

CPA AUSTRALIA
INTEGRATED
REPORT 2018



ABOUT THIS REPORT

THIS ANNUAL REPORT COVERS THE ACTIVITIES OF CPA AUSTRALIA LTD (CPA AUSTRALIA) AND ITS CONTROLLED ENTITIES AND IS INCLUSIVE OF OPERATIONS IN AUSTRALIA, ASIA, EUROPE, NEW ZEALAND AND THE PACIFIC FOR THE CALENDAR YEAR 1 JANUARY TO 31 DECEMBER 2018.

Our last report covered the calendar year to 31 December 2017 and was published in April 2018.

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

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

We believe that integrated reporting represents an important opportunity for our members to play a pivotal role in ensuring that integrated thinking on the capitals described in the <IR> Framework (financial, manufactured, intellectual, human, natural, social and relationship) feed into strategy, business management and reporting. CPA Australia is a member of the IIRC, driving CPA Australia's commitment to integrated reporting.

More details on the IIRC and the <IR> Framework can be found at 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 69).

This structure also reflects our strategic goals and related activities for 2018, and our expectations for 2019 and beyond. The principal audience for this report is our members, but the information will also be of value to other stakeholders (page 72).

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

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

We are also reporting in accordance with the 'Core' requirements of the Global Reporting Initiative (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. Our disclosures under the GRI Standards have been independently assured by KPMG as have a selection of assertions used throughout this report. Please see pages 143 to 144 for the independent limited assurance statement. For more information about the GRI and the Standards please visit www.globalreporting.org

There have been no significant changes from previous reporting periods to our non-financial performance. In the current year, we have adopted the following new Australian Accounting Standards, Interpretations and Amendments issued by the AASB which were mandatorily effective for accounting periods on or after 1 January 2018:

AASB 15 *Revenue from Contracts with Customers*
AASB 9 *Financial Instruments*
AASB 2016-3 *Amendments to Australian Accounting Standards – Clarifications to AASB 15*

The impact of the changes due to the adoption of AASB 15 *Revenue from Contracts with Customers* and AASB 9 *Financial Instruments* is outlined in Note 3 Changes in significant accounting policies.

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

The Board of Directors (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, Risk and Compliance Committee. It is the Board's opinion that this report meets many of the principles under the <IR> Framework and represents an important step on the journey towards a report that can be assured under the <IR> Framework. It is the Board's intention to seek Limited Assurance under the <IR> Framework for our 2019 report.

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

We value your feedback on this report and any enquiries about our policies or practices. For more information contact ceo@cpaaustralia.com.au

*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.

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PRESIDENT'S REPORT



2018 WAS A YEAR OF TRANSITION FOR CPA AUSTRALIA WITH A PRIORITY FOR THE BOARD BEING TO REGENERATE THE TRUST AND CONFIDENCE OF MEMBERS AND FORGE A NEW DIRECTION FOR THE ORGANISATION.

The 2018 Integrated Report is an important component for re-establishing this trust, with its increased levels of disclosure and transparency, particularly with respect to expenditure and the detailed remuneration of directors and key management personnel.

This is reflective of our overall focus on improving CPA Australia's governance arrangements and adopting best practice procedures throughout the organisation.

The transition of CPA Australia had its genesis in December 2017 with the release of the recommendations from the Independent Review Panel (IRP). From these recommendations the Board developed an Issues Paper and invited members to provide input on how to best implement the changes. This was the first step in what has been the most crucial aspect of this process, which is to improve the organisation's engagement with members.

The Board undertook an extensive consultation program, meeting with CPA Australia members across Australia and overseas in a series of open forums, attending Divisional Council meetings, hosting member webinars and meeting with key industry employer groups. We also invited members to contribute feedback by email. It was both instructive and valuable to hear from members first-hand. The information provided during this substantial engagement informed the proposals we took to the 2018 Annual General Meeting (AGM) and continues to drive our activities.

CPA Australia members voted to update the Constitution at the AGM held in 2018 by passing four special resolutions that improve transparency and accountability to members. Details of the various measures taken by the Board to strengthen CPA Australia's governance in response to the recommendations of the IRP are set out on pages nine to 10 of this report.

THE BOARD IS COMMITTED TO WORKING HARD TO BRING ABOUT POSITIVE CHANGE AT CPA AUSTRALIA. CONTINUING ENGAGEMENT WITH MEMBERS AND INCREASED COMMUNICATION ARE THE HALLMARKS OF THIS COMMITMENT.

We will continue to work closely with the Division and Branch Councils, who provide an important channel of communication between members and the Board and play a key role in supporting members in their local community.

Our aim as an organisation is to make sure our communication with members is targeted and relevant. Not only are we visiting Divisional and Branch Councils on a regular basis, we are communicating with members after Board meetings. This backs up our pledge to keep members informed about events and activities at CPA Australia.

Two issues that caused concern for members in 2017 were the lapsing of the Professional Standards Scheme (PSS) prior to a new Scheme being established, and the ongoing viability of CPA Australia Advice. Steps were taken on both matters during 2018 with CPA Australia lodging an application with the Professional Standards Council (PSC) for a new PSS to replace the existing Scheme that is due to expire in December 2019. Refer to page 47 of this report for more details.

With respect to CPA Australia Advice, the Board of CPA Australia decided to exit the business following the post-implementation review conducted by PwC Strategy, which concluded that CPA Australia Advice was not financially viable. Further information on CPA Australia Advice is available on page 12 of this report.

