 October 2017 to 31 December 2017 have been accrued in the 2017 financial statements and reflected in the above table. All amounts are payable in early 2018.

SHORT-TERM EMPLOYEE BENEFITS			POST- EMPLOYMENT BENEFITS	OTHER LONG-TERM BENEFITS ⁽³⁾	TOTAL 2017 (EXCL TERMINATION BENEFITS)	TERMINATION BENEFITS	TOTAL 2017 (INCL TERMINATION BENEFITS)	TOTAL 2016 ⁽⁴⁾
SALARY AND FEES ⁽¹⁾	BONUS	OTHER ⁽²⁾	SUPERANNUATION					
\$	\$	\$	\$	\$	\$	\$	\$	\$
71,228	-	-	6,767	-	77,995	-	77,995	184,166
15,982	-	-	1,518	-	17,500	-	17,500	70,000
87,210	-	-	8,285	-	95,495	-	95,495	254,166
49,464	-	-	4,699	-	54,163	-	54,163	133,630
53,272	-	-	5,061	-	58,333	-	58,333	-
17,123	-	-	1,627	-	18,750	-	18,750	-
119,859	-	-	11,387	-	131,246	-	131,246	133,630
-	-	-	-	-	-	-	-	73,953
-	-	-	-	-	-	-	-	73,953
40,194	-	-	3,818	-	44,012	-	44,012	98,604
40,194	-	-	3,818	-	44,012	-	44,012	98,604
40,904	-	-	3,886	-	44,790	-	44,790	98,604
59,579	-	-	-	-	59,579	-	59,579	111,465
42,263	-	-	4,380	-	46,643	-	46,643	24,651
42,263	-	-	4,380	-	46,643	-	46,643	24,651
27,309	-	-	2,594	-	29,903	-	29,903	-
69,158	-	-	6,570	-	75,728	-	75,728	98,604
63,927	-	-	6,073	-	70,000	-	70,000	70,000
133,085	-	-	12,643	-	145,728	-	145,728	168,604
69,158	-	-	6,570	-	75,728	-	75,728	258,635
91,324	-	-	8,676	-	100,000	-	100,000	100,000
160,482	-	-	15,246	-	175,728	-	175,728	358,635
75,728	-	-	-	-	75,728	-	75,728	106,762
52,500	-	-	-	-	52,500	-	52,500	70,000
128,228	-	-	-	-	128,228	-	128,228	176,762
-	-	-	-	-	-	-	-	70,000
60,481	-	-	33,997	-	94,478	-	94,478	104,015
51,370	-	-	4,880	-	56,250	-	56,250	-
25,685	-	-	2,440	-	28,125	-	28,125	-
25,685	-	-	2,440	-	28,125	-	28,125	-
17,123	-	-	1,627	-	18,750	-	18,750	-
17,123	-	-	1,627	-	18,750	-	18,750	-
17,123	-	-	1,627	-	18,750	-	18,750	-
17,123	-	-	1,627	-	18,750	-	18,750	-
17,123	-	-	1,627	-	18,750	-	18,750	-
17,123	-	-	1,627	-	18,750	-	18,750	-
817,212	-	28,715	17,500	26,624	890,051	4,897,673	5,787,724	1,786,331
352,479	-	4,403	14,432	6,024	377,338	-	377,338	949,395
406,388	-	4,873	13,068	6,612	430,941	-	430,941	-
-	-	-	-	-	-	-	-	-
758,867	-	9,276	27,500	12,636	808,279	-	808,279	949,395
760,328	-	9,092	27,500	12,241	809,161	759,499	1,568,660	902,259
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
146,848	8,320	5,161	12,993	2,398	175,720	-	175,720	-
-	-	-	-	-	-	-	-	-
3,670,784	8,320	52,244	209,449	53,899	3,994,696	5,657,172	9,651,868	5,508,282

(9) On 23 June 2017 the Board announced that Alex Malley would be finishing in his role as CEO. Under the terms of his employment contract he was paid a termination payment of \$4,897,673. Accrued annual leave and long service leave entitlements totalling \$515,834 were also paid on termination; this amount is not included in the termination payment.

(10) There was no change in remuneration package on appointment to the Interim CEO role (effective 24 June 2017).

(11) Adam Awty, Jeff Hughes and Nicholas Diss did not receive remuneration in their capacity as directors of subsidiaries.

(12) Termination benefit is the redundancy payment accrued in 2017 and paid in January 2018. Accrued annual leave and long service leave entitlements totalling \$297,552 were also paid on termination; this amount is not included in the termination payment.

(13) There was no change in remuneration package on appointment to Interim CFO role (effective 24 June 2017).

D. LOANS AND AMOUNTS OWING TO KEY MANAGEMENT PERSONNEL

There are no loans between key management personnel and CPA Australia.

Director fees for CPA Australia totalling \$262,500 have been accrued in the 2017 financial statements relating to the period 1 October 2017 to 31 December 2017. This includes James Dickson, Sharon Portelli and the nine new directors appointed on 1 October 2017.

Director fees of \$2,635 have also been accrued for Arun Nangia, a director of CPA Australia Advice (appointed 18 Dec 2017) and \$1,516 for Andrew Heng, a director of CPA Australia (M) Sdn. Bhd. All amounts are payable in early 2018.

E. OTHER TRANSACTIONS OF KEY MANAGEMENT PERSONNEL AND KEY MANAGEMENT PERSONNEL RELATED ENTITIES

In 2007, CPA Australia entered into a memorandum of understanding with two other accounting bodies (IPA and CAANZ) to jointly promote the AAT as the peak organisation representing the para-professional segment of the accounting profession through the provisions of loan funds. A deed of variation was signed during 2017 which reduced the loan receivable from \$320,000 to \$150,000. No interest was charged during the year. A repayment of \$149,999 was received during the year, reducing the non-current loan amount to \$1. CPA Australia had previously recognised an impairment provision in 2015 for the full amount of the loan.

Nicholas Diss, Deputy CFO (1 January 2017 – 23 June 2017) and Interim CFO (24 June 2017 – 31 December 2017), was a director of the AAT Board until 10 October 2017. Jeff Hughes, COO – member services was also a director of the AAT Board until 25 August 2017.

Adam Awty, COO – commercial (1 January 2017 – 23 June 2017) and Interim CEO (24 June 2017 – 31 December 2017), and Priya Dharshini Terumalay, country head Malaysia, are directors of CPA Australia (Malaysia) Sdn. Bhd. Robert Thomason, executive general manager - education was also appointed as director of CPA Australia (Malaysia) Sdn. Bhd. on 19 December 2017 following the resignation of Jeff Hughes, COO - member services as a director of the subsidiary.

Robert Thomason, executive general manager - education, Deborah Leung, country head Greater China, and Nicholas Diss, Interim CFO are directors of CPA Australia (Shanghai) Co. Ltd. Priya Dharshini Terumalay, country head Malaysia was appointed as director of CPA Australia (Shanghai) Co. Ltd. on 19 December 2017 following the resignation of Jeff Hughes, COO – member services as a director of the subsidiary.