A crucial part of CPA Australia's transition and the development of a new direction was the appointment of new CEO Andrew Hunter. Since joining the organisation in April, Andrew has demonstrated a strong member focus. One of his first tasks was to develop a new strategy to take the organisation forward. The strategy was developed with input from members at each stage of the process and charts a clear path for CPA Australia over the next three years.

In focusing on our core services of advocacy, education, networking, technical support and training, the strategy picks up on issues that came through strongly and consistently from members. Two of the most prominent issues were greater support for public practitioners and easier access to Continuing Professional Development (CPD) through their professional body.

In May and June 2018, we ran a media campaign designed to promote the range of services offered by CPAs working in public practice and increase the number of people who contact public practitioners for professional services. Details of the campaign are available on page 46.

We have also made available on our website a suite of complimentary CPD options that enable members to meet all their CPD requirements. This includes up to 25 hours of free CPD arising from our involvement in the World Congress of Accountants (WCOA) – WCOA On Demand.

WCOA was a significant event for CPA Australia. We were thrilled to co-host alongside Chartered Accountants Australia and New Zealand (CA ANZ) as more than 5700 of the world's leading accounting and finance experts gathered in Sydney to listen to an array of impressive keynote speakers and discuss the big issues confronting the accounting profession.

WCOA also provided a valuable opportunity for collaboration with professional accounting bodies from around the world. CPA Australia has established formal relationships with a number of international professional bodies, including in 2018, signing a Mutual Recognition Agreement with the International Qualifications Appraisal Board representing the National Association of State Boards of Accountancy (NASBA) in the United States and the American Institute of Certified Practising Accountants (AICPA). Such agreements are important as they increase the value and scope of the CPA designation and provide eligible members with opportunities to practice in other countries.

2018 also saw CPA Australia celebrate 10 years in Vietnam. This is a major milestone and one of which we are immensely proud. We now have more than 1000 members in Vietnam, which is testament to the dedication and hard work of our team.

On behalf of the Board, I'd like to take this opportunity to thank the volunteers on the respective Division and Branch Councils as well as members who contribute their time, energy and expertise through discussion groups and committees. Your dedication is crucial to the success of CPA Australia.

I'd also like to thank all the staff at CPA Australia for their support in implementing the strategy and working tirelessly to deliver high quality service to members.

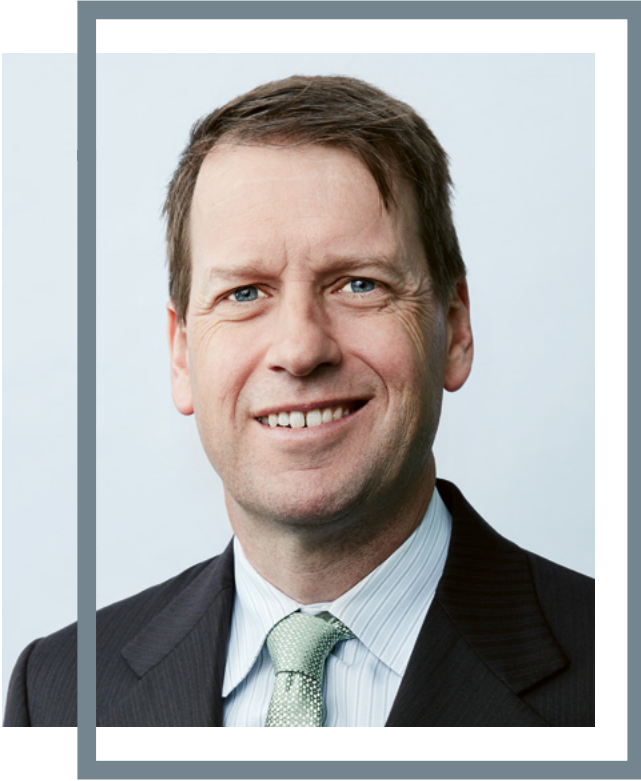
Most importantly, I'd like to thank CPA Australia's members. The strength of the organisation and the value of the CPA designation is derived from the collective knowledge, leadership and technical expertise of you, the members.

We look forward to working with members through 2019 to further enhance the value of the CPA designation.

Peter Wilson AM FCPA

**President and Chairman of the Board
CPA Australia**

CHIEF EXECUTIVE OFFICER'S REPORT



Reflecting on my first 12 months at CPA Australia, it has been a pivotal year in the organisation's 133-year history.

This period has been one of active rebuilding, from implementing important constitutional amendments to developing a new strategy to provide valued services to members over the next three years. The interests of members have been central to this rebuilding process.

WE CONSULTED WIDELY WITH MEMBERS FROM ACROSS ALL GEOGRAPHIES AS WELL AS THE DIVERSE DISCIPLINES OF THE ACCOUNTING PROFESSION TO BETTER UNDERSTAND THE VALUE MEMBERS DERIVE FROM THE CPA DESIGNATION AND THE SUPPORT MEMBERS WANT FROM THEIR PROFESSIONAL BODY.

This consultation was an exercise in listening and learning that helped us frame the strategic goals, prioritise our investment needs and identify ways to create opportunities and provide value for members. The information members provided was incorporated into a draft strategy and released for member review and feedback. The feedback we received was an important element in refining key aspects of the strategy.

To deliver on the strategy we developed a set of key performance indicators (KPIs) to measure our performance. These KPIs are published on page 20 of this report. We have also introduced a new organisational structure and put in place a new executive management team, bringing in people with the requisite skills and expertise to achieve the strategic objectives.

Since releasing the final strategy in August 2018, progress has been made on a number of the strategic initiatives, including:

- Investing significantly in technology and systems to improve the enrolment experience for Associate (ASA) members who are studying the CPA Program
- Increasing our policy and advocacy work to include commentary on policy issues that matter most to members
- Launching a new campaign across various media channels to highlight the benefits of the services Public Practitioners offer
- Commencing a member journey mapping project that will help identify ways to provide value at each stage of the membership journey
- Collecting and curating the full range of complimentary CPD options on a dedicated website page where members can fulfil all their CPD requirements
- Introducing a new streamlined pricing structure for our CPD products that will see reductions in price for members across a wide range of learning resources in 2019

Another significant project underway is the member experience audit. This audit will deliver recommendations on how CPA Australia can improve value to members through developing new service models and enhancing technology and systems, including upgrading the website and using social media to allow two-way communication with members.

HISTORICALLY, THE ORGANISATION HAS PRIORITISED DELIVERING A SURPLUS AT THE EXPENSE OF INVESTING IN MEMBERSHIP SERVICES. WITH THE NEW STRATEGY, WE ARE COMMITTED TO INVESTING IN THE TOOLS AND RESOURCES THAT IMPROVE MEMBER EXPERIENCE.

An example is the re-platforming project to upgrade the enrolment system. Enrolling to study the CPA Program is fundamental to becoming a CPA, yet the legacy enrolment system was a cause of considerable frustration to ASAs, with outages and extended delays. For the semester one 2019 enrolment period, however, we had no outages and members reported a quick and seamless enrolment experience with an average enrolment time of just 30 seconds per unit. More details about this project are available on page 38.

There are many positive signs as we move forward. We have a good team in place, as evidenced by the member engagement survey (page 30) in which the constructive behaviour of CPA Australia staff was the highest rating metric.

Membership increased to 164,695 members in 150 countries and regions around the world, with 5901 ASAs advancing to CPA status.

Maintaining the quality and relevance of the CPA Program will become a priority in the next two years. In Semester one 2019 we will launch a pilot of a mobile device learning app Quitch, for ASAs enrolled in Ethics and Governance and CPAs enrolled in Practice Management. The app is expected to enhance the member learning experience leading to greater retention and improved pass rates. Should Quitch prove popular with members and improve the learning experience, the app will be expanded across all subjects for semester two 2019.

CPA Australia's major networking and professional development event, CPA Congress, remains a key plank in providing members with relevant learning and development experiences.

In 2018, CPA Congress was held in 11 locations across six countries and attracted more than 6500 delegates.

It was complemented in November 2018 by WCOA. As co-host of WCOA, we were delighted with the success of the event and the learning opportunities it afforded the 1000 CPA Australia members who attended. Together, CPA Congress, WCOA and other conferences and events provide stepping stones towards our goal to lead the future of the accounting profession.

CPA Australia members are working in an environment of uncertainty and a rapidly changing accounting profession. We are confident that the new strategy will provide members with the services and support they need to prepare for the opportunities and challenges ahead. There is a great deal still to accomplish, but with a committed Board, a team of dedicated employees and the strong network and professional expertise of members, I'm confident CPA Australia will make a significant contribution to the ongoing success of members.

Andrew Hunter
Chief Executive Officer
CPA Australia

GOVERNANCE

APPROACH

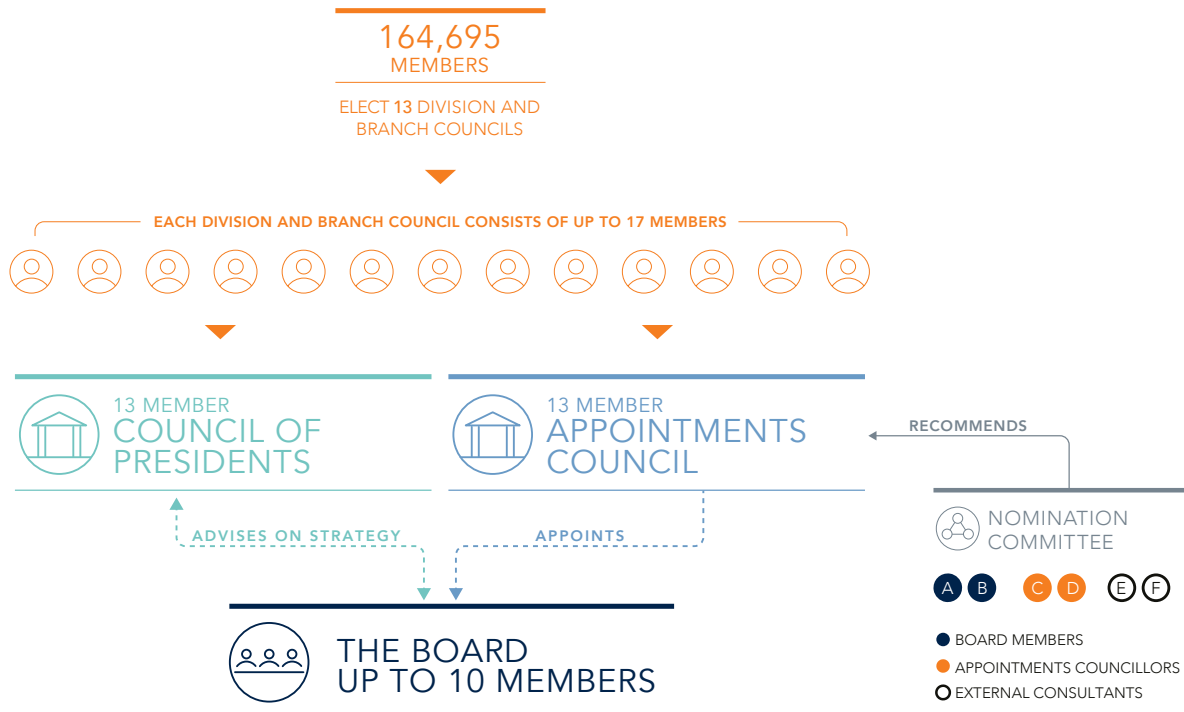
The Board is the governing body for CPA Australia and is responsible for independently and objectively assessing the organisation’s decisions and overseeing the performance and activities of management.