In addition to the director fees paid to Timothy Youngberry as a director of CPA Australia, which are outlined in Note 18(c) for the period 15 June 2017 to 30 September 2017, consultancy fees were also paid to PFM Advisory Services Pty Ltd (“PFM”), a company of which Timothy Youngberry is a director. In April 2017 CPA Australia signed a statement of work with PFM engaging Timothy Youngberry as a consultant for the period 10 April 2017 to 10 July 2017. The scope of the agreement included working with the Learning and Development Team at CPA Australia to manage and deliver a project for a client of CPA Australia.

A total fee of \$44,188 (exclusive of GST) for this consultancy work was paid to PFM. The details of this contract were disclosed in the directors declaration of interest register prior to Mr. Youngberry attending his first Board meeting.

During 2017, CPA Australia made a final payment of \$100,000 to the National Basketball League under a commercial arm’s length sponsorship agreement signed in 2016 covering Australia, China, New Zealand and other selected countries including India and the Philippines. Graeme Wade, a director of CPA Australia until 30 September 2017 is also a director of NBL Pty Ltd.

19. REMUNERATION OF AUDITOR

AUDITOR OF PARENT ENTITY AND AUSTRALIAN SUBSIDIARIES

	CONSOLIDATED	
	2017	2016
	\$	\$
Audit of financial report	209,114	189,625
Other assurance services	123,900	30,000
Non-audit services	4,148	31,231

AFFILIATED FIRMS

Audit of financial reports for overseas subsidiaries and branches	73,334	45,109
	410,496	295,965

OTHER AUDIT FIRMS

Audit of financial reports for overseas branches	28,951	–
	28,951	–

The auditor of the parent entity and Australian subsidiaries is Deloitte Touche Tohmatsu, Australia.

Any activity which involves the engagement of the company auditor must adhere to the Board endorsed principles and require the prior approval of the Board Audit and Risk Committee to ensure there is no conflict of interest. As a general principle, the use of the external auditors 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 to carry out professional development, article authoring or CPA Program authoring and support at program workshops, this is to be documented and provided to the Board Audit and Risk Committee for endorsement quarterly.

Deloitte Malaysia provided sponsorship to CPA Australia (M) Sdn. Bhd for CPA Australia 2017 Congress Malaysia. There were no commercial sponsorships in Australia, Shanghai and New Zealand, where Deloitte is also the local auditor.

Offshore divisions can enter into sponsorships with their local Deloitte office where Price Waterhouse Coopers, Ernst & Young and KPMG will also be represented. Sponsorships can be raised for member awards where the member is the direct recipient of the cash benefit.

During 2017, CPA Australia received revenue in the form of sponsorship from Deloitte Hong Kong for the CPA Australia 2017 Congress Hong Kong; Deloitte Singapore provided sponsorship for CPA Australia Career Expo Singapore and CPA Australia 2017 Congress Singapore.

20. INVESTMENT IN CONTROLLED ENTITIES	CLASS OF SHARE	ENTITY INTEREST		AMOUNT OF INVESTMENT	
		2017	2016	2017	2016
		%	%	\$	\$
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.

CPA Australia (M) Sdn. Bhd. is incorporated in Malaysia in order to facilitate the provision of services to members in Malaysia. CPA Australia (Shanghai) Co. Ltd is incorporated in China in order to facilitate the provision of services to members in China. CPA Australia Advice Pty Ltd is incorporated in Australia in order to provide high quality, independent and transparent financial advice under the Australian Financial Services Licence (AFSL) and Australian Credit Licence (ACL).

21. SUPERANNUATION AND DEFINED BENEFIT PLAN

Employees have the choice to contribute either to the CPA Australia 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 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 2017, the Defined Benefit Plan had four members.

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, APRA, licenses and supervises regulated superannuation plans.

RISK

There are a number of 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 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 defined benefit assets are invested in the Legg Mason Balanced investment option. The assets are diversified within this investment option and therefore the Fund has no significant concentration of investment risk.

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 DEC 2017 \$'000s	31 DEC 2016 \$'000s
Net defined benefit liability / (asset) at start of year	(553)	(480)
Current service cost	65	64
Net Interest	(20)	(18)
Actuarial return on fund assets less interest income	(36)	(62)
Actuarial (gains) / losses arising from changes in financial assumptions	–	(8)
Actuarial (gains) / losses arising from liability experience	128	(16)
Employer contributions	(37)	(33)
Net defined benefits liability / (asset) at end of year	(453)	(553)

RECONCILIATION OF THE FAIR VALUE OF FUND ASSETS

FINANCIAL YEAR ENDED	31 DEC 2017 \$'000s	31 DEC 2016 \$'000s
Fair value of fund assets at beginning of the year	1,254	1,135
Interest income	54	50
Actuarial return on fund assets less interest income	36	62
Employer contributions	37	33
Contributions by fund participants	5	5
Taxes, premiums and expenses paid	(95)	(31)
Fair value of fund assets at end of the year	1,291	1,254

RECONCILIATION OF THE DEFINED BENEFIT OBLIGATION

FINANCIAL YEAR ENDED	31 DEC 2017 \$'000s	31 DEC 2016 \$'000s
Present value of defined benefit obligations at beginning of the year	701	655
Current service cost	65	64
Interest cost	34	32
Contributions by fund participants	5	5
Actuarial (gains) / losses arising from changes in financial assumptions	–	(8)
Actuarial (gains) / losses arising from liability experience	128	(16)
Taxes, premiums and expenses paid	(95)	(31)
Present value of defined benefit obligations at end of the year	838	701

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 2017	ASSET CATEGORY	QUOTED PRICES IN ACTIVE MARKET FOR IDENTICAL ASSETS	SIGNIFICANT OBSERVABLE INPUTS	UNOBSERVABLE INPUTS
		LEVEL 1 \$'000s	LEVEL 2 \$'000s	LEVEL 3 \$'000s
	Investment funds – Legg Mason Balanced Trust	1,291	–	1,291
	Total	1,291	–	1,291

THE PERCENTAGE INVESTED IN EACH ASSET CLASS AT THE REPORTING DATE IS:

AS AT 31 DECEMBER	2017* \$'000s	2016 \$'000s
Australian equity	38%	43%
International equity	20%	22%
Fixed income	15%	15%
Property	9%	11%
Alternatives / other	7%	7%
Cash	11%	2%

* Asset allocation as at 31 December 2017 is currently unavailable. Asset allocation at 31 October 2017 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 ENDING 31 DECEMBER	2017	2016
Assumptions to determine defined benefit cost		
Discount rate	4.3% p.a.	4.4% p.a.
Expected salary increase rate	3.0% p.a.	4.0% p.a.
AS AT 31 DECEMBER	2017	2016
Assumptions to determine DBO		
Discount rate	3.8% p.a.	4.3% p.a.
Expected salary increase rate	2.0% p.a.	3.0% p.a.

SENSITIVITY ANALYSIS

The defined benefit obligation as at 31 December 2017 under several scenarios is presented below.