CPA Australia entered 2018 with recommendations from an IRP chaired by former Auditor-General of Australia, Mr Ian McPhee AO PSM. The IRP considered issues associated with governance and certain operational arrangements at CPA Australia.

In early 2018, CPA Australia’s Board consulted extensively with members on the recommendations from the IRP, culminating in four resolutions for Constitutional change being passed by members at the May 2018 AGM. Changes were also made to the By-Laws in order to implement the IRP’s recommendations.

The Constitutional changes included setting the maximum number of Board members to 10 and changing the way directors are appointed to the Board as shown in figure one below. This role now sits with the Appointments Council which is comprised of 13 representatives from each of the Divisional and Branch Councils. Members of these Councils are directly elected by members, with more than 30,000 members voting in Divisional and Branch Council elections. The Appointments Council therefore represents a diverse section of the membership, placing it in the most representative position to discharge its role to select the Board. The IRP considered various models for direct election but found they were incompatible with a best practice skills-based approach to directorship (IRP Final Report page 31).

FIGURE 1: BOARD APPOINTMENT PROCESS



THE BOARD HAS AN ACTIVE FOCUS ON IMPROVING CPA AUSTRALIA'S GOVERNANCE ARRANGEMENTS AND UNDERTOOK EXTENSIVE WORK ON THE ORGANISATION'S STRATEGIC DIRECTION TO UNDERPIN IMPROVEMENTS IN VALUE FOR MEMBERS.

The governance structure of the Board and related committees is shown in figure two below.

More information on our approach to governance can be found on our website at cpaaustralia.com.au/informationgri2018 and cpaaustralia.com.au/governancestatement

FIGURE 2: GOVERNANCE STRUCTURE



GOVERNANCE

During 2018, the Board's active focus included the areas detailed below.

SUPPORTING CONNECTIONS WITH DIVISION AND BRANCH COUNCILS

IN OCTOBER 2017, ONE OF THE FIRST ACTIONS TAKEN BY THE BOARD WAS TO ESTABLISH A NEW BOARD COMMITTEE TO OVERSEE MEMBER ENGAGEMENT.

The Member Engagement Committee has responsibilities in relation to member engagement, Division and Branch Councils, committee nominations, awards and honours. In particular, the committee will now oversee the procedures for nominating and identifying potential candidates for CPA Australia representatives and nominees to external bodies (such as the International Federation of Accountants (IFAC), their Boards, committees and taskforces. Members can view the Member Engagement Committee charter on the CPA Australia website.

Division and Branch Councils play an important role in engaging with CPA Australia's members. There are 13 Division and Branch Councils including each state and territory in Australia along with New Zealand, Singapore, Greater China, Malaysia, and the UK.

One of the recommendations of the IRP was to create a Council of Presidents consisting of the Divisional and Branch Council Presidents. The resolution for this was passed by members at the 2018 AGM. The Council of Presidents provides advice to the Board on strategic issues and opportunities and supplements open and transparent communications between the Board, Division and Branch Councils and members. The Council of Presidents charter is available for members to view on the CPA Australia website.

In August each year, a call for nominations for election to Council is advertised to members via CPA Update and through the website. In 2018, 112 members nominated for Council. Where the number of nominations for Council exceeds the number of positions vacant, an election is held in that Division or Branch. This year elections were held in seven jurisdictions. The voting period occurred across September and October with new councillors beginning their terms on 1 January 2019.

DIVISION AND BRANCH COUNCILS TOOK A LEADING ROLE IN MEMBER CONSULTATION IN 2018, BOTH IN RELATION TO THE RECOMMENDATIONS FROM THE IRP AND IN THE DEVELOPMENT OF CPA AUSTRALIA'S NEW STRATEGY.

Councils engaged with committees, branches and discussion groups in their respective jurisdictions to raise awareness of the changes being put to the AGM and to encourage all members to participate. They also hosted member forums to gather member input into the development of the strategy and a second round of member feedback sessions where members were invited to provide feedback on the draft strategy before it was finalised.

In November 2018, the Council of Presidents met to share their approaches to member engagement to inform planning activity in each division and branch. The 2019 budget to support Division and Branch Council member engagement activity has been increased and additional resources have been allocated to support the delivery of member events.

BOARD OUTREACH

In 2018, Board directors had more than 450 interactions with members and stakeholders either face-to-face, or via webinar or teleconference, with approximately half of these interactions being in the two largest divisions, Victoria and NSW. The Chair undertook 165 meetings during 2018, with the two Deputy Presidents, Merran Kelsall and Chin Aik Wong undertaking a total of 116 meetings in 2018. The Chair of the Member Engagement Committee also undertook 89 meetings during 2018. The CEO participated in 71 meetings with members following his appointment in April. The Board is committed to continuing its comprehensive approach to outreach activities in 2019.

GOVERNANCE CHANGES

The 2018 AGM was an important opportunity for members to have their say about changes to CPA Australia's Constitution.

In the lead up to the AGM, CPA Australia embarked on an extensive member consultation program. An Issues Paper detailing the recommendations of the IRP was published in February 2018 with CPA Australia inviting members to provide input by:

- Contacting their Division or Branch Council
- Attending a member consultation forum
- Completing an online feedback form
- Joining one of three webinars hosted by President and Chair Peter Wilson

Just under 150 submissions were received through these channels, including more than 810 members attending one of more than 30 Member Consultation Forums held across Australia and internationally.

The information members provided during this engagement informed the resolutions the Board took to the AGM and has continued to drive CPA Australia's activity.

CPA Australia encouraged all members, wherever they were located, to inform themselves about the resolutions and have their say by voting. More than 350 people attended the AGM and just under 7000 members voted on 14 resolutions. The AGM was webcast live and received 156 views of the live event and 665 views of the archived recording.

A summary of the key governance and other changes in 2018 is provided in the table below and a full status update on the recommendations of the IRP has been published and can be viewed on our website.

IRP RECOMMENDATIONS	CHANGES MADE
Change the current Board composition and appointment model to strengthen a skills-based approach	Members passed Special Resolutions at the 2018 AGM to have a maximum of 10 directors instead of 12, with at least two non-member directors. Directors are appointed by the new Appointments Council.
Change the Representative Council's (proposed Appointments Council) composition to reduce potential Board influence	Members passed Special Resolutions at the 2018 AGM abolishing the Representative Council and establishing an Appointments Council which is comprised of one member from each of the 13 Divisional and Branch Councils.
Change the Nomination and Remuneration Committee's composition and function	The Nomination Committee has been established and the charter can be viewed on the CPA Australia website. The Committee is comprised of six members, two from each of the Board and the Appointments Council and two independent appointees. The Board established the People, Remuneration and Culture Committee at the December 2018 Board meeting and the charter can be viewed on the CPA Australia website.
Modify nomination and appointment practices to give Representative Council (proposed Appointments Council) greater oversight	This has been effected by Board Resolution, with changes to the composition of the Nomination Committee, changes to the Nomination Committee Charter and the By-Laws including By Law 6.9.
Retain current director's terms, including number of reappointments	The By-laws were amended with By-Law 6.9 (l) approved on 23 August 2018 where the Appointments Council will only grant a third term to strongly performing candidates. Weight should be given to the overall composition of the Board with emphasis on balancing the need for continuity with the need for continual refreshment of talent and thinking.
Increase the President's term from one to two years with potential for a third	Members passed this Special Resolution at the 2018 AGM.
Continually review and improve the Board skills matrix and professional development	Processes and procedures in place at Board, Nomination Committee and Appointments Council levels with Board evaluation and consideration by the Nomination Committee in accordance with its charters and changes in By-Laws including By-Law 6.2 (f) and By-Law 6.9 (l) approved on 23 August 2018.
Establish a Review Implementation Committee	The Independent Review Implementation Committee (IRIC) was established in October 2017 and will be wound up once the Board is satisfied that the IRP's recommendations have been implemented or sufficient work has commenced on the incomplete items in line with the strategy. This is expected to be in the first half of 2019.

GOVERNANCE

IRP RECOMMENDATIONS	CHANGES MADE
Ensure in-camera sessions are built into the Board's agenda	Members passed a Special Resolution at the 2018 AGM amending Article 48 (d). The Board charter has also been amended and in-camera sessions are held at every Board meeting.
Amend CPA Australia's Constitution to clarify the position as to remuneration for CPA Australia's subsidiaries	Members passed a Special Resolution at the 2018 AGM amending Article 45 making clear that director remuneration is inclusive of all fees including acting as a director of a related body corporate.
Make changes to Board remuneration to align with member expectations and peer organisations	Members passed this Special Resolution at the 2018 AGM amending Article 45 so that the total remuneration all directors receive does not exceed a pooled amount indexed to CPI annually. The pooled amount can only otherwise be increased above the annual CPI by members passing an ordinary resolution at a general meeting of the Company.
Establish a Council of Presidents to improve member ability to engage meaningfully with the Board on CPA Australia's strategy	Members passed this Special Resolution at the 2018 AGM with new Articles 68, 69 and 70. The Council of Presidents charter has been approved and is available for members to view on CPA Australia's website.
Make AGMs accessible to all members	The 2018 AGM was webcast. Members were given the option to send in written questions. The recording of the 2018 AGM is available on the CPA Australia website along with answers to the questions taken on notice.
OTHER MATTERS	CHANGES MADE
Ongoing constitutional review	Established a Constitutional Review Working Group with a view to receiving regular updates and a final proposal to further amend the Constitution as required.
Risk management	Approved the risk appetite statement, risk management framework and associated policies.
CPD	Introduced 28.5 hours of complimentary CPD for members on top of existing complimentary CPD options.
Support for Public Practitioners	Based on feedback received through member engagement, the Board approved a media campaign to support CPAs working in public practice. The campaign ran through May and June 2018.
Inclusion and diversity	Approved the Inclusion and diversity policy.
Whistleblower policy	Approved the CPA Australia Whistleblower policy and partnering with Yourcall whistleblowing services for the provision of external whistleblower services.
External audit	Approved the appointment of KPMG as external auditor of CPA Australia commencing from the financial year ended 31 December 2018.