Scenario A and B relate to discount rate sensitivity, Scenario C and D relate to expected salary increase rate sensitivity.

- Scenario A: 0.5% p.a. lower discount rate assumption
- Scenario B: 0.5% p.a. higher discount rate assumption
- Scenario C: 0.5% p.a. lower assumed salary increase rate assumption
- Scenario D: 0.5% p.a. higher assumed salary increase rate assumption

Discount rate	3.8% p.a.	3.3% p.a.	4.3% p.a.	3.8% p.a.	3.8% p.a.
Salary increase rate	3.0% p.a.	3.0% p.a.	3.0% p.a.	2.5% p.a.	3.5% p.a.
Defined benefit obligation^ (\$'000s)	838	840	838	838	838

^Includes defined benefit contributions tax provision

The defined benefit obligation has been recalculated by changing the assumptions as outlined above, whilst retaining all other assumptions.

ASSET-LIABILITY MATCHING STRATEGIES

CPA Australia is not aware of any asset and liability matching strategies adopted by the Fund.

FUNDING ARRANGEMENTS

The financing objective adopted at the 31 December 2016 actuarial investigation of the Fund, in a report dated 12 May 2017, is to maintain the value of the Fund's asset at least equal to:

- 100% of accumulation account balances; plus
- 110% of Defined Benefit Vested Benefits over the next 3 years.

In that valuation, it was recommended that CPA Australia contributes to the Fund as follows:

For defined benefit members:

- nil

For accumulation members:

- As required to meet the employer's obligations under Superannuation Guarantee legislation or employment agreements, plus
- Any additional employer contributions agreed between the employer and a member (e.g. additional salary sacrifice contributions)

EXPECTED CONTRIBUTIONS

FINANCIAL YEAR ENDED 31 DEC 2018	\$'000s
Expected employer contributions	–

MATURITY PROFILE OF DEFINED BENEFIT OBLIGATION

The weighted average duration of the defined benefit obligation as at 31 December 2017 is approximately 10 years.

EXPECTED BENEFIT PAYMENTS FOR THE FINANCIAL YEAR ENDING ON	\$'000s
31 December 2018	–
31 December 2019	–
31 December 2020	395
31 December 2021	–
31 December 2022	–
2023 - 2027	–

22. FINANCIAL RISK MANAGEMENT, OBJECTIVES AND POLICIES

The Consolidated Entity's activities expose it primarily to the financial risks of changes in foreign currency exchange rates, interest rates and equity markets.

The purpose of the Cash and Investment Policy is to 'protect and grow' the capital base within a defined risk tolerance over the medium to long term and to generate an annual return that is in excess of what could be achieved through a risk averse strategy. The policy allows CPA Australia to invest directly or via Managed Funds in both Australian and international equities, fixed interest investments including corporate debt and cash.

CPA Australia's financial instruments consist mainly of bank bills, cash, equities, bonds and hybrids that are traded in an active market. The main purpose of these financial instruments is to invest surplus member funds in order to maximise returns while not exposing the organisation to a high level of risk. Investment of funds is in line with CPA Australia's Investment Policy.

Other financial assets and liabilities are trade receivables and trade payables which arise directly from the Consolidated Entity's operations. Policies for managing the main risks are summarised below:

A. FOREIGN CURRENCY RISK MANAGEMENT

It is not CPA Australia policy to 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 Consolidated Entity's Finance Business Unit and reported to the relevant operation of the Consolidated Entity through management reports which analyse exposures by degree and magnitude of risks. In 2017, the weakening of the Australian Dollar against the currencies where substantial cash is held resulted in a foreign exchange loss of \$0.9m for the full year.

B. CREDIT RISK EXPOSURES

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Consolidated Entity. The Consolidated Entity has adopted a policy of only dealing with creditworthy counter parties as a means of mitigating the risk of financial loss from defaults. The Consolidated Entity's exposure is continuously monitored and limits reviewed annually. Trade receivables consist of a large number of members and customers, spread across diverse industries and geographical areas. The Consolidated Entity 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 bank bills 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 Consolidated Entity which have been recognised on the Statement of Financial Position is generally the carrying amount, net of any provisions for loss. Use of off balance-sheet financial instruments is not part of current policy. Trade receivables are concentrated in Australia and credit risk arises mainly in the following industries:

- Advertising and sponsors
- Accounting practices
- Credit services

C. INTEREST RATE RISK EXPOSURES

Exposures to interest rate risk are limited to assets and liabilities bearing variable interest rates. The majority of financial assets are equities and bank bills held to maturity with fixed interest rates and term.

D. CAPITAL RISK MANAGEMENT

The Consolidated Entity manages its capital to ensure that the Consolidated Entity will be able to continue as a going concern. The Consolidated Entity's overall strategy remains unchanged from 2016.

The capital structure of the Consolidated Entity consists of equity comprising reserves and retained earnings.

The Consolidated Entity is not subject to any externally imposed capital requirements.

E. MATURITY PROFILE OF FINANCIAL INSTRUMENTS

The maturity profile of financial assets and liabilities held by the Consolidated Entity are detailed on page 103.

F. NET FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The directors consider that the carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their fair value.

G. LIQUIDITY RISK MANAGEMENT

Ultimate responsibility for liquidity risk management rests with the Board of Directors, who have built an appropriate liquidity risk management framework for the management of the Consolidated Entity's short, medium and long-term funding and liquidity management. The Consolidated Entity 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. CPA Australia 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. Given the current surplus cash assets, liquidity risk is minimal.

	WEIGHTED AVERAGE INTEREST RATE	FLOATING INTEREST RATE \$'000s	1 YEAR OR LESS \$'000s	1-2 YEARS \$'000s	TOTAL \$'000s
2017					
FINANCIAL ASSETS					
Cash and cash equivalents	2.08%	52,433	37,000	–	89,433
Bank bills	2.53%	–	13,688	59	13,747
Equities	Non-interest bearing	–	35,434	–	35,434
Property funds	Non-interest bearing	–	5,930	–	5,930
Securities	Non-interest bearing	–	6,399	–	6,399
Alternatives	Non-interest bearing	–	1,318	–	1,318
Hybrids	Non-interest bearing	–	29,307	–	29,307
Receivables	Non-interest bearing	–	2,451	–	2,451
Loan to related parties	Interest bearing	–	–	–	–
Defined benefit plan	Interest bearing	–	–	453	453
		52,433	131,527	512	184,472
FINANCIAL LIABILITIES					
Payables	Non-interest bearing	–	15,698	–	15,698
Subscriptions and fees in advance	Non-interest bearing	–	74,744	–	74,744
			90,442		90,442
NET FINANCIAL ASSETS / (LIABILITIES)					
		52,433	41,085	512	94,030
2016					
FINANCIAL ASSETS					
Cash and cash equivalents	1.87%	56,869	40,200	–	97,069
Bank bills	0.00%	–	–	–	–
Equities	Non-interest bearing	–	31,859	–	31,859
Property funds	Non-interest bearing	–	5,591	–	5,591
Securities	Non-interest bearing	–	7,394	–	7,394
Hybrids	Non-interest bearing	–	25,074	–	25,074
Receivables	Non-interest bearing	–	2,474	–	2,474
Loan to related parties	Interest bearing	–	–	–	–
Defined benefit plan	Interest bearing	–	–	553	553
		56,869	112,592	553	170,014
FINANCIAL LIABILITIES					
Payables	Non-interest bearing	–	16,587	–	16,587
Subscriptions and fees in advance	Non-interest bearing	–	76,419	–	76,419
			93,006	–	93,006
NET FINANCIAL ASSETS / (LIABILITIES)					
		56,869	19,586	553	77,008

H. MARKET RISK MANAGEMENT

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. CPA Australia manages the financial risks relating to its investments set out in accordance with the CPA Australia Cash and Investment Policy. The policy has a number of thresholds that cannot be exceeded, including weighting for asset classes and individual limits within each asset class.