STRATEGY AND STRUCTURE

One of the most important tasks undertaken by the Board during the year was to appoint a new CEO. An international search was conducted and the Board was very pleased to announce the appointment of Andrew Hunter. Appointed with a mandate for change, Andrew has driven a more positive member focused culture since he joined CPA Australia in April 2018.

Foremost among these changes has been developing a strategy for the next three years and introducing a new organisational structure to deliver on that strategy.

The strategy was developed over many months of member consultation beginning in December 2017. Member Consultation Forums were held in the first half of the year and in June a draft of the new strategy was provided to members seeking their feedback. This feedback was used to refine and finalise the strategy. The Board endorsed the strategy at its August meeting and is grateful to all members who contributed to its development.

THE STRATEGY HAS MEMBERS AT ITS CENTRE, WITH NEW VISION AND PURPOSE STATEMENTS AND SIX STRATEGIC GOALS.

Each of these goals, plus the objectives and initiatives that support them, are informed by the views of members and focus on our core services of advocacy, education, networking, technical support and training.

REMUNERATION DISCLOSURES

When the new Board was appointed in October 2017, one of its first decisions was to approve independent benchmarking for director and executive remuneration.

The Board agreed to receive no remuneration until this process was complete.

In February 2018, the Board communicated the outcomes of the benchmarking work to all members. In February, the Board also committed to disclosing the details of the new CEO's remuneration package at the time of the CEO's appointment. This occurred in April 2018.

Detailed disclosures of director and key management personnel is reported on pages 110 to 116.

Of note are the director fees for Caroline Spencer and Ric De Santi.

Caroline Spencer was appointed to CPA Australia's Board on 1 October 2017 for a two-year term. On 13 March 2018, Ms Spencer was appointed as Auditor-General for Western Australia. Ms Spencer elected to perform her CPA Australia director duties on a pro bono basis and this has been in effect since Ms Spencer began in the role on 28 May 2018.

Mr Ric De Santi was Deputy Auditor-General of Tasmania upon his initial appointment to CPA Australia's Board in October 2017 and he remains in that role. Mr De Santi's participation on the CPA Australia Board was approved by the Auditor-General of Tasmania and was reported in the 2017 CPA Australia Annual Integrated Report. On 20 November 2018, CPA Australia's Board communicated to all members that Mr De Santi, in consultation with the Auditor-General, advised that he would perform his CPA Australia director duties on a pro bono basis effective 16 November.

All Board statements, including those relating to remuneration disclosures, can be viewed on CPA Australia's website

INCLUSION AND DIVERSITY

CPA Australia employs a diverse range of nationalities, age groups and backgrounds and the Board believes that the creation of a high-performance culture benefits from the diversity of thought and contribution that this engenders.

It also reflects the diversity of our membership and supports our ability to create increased value for our members.

As part of our commitment to inclusion and diversity, our parental leave policy is now gender neutral, primary-carer paid leave was increased from six to 12 weeks, and non-primary carer paid leave increased from one to two weeks in Australia and New Zealand. Parental leave for our employees in all other countries continues to be managed in line with local legislation, which in the main, is comparable to our new policies.

In 2018, we established our first LGBTI+ employee network across the organisation. In addition, a series of Accounting for Pride member events were held across Brisbane, Canberra, Melbourne, and Sydney with more than 300 members and guests registering to attend an event.

A new Family and Domestic Violence Policy has also been introduced, with provisions for up to 10 days paid leave and additional support services for victims of domestic violence.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board is committed to introducing best practice methodology in its governance overview and in 2018 both CPA Australia's internal audit function and risk management framework were reviewed.

During 2018, the Board, via the Audit, Risk and Compliance Committee approved a risk appetite statement that clearly sets limits and tolerances for the level of risk the Board is willing to accept. Risk indicators will be reported quarterly to the Audit, Risk and Compliance Committee to ensure management is appropriately managing risk. Details on the strategic risks that sit within the risk appetite statement are available on pages 67 to 68.

Also approved was investment in new risk and compliance resources and a new risk management framework that includes enhanced compliance and incident management procedures.

As part of the overall review of the risk framework of CPA Australia, the internal audit function was reviewed to consider best practice and the current capabilities of the organisation. It was determined that CPA Australia and members would benefit from a fully outsourced internal audit function to strengthen internal controls and procedures. After a competitive process RSM were appointed as the independent internal auditor for CPA Australia. RSM reports directly to the Audit, Risk and Compliance Committee.

The Committee also implemented a third-party whistleblower program operated by Yourcall, that allows employees and members to raise concerns in a safe environment. Details of this service are available on our website.

CPA AUSTRALIA ADVICE

One of the recommendations of the IRP was to carry out a comprehensive post-implementation review of CPA Australia Advice. This review was conducted by PwC Strategy with the outcome announced in July 2018.