	2017		2016	
	LEVEL 1 \$'000s	LEVEL 2 \$'000s	LEVEL 1 \$'000s	LEVEL 2 \$'000s
FINANCIAL ASSETS AT FAIR VALUE THROUGH STATEMENT OF COMPREHENSIVE INCOME				
Equities	35,434	–	31,859	–
Property funds	4,052	1,878	4,047	1,544
Alternatives	–	1,318	–	–
Securities	6,399	–	7,394	–
Hybrids	29,307	–	25,074	–
	75,192	3,196	68,374	1,544

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the assets or liability that are not based on observable market data (unobservable inputs).

I. CAPITAL RISK MANAGEMENT

CPA Australia manages its capital to ensure that it will be able to continue as a going concern while maximising the return on investments.

The capital structure of CPA Australia consists of cash and cash equivalents and members' funds, comprising reserves and retained earnings.

CPA Australia has a global presence and operates through branches in the United Kingdom, New Zealand and Asia. No operations of CPA Australia are subject to external imposed capital requirements.

J. SENSITIVITY ANALYSIS

The below table details the Consolidated Entity's sensitivity to shifts in interest rates and foreign exchange rates. The exposures are based on management's best estimates of the possible adverse effects of changes in interest rate and foreign exchange rates as at 31 December 2017.

ANNUAL RISK BY RISK TYPE	MINIMUM		AVERAGE		MAXIMUM	
	2017 \$'000s	2016 \$'000s	2017 \$'000s	2016 \$'000s	2017 \$'000s	2016 \$'000s
Foreign exchange	99	92	502	469	905	846
Interest rate	131	142	328	355	524	569

Interest rate analysis is based on balances of financial assets not exceeding 1 year, which are all at variable rates. Minimum and maximum exposures are calculated at increases of 25 basis points and 100 basis points respectively. An equal reduction in interest rates would result in an equivalent fall in net profit.

CPA Australia is mainly exposed to Singapore dollars, Hong Kong dollars, Chinese yuan and Malaysian ringgits. Foreign exchange sensitivity analysis is based on outstanding foreign currency denominated intercompany loan amounts and revenues and expenses for the year 2017. Minimum and maximum exposure is calculated at shifts of 1% and 10% change in exchange rate respectively. An equal decline in the exchange rate would result in an equivalent fall in net profit.

The Consolidated Entity is exposed to equity price risks arising from equity investments. Equity investments are held for strategic rather than trading purposes. The Consolidated Entity does not actively trade these investments.

EQUITY PRICE SENSITIVITY ANALYSIS

The 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 \$1.8m as a result of the fair value of the available-for-sale shares.

23. SUBSEQUENT EVENTS

Following an independent review of operations of CPA Australia during 2017, the Board is currently consulting with members regarding the proposed recommendations included in the Independent Review Final Report and the potential changes required to CPA Australia's constitution. Finalised motions will be included in the notice of meeting and put to members for determination at the AGM on 22 May 2018.

Further details on the Independent Review Final Report are outlined in the Governance section on pages 6 to 8 of the Annual Report and on our website cpaaustraliareview.com/final-report

A detailed response to the Independent Review Final Report was issued by the Board on 15 December 2017 and can be accessed at cpaaustralia.com.au/decemberstatement

Apart from the above, there has been no 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 Consolidated Entity, the results of those activities or the state of affairs of the Consolidated Entity in the ensuing or any subsequent financial year.

DIRECTORS' 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 consolidated entity; 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 FCPA
Director



Merran Kelsall FCPA
Director

16 March 2018



Deloitte Touche Tohmatsu
ABN 74 490 121 060

550 Bourke Street
Melbourne VIC 3000
GPO Box 78
Melbourne VIC 3001 Australia

Tel: +61 3 9671 7000
Fax: +61 3 9671 7001
www.deloitte.com.au

Independent Auditor's Report to the Members of CPA Australia Ltd

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of CPA Australia Ltd (the "Company") and its subsidiaries (the "Group") which comprises the consolidated statement of financial position as at 31 December 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in members' funds and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Group's financial position as at 31 December 2017 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of 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* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Other Information

The directors are responsible for the other information. The other information obtained at the date of this auditor's report comprises the information included in the CPA Australia 2017 Integrated Report for the year ended 31 December 2017, but does not include the financial report and our auditor's report thereon or the Schedule of Directors' Remuneration for the year ended 31 December 2017 and our auditor's report thereon.

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

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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Member of Deloitte Touche Tohmatsu Limited

Deloitte.

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

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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

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

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

M Stretton

Mark Stretton
Partner
Chartered Accountants

Melbourne, 16 March 2018



GENERAL STANDARD DISCLOSURES

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102-50	Reporting period	64
102-51	Date of most recent report	64
102-52	Reporting cycle	64
102-53	Contact point for the report	Inside front cover
102-54	Claims of reporting in accordance with GRI Standards This report has been prepared 'in accordance' with the GRI Standards: Core option. Refer to the Assurance Statement on page 110	108-109
102-55	GRI index	108-109
102-56	External assurance	110

SPECIFIC STANDARD DISCLOSURES

Material aspects	DMA and Indicators	Page / URL	Omissions
GRI 405			
DIVERSITY AND EQUAL OPPORTUNITY			
103-1	Explanation of the material topic and its boundaries	6, 43, 47, cpaaustralia.com.au/informationgri	None
103-2	The management approach and its components	6, 43, 47	None
103-1	Evaluation of the management approach	6, 43, 47	None
405-1	Diversity of governance bodies and employees	45, 47	None
405-2	Ratio of basic salary and remuneration of women to men	46	
GRI 418			
CUSTOMER PRIVACY			
103-1	Explanation of the material topic and its boundaries	23, cpaaustralia.com.au/informationgri	None
103-2	The management approach and its components	23	None
103-1	Evaluation of the management approach	23	None
418 - 1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	23	None



Deloitte Touche Tohmatsu
ABN 74 490 121 060

Grosvenor Place
225 George Street
Sydney NSW 2000
PO Box N250 Grosvenor Place
Sydney NSW 1220 Australia

Tel: +61 2 9322 7000
Fax: +61 2 9322 7001
www.deloitte.com.au

Independent limited assurance report to the Directors of CPA Australia Ltd on Global Reporting Initiative information included within its 2017 Integrated Report

We have undertaken a limited assurance engagement on the Global Reporting Initiative ('GRI') information contained in CPA Australia Ltd's ('CPA') 2017 Integrated Report as detailed in the table below (the 'Subject Matter'), in order to state whether anything has come to our attention that would cause us to believe that the Subject Matter has not been reported, in all material respects, in accordance with the reporting criteria described in the table below ('Reporting Criteria').

Subject Matter and Reporting Criteria

The Subject Matter and Reporting Criteria for our limited assurance engagement for the year ended 31 December 2017 is as follows:

Subject Matter	Reporting Criteria
<p>GRI Standards disclosures</p> <p>GRI Standards disclosures prepared in accordance with the 'Core' requirements of the GRI Standards as set out in the GRI Index on pages 108-109.</p>	<p>GRI Standards and related information, publicly available at GRI's global website at www.globalreporting.com</p>
<p>Selected indicator data</p> <p>The following selected sustainability performance data for the 2017 report included within the specific standard disclosure requirements of the GRI Standards ('Selected Indicator Data'):</p> <ul style="list-style-type: none"> Diversity of governance bodies and employees (405-1) on pages 43-45,47 Ratio of basic salary and remuneration of women to men (405-2) on page 43,46 Substantiated complaints concerning breaches of customer privacy and losses of customer data (418-1) on page 23 	<p>Relevant GRI Standards and CPA's definitions, and approaches as described in the GRI Index on pages 108-109 and on CPA's website at www.cpaustralia.com.au/</p>

CPA Australia's responsibilities

The Directors of CPA are responsible for the preparation and presentation of the Integrated Report which includes the Subject Matter in accordance with the Reporting Criteria. This responsibility includes establishing and maintaining internal controls relevant to the preparation and presentation of the Subject Matter in the Report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate reporting criteria; maintaining adequate records and making estimates that are reasonable in the circumstances.

Our responsibilities

Our responsibility is to express a limited assurance conclusion as to whether we have become aware of any matter causing us to believe that the Subject Matter has not been prepared, in all materials respects, in accordance with the Reporting Criteria.

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Member of Deloitte Touche Tohmatsu Limited.

We conducted our procedures to provide our limited assurance conclusion in accordance with Australian Standards on Assurance Engagements ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* (ASAE 3000), issued by the Australian Auditing and Assurance Standards Board. The procedures selected depend on our judgment, including an assessment of the risks of material misstatement of the Subject Matter, whether due to fraud or error. In making these risk assessments, we consider internal control relevant to CPA's preparation of the Integrated Report as it relates to the Subject Matter in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing a conclusion on the effectiveness of CPA's internal controls.

Assurance work performed

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks. The procedures we performed were based on our professional judgement and included enquiries, observation of processes performed, inspection of documents, analytical procedures, and agreeing or reconciling with underlying records.

The procedures that we performed were based on our professional judgement and included:

- Review of CPA's processes relating to stakeholder identification, engagement and responsiveness, including an assessment of stakeholder engagement outcomes and how this process and the outcomes have been presented in the Report.
- Review of CPA's process to identify and determine material issues to be included in the Report with examination of underlying assessments and evidence on a sample basis.
- Interviews with a selection of CPA executives and senior management, including CPA's sustainability management team concerning the overall governance structure, corporate sustainability strategy and policies used for managing and reporting sustainability performance across the business.
- In respect of the Selected Indicator Data:
 - interviews with a selection of CPA management responsible for the Selected Indicator Data to understand the compilation and review processes.
 - applying analytical and other review procedures including assessing relationships between the reported information and other financial and non-financial data.
 - examination of evidence for a small number of transactions or events.
 - analysing and inspecting on a sample basis, the key systems, processes and procedures and controls relating to the collation, validation, presentation and approval process of the information included in the Report.
 - reviewing underlying evidence on a sample basis to corroborate that the information is prepared and reported in line with the relevant Reporting Criteria.
- Comparison of the content of CPA's Report against the criteria for a GRI self-declaration.

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 we performed a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance opinion about whether CPA Australia's subject matter has been prepared, in all material respects with the criteria.

Inherent limitations

Non-financial information, including the Subject Matter may be subject to more inherent limitations than financial information, given both its nature and the methods used for determining, calculating and sampling or estimating such information. Qualitative interpretations of relevance, materiality and the accuracy of data are subject to individual assumptions and judgements. The Subject Matter should be read in the context of CPA's Reporting Criteria as set out in the Report.

Use of our report

Our assurance report has been prepared solely for the directors of CPA. We disclaim any assumption of responsibility for any reliance on this report or on the Subject Matter to which it relates, to any person other than the directors of CPA or for any purpose other than that for which it was prepared.

Our Independence and Quality Control

We have complied with the relevant ethical requirements relating to assurance engagements, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Auditing Standard ASQC 1, and accordingly Deloitte Touche Tohmatsu maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements

Matters relating to electronic presentation of information

Our limited assurance engagement included web-based information that was available via web links as of the date of this statement. We provide no assurance over changes to the content of the Report after the date of this assurance statement.

Conclusion

Based on the procedures performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that CPA Australia's:

- GRI Standards disclosures as set out in the GRI Index, are not prepared, in all material respects, in accordance with the 'Core' requirements of the GRI Standards; and
- Selected Indicator Data, is not prepared, in all material respects, in accordance with the specific standard disclosure requirements of the relevant GRI Standards and CPA's definitions, and approaches as described in the GRI Index.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU



Paul Dobson
Partner
Sydney, 16 March 2018

DIRECTORS' REMUNERATION

PREAMBLE - 16 MARCH 2018

In the prior year, members requested under section 202B of the *Corporations Act (2001)* (Cth) (the "Act") disclosure of the remuneration paid to each director of CPA Australia Ltd and its subsidiaries for the year ended 31 December 2016.

We disclose on pages 114 to 117 an audited schedule of remuneration paid to each director of CPA Australia Ltd and its subsidiaries for the year ended 31 December 2017. This schedule discloses the remuneration paid to each director for the year ended 31 December 2017, 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 2017 CPA Australia Ltd Consolidated Financial Report together with comparative information in respect of the 2016 financial year.