PwC Strategy concluded that in the current circumstances and market, CPA Australia Advice is not financially viable. In light of these findings, and considering all available options, the Board of CPA Australia decided to exit the business of CPA Australia Advice once all Authorised Representatives had been transitioned to other Australian Financial Services Licence (AFSL) holders. Since this announcement the CPA Australia Advice team have been working with each of the Authorised Representatives on this transition. At 31 December 2018, all Authorised Representatives had either transitioned to other providers or were no longer providing financial advice services. The work for the winding down of the business of CPA Australia Advice will continue into 2019. We lodged applications with the Australian Securities and Investment Council (ASIC) to cancel our AFSL and Australian Credit Licence (ACL) in January 2019.

Taking into account the uncertainty created by the potential impacts of the Financial Adviser Standards and Ethics Authority (FASEA), increased regulation and costs, as well as potential outcomes from the Financial Services Royal Commission, the Board will prudently consider how CPA Australia can be best equipped to support members in the provision of financial advice into the future.



FUTURE OUTLOOK

STRATEGIC GOALS:

PROTECT, PROMOTE AND ENHANCE THE INTEGRITY OF THE DESIGNATION

LEAD THE FUTURE OF THE ACCOUNTING PROFESSION

PROVIDE MEMBERS WITH PERSONALISED AND ENGAGING EXPERIENCES

PROVIDE RELEVANT LEARNING AND DEVELOPMENT CONTENT, RESOURCES AND TOOLS

ATTRACT AND DEVELOP THE NEXT GENERATION OF CPAs

IMPACT POLICY GLOBALLY AND BE ACTIVE IN COMMUNITY ADVOCACY

ACTIONS

Implement and leverage the governance reforms established during 2018, through better and sustainable practices that are made transparent to members.

Implementation of the new strategy with a priority to complete and communicate early deliverables to our members throughout 2019.

Pursue and achieve improved member experiences at all material levels by continued listening and learning from member feedback.

Set a new finance strategy that will guide the Finance and Policy Committee in determining the most appropriate basis for collecting, investing and managing member funds.

The finance strategy will acknowledge the imperative to ensure the ongoing financial sustainability of the organisation and give consideration to a range of factors, including:

- Determining an appropriate budget position with respect to surplus / deficit
- Setting price levels to ensure sufficient revenue is raised
- Developing appropriate non-member revenue streams
- Ascertaining the level of capital investment required to achieve the objectives and initiatives set out in the strategy
- Prioritising how best to allocate resources

Improve the member experience by positioning CPA Australia at the forefront of digital learning and service through significant investment in technology platforms and interfaces.

Further identifying expert members who we can engage in policy development.

STRATEGIC RENEWAL

The Board approved the new strategy in August 2018. It was designed with members at its heart and developed in collaboration with members at each stage of the process.

The strategy includes a new vision and purpose and sets out six goals that bring focus to our core aim of providing value and service for members. Each of the six goals is underpinned by a series of strategic objectives and initiatives that will help the organisation achieve these goals.

VISION:

PARTNERING WITH MEMBERS TO PREPARE FOR TODAY
AND TOMORROW IN A GLOBALLY CONNECTED WORLD



VALUE FOR MEMBERS, SUPPORT FOR THE COMMUNITY

MATERIAL ISSUES KEY

- | | | |
|---|--|--|
| M1 Member trust in CPA Australia | M6 Communicating effectively to members | M11 Attract and develop the next generation of CPAs |
| M2 Reputation and promotion of the brand and designation | M7 Professional standards | M12 High quality professional development and knowledge for members |
| M3 Transparency of governance processes | M8 Member experience and satisfaction | M13 Engaged and motivated workforce |
| M4 High quality CPA Program | M9 Remuneration policies and equal remuneration | M14 Customer privacy |
| M5 Lead the future of the accounting profession | M10 Advocating for the public interest | M15 Advocacy and thought leadership (on behalf of members) |

Explanation of our material issues can be found on pages 69 to 71.

PURPOSE:

ADVANCING TRUSTED AND VALUED ACCOUNTING AND BUSINESS PROFESSIONALS WHO ENHANCE THEIR COMMUNITIES



ONE:

PROTECT,
PROMOTE
AND ENHANCE
THE INTEGRITY
OF THE
DESIGNATION



TWO:

LEAD THE
FUTURE OF THE
ACCOUNTING
PROFESSION



THREE:

PROVIDE
MEMBERS WITH
PERSONALISED
AND ENGAGING
EXPERIENCES



FOUR:

PROVIDE
RELEVANT
LEARNING AND
DEVELOPMENT
CONTENT,
RESOURCES
AND TOOLS



FIVE:

ATTRACT
AND DEVELOP
THE NEXT
GENERATION
OF CPAS



SIX:

IMPACT POLICY
GLOBALLY AND
BE ACTIVE IN
COMMUNITY
ADVOCACY



STRATEGIC RENEWAL

DEVELOPED WITH MEMBERS

The views of members were used to inform all stages of strategy development.

The results from the 2017 member engagement survey were the starting point and in January 2018, Division and Branch Presidents participated in a strategy workshop. Throughout February and March all Division and Branch Councils had the opportunity to provide input.

Structured strategy development sessions including meetings and online forums allowed all members to provide input into the development of the strategy.

In June 2018, the draft strategy was provided to members for feedback and further consultation was undertaken with members and Division and Branch Councils. Details on consultation undertaken are shown in figure three below.

COMMUNICATING STRATEGY TO MEMBERS

Continuing open dialogue with members and providing clear information about progress on each of the goals and initiatives is critical.