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 2017 \$	YEAR ENDED 31 DECEMBER 2016 \$
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)	5,037,539	5,004,539
add: Alex Malley (not a director of any CPA Australia Ltd Group entity)	5,787,724	1,786,331
less: Timothy Youngberry (payment received during the period he was a director for consulting services provided - refer to note 18(e) for further details)	(44,188)	-
less: Andrew Heng (non executive director of CPA Australia (M) Sdn. Bhd. but not a key management person of CPA Australia Ltd Group)	(1,516)	(1,623)
less: Suzanne Haddan and Arun Nangia (non executive directors of CPA Australia Advice Pty Ltd but not key management personnel of CPA Australia Ltd Group)	(72,635)	-
less: directors of a foreign subsidiary but not key management personnel of CPA Australia Ltd Group (Priya Dharshini Terumalay, Robert Thomason, Deborah Leung, Nicholas Diss) ⁽¹⁾	(1,055,056)	(1,280,965)
Total Key Management Personnel Remuneration per CPA Australia Limited Consolidated Financial Report	9,651,868	5,508,282

Notes:

(1) Remuneration for Nicholas Diss was excluded as KMP in 2016 as he was not considered a KMP of the parent entity in the role of Deputy CFO. In 2017, his remuneration as Deputy CFO has also been excluded from KMP on this basis. Remuneration from appointment to Interim CFO role (effective 24 June 2017) has been included in KMP for 2017.

SCHEDULE OF DIRECTORS' REMUNERATION

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)* ("the Act") 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 2017 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 determination of remuneration in this Schedule has been applied consistently with that used in the section 202B Statements dated 30 May 2017 and 30 June 2017 in respect of the financial year ended 31 December 2016.

This table continues on pages 116 and 117

NON - EXECUTIVE DIRECTORS

NAME	COMPANY	POSITION	DATE APPOINTED	DATE RETIRED / RESIGNED
Tyrone Carlin ⁽⁴⁾	CPA Australia Limited CPA Australia Advice Pty Ltd	Former Chairman and President Former director		Resigned 30 May 2017 Resigned 30 May 2017
	Total			
James Dickson	CPA Australia Limited	Former Deputy President Former Chairman and President Former director ⁽⁷⁾	31 May 2017 1 October 2017	Resigned 30 May 2017 Resigned 30 September 2017 Resigned 31 December 2017
	Total			
Peter Dowling	CPA Australia Limited	Former director		Resigned 30 September 2016
Tim Ebbeck	CPA Australia Limited	Former director		Resigned 30 September 2016
Kerry Ryan	CPA Australia Limited	Former director		Resigned 7 June 2017
Richard Alston	CPA Australia Limited	Former director		Resigned 7 June 2017
David Spong	CPA Australia Limited	Former director		Resigned 9 June 2017
Deborah Ong	CPA Australia Limited	Former Deputy President		Resigned 15 June 2017
Jennifer Lang ⁽⁵⁾	CPA Australia Limited	Former director		Resigned 15 June 2017
Martin Hourigan ⁽⁵⁾	CPA Australia Limited	Former director		Resigned 15 June 2017
Timothy Youngberry ⁽⁶⁾	CPA Australia Limited	Former director	15 June 2017	Retired 30 September 2017
Michele Dolin	CPA Australia Limited CPA Australia Advice Pty Ltd	Former director Former director		Retired 30 September 2017 Resigned 31 December 2017
	Total			
Graeme Wade	CPA Australia Limited CPA Australia Advice Pty Ltd	Former director Former Chairman		Resigned 30 September 2017 Resigned 31 December 2017
	Total			
Richard Petty	CPA Australia Limited CPA Australia Advice Pty Ltd	Former director Former director		Retired 30 September 2017 Resigned 30 September 2017
	Total			

SHORT-TERM EMPLOYEE BENEFITS			POST-EMPLOYMENT BENEFITS	OTHER LONG- TERM BENEFITS ⁽³⁾	TOTAL 2017 (EXCL TERMINATION BENEFITS)	TERMINATION BENEFITS	TOTAL 2017 (INCL TERMINATION BENEFITS)	TOTAL 2016
SALARY AND FEES ⁽¹⁾	BONUS	OTHER ⁽²⁾	SUPERANNUATION					
\$	\$	\$	\$	\$	\$	\$	\$	\$
71,228	-	-	6,767	-	77,995	-	77,995	184,166
15,982	-	-	1,518	-	17,500	-	17,500	70,000
87,210			8,285	-	95,495	-	95,495	254,166
49,464	-	-	4,699	-	54,163	-	54,163	133,630
53,272	-	-	5,061	-	58,333	-	58,333	-
17,123	-	-	1,627	-	18,750	-	18,750	-
119,859			11,387	-	131,246	-	131,246	133,630
-	-	-	-	-	-	-	-	73,953
-	-	-	-	-	-	-	-	73,953
40,194	-	-	3,818	-	44,012	-	44,012	98,604
40,194	-	-	3,818	-	44,012	-	44,012	98,604
40,904	-	-	3,886	-	44,790	-	44,790	98,604
59,579	-	-	-	-	59,579	-	59,579	111,465
42,263	-	-	4,380	-	46,643	-	46,643	24,651
42,263	-	-	4,380	-	46,643	-	46,643	24,651
71,497	-	-	2,594	-	74,091	-	74,091	-
69,158	-	-	6,570	-	75,728	-	75,728	98,604
63,927	-	-	6,073	-	70,000	-	70,000	70,000
133,085	-	-	12,643	-	145,728	-	145,728	168,604
69,158	-	-	6,570	-	75,728	-	75,728	258,635
91,324	-	-	8,676	-	100,000	-	100,000	100,000
160,482	-	-	15,246	-	175,728	-	175,728	358,635
75,728	-	-	-	-	75,728	-	75,728	106,762
52,500	-	-	-	-	52,500	-	52,500	70,000
128,228	-	-	-	-	128,228	-	128,228	176,762

This table continues from pages 114 and 115

NAME	COMPANY	POSITION	DATE APPOINTED	DATE RETIRED / RESIGNED
Sharon Portelli ⁽⁷⁾	CPA Australia Limited	Former director		Resigned 31 December 2017
Peter Wilson ⁽⁷⁾	CPA Australia Limited	Chairman and President	1 October 2017	
Merran Kelsall ⁽⁷⁾	CPA Australia Limited	Deputy President	1 October 2017	
Chin Aik Wong ⁽⁷⁾	CPA Australia Limited	Deputy President	1 October 2017	
Ric De Santi ⁽⁷⁾	CPA Australia Limited	Director	1 October 2017	
Robyn Erskine ⁽⁷⁾	CPA Australia Limited	Director	1 October 2017	
Helen Lorigan ⁽⁷⁾	CPA Australia Limited	Director	1 October 2017	
Rosemary Sinclair ⁽⁷⁾	CPA Australia Limited	Director	1 October 2017	
Caroline Spencer ⁽⁷⁾	CPA Australia Limited	Director	1 October 2017	
Jon Scriven ⁽⁷⁾	CPA Australia Limited	Director	1 October 2017	
Suzanne Haddan	CPA Australia Advice Pty Ltd	Director		
Arun Nangia ⁽⁸⁾	CPA Australia Advice Pty Ltd	Director	18 December 2017	
Andrew Heng ⁽⁸⁾	CPA Australia (M) Sdn. Bhd.	Director		
EXECUTIVE DIRECTORS				
Adam Awty ⁽⁹⁾⁽¹⁰⁾	CPA Australia Limited CPA Australia Limited CPA Australia (M) Sdn. Bhd.	Former COO commercial Interim CEO Director	24 June 2017	Ceased 23 June 2017
Total				
Jeff Hughes ⁽⁹⁾⁽¹¹⁾	CPA Australia Limited CPA Australia (M) Sdn. Bhd. CPA Australia (Shanghai) Co. Ltd	Former COO member services Former director Former director		Ceased 31 December 2017 Resigned 19 December 2017 Resigned 19 December 2017
Nicholas Diss ⁽⁹⁾⁽¹²⁾	CPA Australia Limited CPA Australia Limited CPA Australia (Shanghai) Co. Ltd	Deputy CFO Interim CFO Director	24 June 2017	Ceased 23 June 2017
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	19 December 2017	
Robert Thomason ⁽⁹⁾	CPA Australia Limited CPA Australia (Shanghai) Co. Ltd CPA Australia (M) Sdn. Bhd.	EGM Education Director Director	19 December 2017	
Deborah Leung ⁽⁹⁾	CPA Australia (Shanghai) Co. Ltd CPA Australia (Shanghai) Co. Ltd	Country Head Greater China Director		
Total				

Notes:

(1) Includes annual leave entitlements accrued during 2017.

(2) Other short-term benefits include car parking, fringe benefits and associated fringe benefits tax payable.

(3) Other long-term benefits include long service leave entitlements accrued during the year.

(4) By mutual agreement with Mr. Carlin and the Company, no remuneration was payable for the period 1 April 2017 to 30 May 2017.

(5) Superannuation was overpaid by \$365 in 2017 and is currently in the process of being recouped.

(6) The remuneration of \$74,091 includes both director fees of \$29,903 paid to Timothy Youngberry and consultancy fees of \$44,188 paid to PFM Advisory Services Pty Ltd ("PFM"), of which Timothy Youngberry is a director. Please refer to Note 18(e) of the Financial Statements for further details.

This table continues from pages 114 and 115

SHORT-TERM EMPLOYEE BENEFITS			POST-EMPLOYMENT BENEFITS	OTHER LONG- TERM BENEFITS ⁽³⁾	TOTAL 2017 (EXCL TERMINATION BENEFITS)	TERMINATION BENEFITS	TOTAL 2017 (INCL TERMINATION BENEFITS)	TOTAL 2016
SALARY AND FEES ⁽¹⁾	BONUS	OTHER ⁽²⁾	SUPERANNUATION					
\$	\$	\$	\$	\$	\$	\$	\$	\$
60,481	-	-	33,997	-	94,478	-	94,478	104,015
51,370	-	-	4,880	-	56,250	-	56,250	-
25,685	-	-	2,440	-	28,125	-	28,125	-
25,685	-	-	2,440	-	28,125	-	28,125	-
17,123	-	-	1,627	-	18,750	-	18,750	-
17,123	-	-	1,627	-	18,750	-	18,750	-
17,123	-	-	1,627	-	18,750	-	18,750	-
17,123	-	-	1,627	-	18,750	-	18,750	-
17,123	-	-	1,627	-	18,750	-	18,750	-
17,123	-	-	1,627	-	18,750	-	18,750	-
63,927	-	-	6,073	-	70,000	-	70,000	70,000
2,406	-	-	229	-	2,635	-	2,635	-
1,516	-	-	-	-	1,516	-	1,516	1,623
352,479	-	4,403	14,432	6,024	377,338	-	377,338	949,395
406,388	-	4,873	13,068	6,612	430,941	-	430,941	-
-	-	-	-	-	-	-	-	-
758,867		9,275	27,500	12,636	808,279	-	802,279	949,395
760,328	-	9,092	27,500	12,241	809,161	759,499	1,568,660	902,259
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
128,675	7,580	-	12,521	2,185	150,961	-	150,961	320,176
146,848	8,320	5,161	12,993	2,398	175,720	-	175,720	-
-	-	-	-	-	-	-	-	-
275,523	15,900	5,161	25,514	4,583	326,681	-	326,681	320,176
122,827	6,428	-	35,484	2,837	167,576	-	167,576	175,285
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
297,669	25,216	9,385	27,085	6,202	365,557	-	365,557	398,907
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
331,699	16,132	-	15,219	7,912	370,962	-	370,962	386,597
-	-	-	-	-	-	-	-	-
3,846,479	63,676	32,914	288,560	46,411	4,278,040	759,499	5,037,539	5,004,539

(7) During the independent benchmarking process, the directors agreed to defer receipt of remuneration from CPA Australia. Following completion of the independent benchmarking process and the outcome thereof, director fees relating to the period 1 October 2017 to 31 December 2017 have been accrued in the 2017 financial statements and reflected in the above table. All amounts are payable in early 2018.

(8) Total 2017 remuneration has been accrued in the 2017 financial statements. All amounts are payable early 2018.

(9) These directors are employees of the CPA Australia Limited Group who do not receive remuneration in their capacity as directors of Subsidiaries.

(10) There was no change in remuneration package on appointment to the Interim CEO role (effective 24 June 2017).

(11) Termination benefit is the redundancy payment accrued in 2017 and paid in January 2018. Accrued annual leave and long service leave entitlements totalling \$297,552 were also paid on termination; this amount is not included in the termination payment.

(12) There was no change in remuneration package on appointment to Interim CFO role (effective 24 June 2017).



Deloitte Touche Tohmatsu
ABN 74 490 121 060

550 Bourke Street
Melbourne VIC 3000
GPO Box 78
Melbourne VIC 3001 Australia

Tel: +61 3 9671 7000
Fax: +61 3 9671 7001
www.deloitte.com.au

Independent Auditor's Report to the Directors of CPA Australia Ltd

Opinion

We have audited the Schedule of Directors' Remuneration of CPA Australia Ltd and its subsidiaries (collectively "CPA Australia") for the year ended 31 December 2017 (the "Schedule"). The Schedule has been prepared by management using the basis of preparation as described in the Schedule (the "Basis of Preparation").

In our opinion, the Schedule presents fairly, in all material respects, the remuneration paid to each director for the year ended 31 December 2017 in accordance with the Basis of Preparation.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Schedule* section of our report. We are independent of CPA Australia in accordance with the auditor independence requirements of 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* (the "Code") that are relevant to our audit in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Information other than the Schedule

The Directors are responsible for the preparation of the preamble to the Schedule. Our opinion on the Schedule does not cover the preamble. Accordingly, we do not express any form of assurance conclusion on the preamble.

Management's Responsibility for the Schedule

Management is responsible for the preparation and fair presentation of the Schedule as if CPA Australia had received a direction to disclose the information prescribed under section 202B of the *Corporations Act 2001* and the Basis of Preparation, and for such internal control as management determines is necessary to enable the preparation of a Schedule that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility for the Audit of the Schedule

Our objectives are 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 the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Schedule.

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Member of Deloitte Touche Tohmatsu Limited

Deloitte.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Schedule, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of CPA Australia's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made in the Schedule by management.

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

We also communicate with the directors on all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

M Stretton

Mark Stretton
Partner
Chartered Accountants

Melbourne, 16 March 2018



ACRONYMS

AASB	Australian Accounting Standards Board	CRM	Customer relationship management
AAT	Association of Accounting Technicians, Australia	FCCA	Fellow of CPA Australia
ACAG	Australasian Council of Auditors-General	FTE	Full-time equivalent
ACL	Australian Credit Licence	GRI	Global Reporting Initiative
ACNC	Australian Charities and Not-for-profits Commission	GST	Goods and services tax
AFA	ASEAN Federation of Accountants	HRH	His Royal Highness
AFC	Airforce Cross	IAA	Indigenous Accountants Australia
AFSL	Australian Financial Services Licence	IAASB	International Auditing and Assurance Standards Board
AGM	Annual General Meeting	IESBA	International Ethics Standards Board for Accountants
A-IFRS	Australian Equivalents to International Financial Reporting Standards	IFAC	International Federation of Accountants
AK	Knight of the Order of Australia	IFRS	International Financial Reporting Standards
AM	Member of the Order of Australia	IIRC	International Integrated Reporting Council
AO	Officer of the Order of Australia	IPA	Institute of Public Accountants
APRA	Australian Prudential Regulatory Authority	IPSASB	International Public Sector Accounting Standards Board
APES	Accounting Professional and Ethical Standards	IR	Integrated reporting
APESB	Accounting Professional and Ethical Standards Board	IRP	Independent Review Panel
ASAE	Australian Standard on Assurance Engagements	ISO	International Standards Organisation
ASEAN	Association of South-East Asian Nations	KFHG	Korn Ferry Hay Group
ASIC	Australian Securities and Investments Commission	KMP	Key management personnel
ATO	Australian Taxation Office	KPI	Key performance indicator
AUASB	Auditing and Assurance Standards Board	NBL	National Basketball League
CAANZ	Chartered Accountants Australia and New Zealand	PAIB	Professional Accountants in Business
CAPA	Confederation of Asian and Pacific Accountants	PSC	Professional Standards Council
CEO	Chief executive officer	PSM	Public Service Medal
CFO	Chief financial officer	PSS	Professional Standards Scheme
COO	Chief operating officer	SIS	Superannuation Industry Supervision
CPA	Certified Practising Accountant	SME	Small-to-medium enterprise
CPA PPC	CPA Public Practice Certificate	SMP	Small and medium practice
CPD	Continuing professional development	TPB	Tax Practitioners Board
		TSC	Total Salary Cost
		WCOA	World Congress of Accountants

Cover printed on extraPrint – PEFC Certified
Text printed on Pacesetter Satin – FSC Mix Certified
Financials printed on Precision – PEFC Certified

They are manufactured by ISO-Certified mills.

CPA Australia Ltd ACN 008 392 452
ABN 64 008 392 452

OFFICE LOCATIONS

AUSTRALIA

Head office / Victoria
(and registered office)
Level 20, 28 Freshwater Place
Southbank VIC 3006
GPO Box 3280
Melbourne VIC 3001
Free call: 1300 737 373 (Australia only)
E: memberservice@cpaaustralia.com.au

Australian Capital Territory
Level 5, CPA Australia Building
10 Rudd Street
Canberra ACT 2601
GPO Box 3260
Canberra ACT 2601

New South Wales
Level 3, 111 Harrington Street
Sydney NSW 2000
Locked Bag 23
Grosvenor Place NSW 1220

Northern Territory
Level 3, 62 Cavenagh Street
Darwin NT 0800
GPO Box 1633
Darwin NT 0801

Queensland
Level 29, 10 Eagle Street
Brisbane QLD 4000
GPO Box 1161
Brisbane QLD 4001

South Australia
Level 10, 420 King William Street
Adelaide SA 5000
GPO Box 2574
Adelaide SA 5001

Tasmania
Level 2, 54 Victoria Street
Hobart TAS 7000
GPO Box 906
Hobart TAS 7001

Victoria
Refer to head office location

Western Australia
Level 17 Alluvion
58 Mounts Bay Road
Perth WA 6000
PO Box 7378
Cloisters Square
Perth WA 6850

EUROPE

United Kingdom
The Australia Centre
The Strand
London WC2B 4LG
United Kingdom
P: +44 20 7240 8266
F: +44 20 7240 3452
E: europe@cpaaustralia.com.au

ASIA

Beijing
Unit 307-308B, 3/F
Office Tower C2, Oriental Plaza
No. 1 East Chang An Avenue
Dong Cheng District
Beijing 100738, China
P: +8610 8518 5575
F: +8610 8518 7001
E: beijing@cpaaustralia.com.au

Guangzhou
Room 2504, Tower A, GT Land Plaza
85-87 Huacheng Avenue
Zhujiang New Town, Tianhe District
Guangzhou 510623, China
P: +8620 8393 0610
F: +8620 8393 0614
E: guangzhou@cpaaustralia.com.au

Hong Kong
20/F Tai Yau Building
181 Johnston Road
Wanchai, Hong Kong
P: +852 2891 3312
F: +852 2832 9167
E: hk@cpaaustralia.com.au

Macau*
Rua Dr Pedro Jose Lobo 1 – 3A
Luso International Bank Building
14th Floor, Room 1404 – 1405
Macau
P: +853 2838 9207
F: +853 2857 9238
E: macau@cpaaustralia.com.au

Shanghai

Suite 4003-4004, 40th Floor
CITIC Square
1168 Nanjing West Road
Shanghai 200041, China
P: +8621 2213 9850
F: +8621 5292 5589
E: shanghai@cpaaustralia.com.au

Hanoi

Suite 1201A, 12th Floor, Tower A
Handi Resco Building
521 Kim Ma Street
Ba Dinh District, Hanoi, Vietnam
P: +84 4 6263 4320
E: hanoi@cpaaustralia.com.au

Ho Chi Minh City

Suite 501, 5th Floor
Metropolitan Tower
235 Dong Khoi Street
District 1, Ho Chi Minh City, Vietnam
P: +84 8 3520 8338
E: hochiminh@cpaaustralia.com.au

Indonesia

World Trade Centre 5
12th Floor, Jl Jend Sudirman Kav. 29
Jakarta 12920, Indonesia
P: +62 21 2964 5100
E: id@cpaaustralia.com.au

Malaysia

Suite 10.01, Level 10
The Gardens South Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur
P: +603 2267 3388
E: my@cpaaustralia.com.au

Singapore

1 Raffles Place
#31-01 One Raffles Place
Singapore 048616
P: +65 6671 6500
E: sg@cpaaustralia.com.au

OCEANIA

Fiji*

Neil Underhill and Associates
Attention Neil Underhill
PO Box 1327, Wailada, Lami
Suva, Fiji Islands
P: +679 336 3968
E: international@cpaaustralia.com.au

New Zealand

Level 16, HSBC House
1 Queen Street
Auckland 1010
New Zealand
PO Box 105-893 Auckland
New Zealand 1143
P: +64 9 913 7450
E: nz@cpaaustralia.com.au

*International branch offices – not staffed

cpaaustralia.com.au

CPA Australia Ltd ABN 64 008 392 452