A dedicated strategy progress page has been developed on the website at cpaaustralia.com.au/strategy

The new strategy progress page features up-to-date progress reports on the various activities and initiatives being undertaken across the business to realise the strategic objectives and goals.

The most significant developments under the strategy will also be communicated to members via an update from the President after Board meetings and by the CEO in his communications to members (figure four).

FIGURE 3: STRATEGY DEVELOPMENT

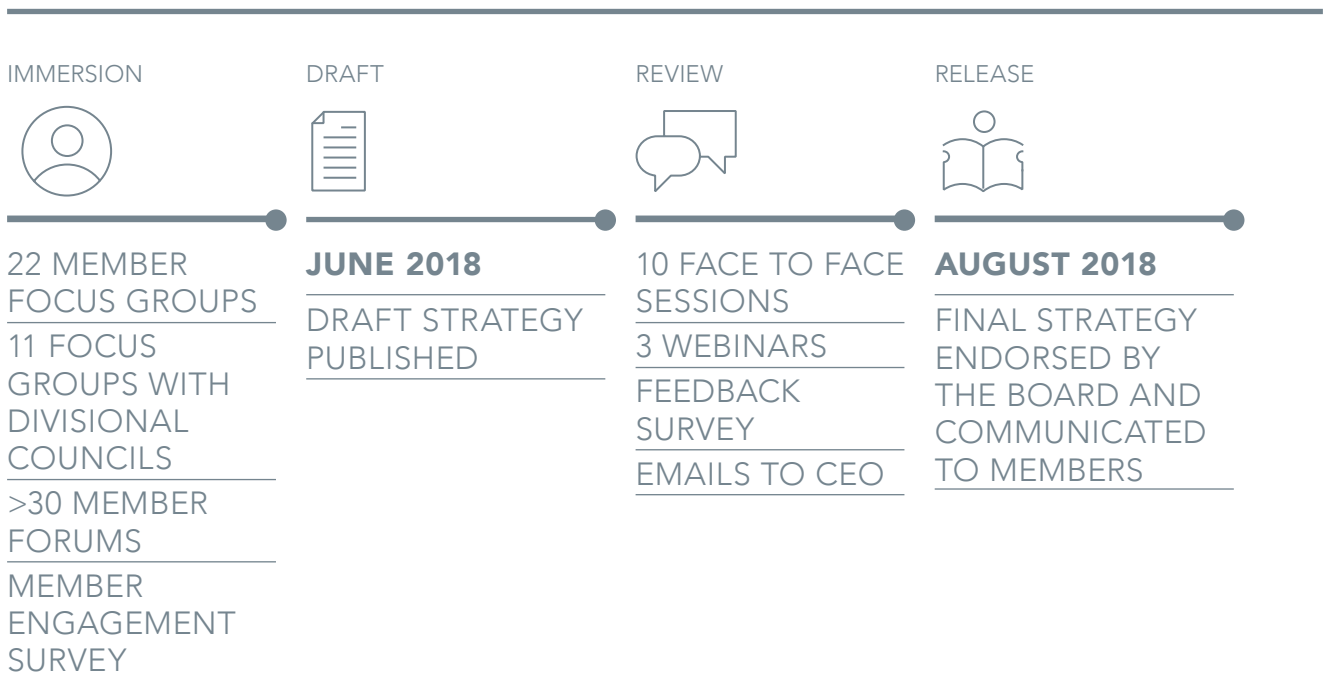
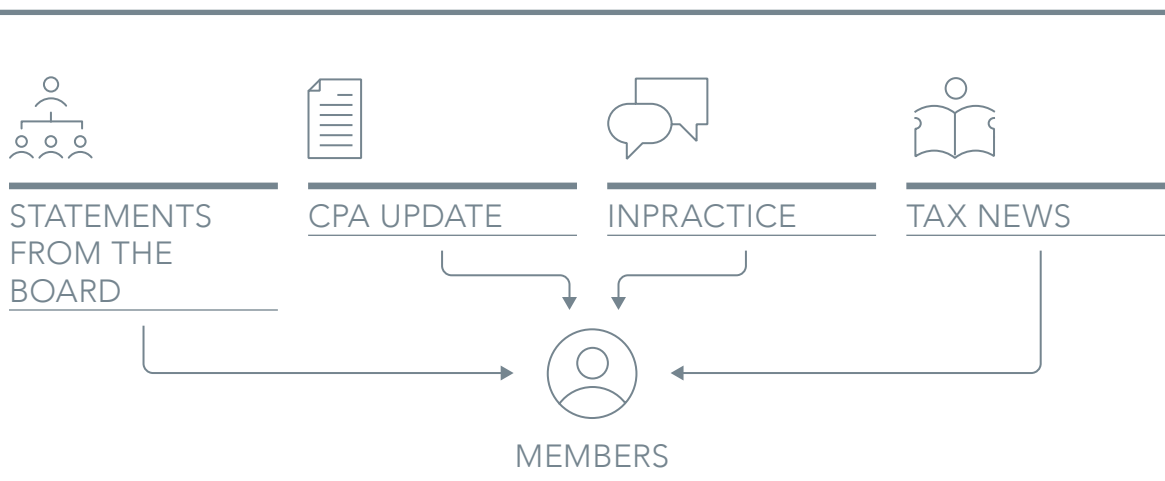


FIGURE 4: COMMUNICATING STRATEGY UPDATES TO MEMBERS



VALUE CREATION

THE WORK OF PROFESSIONAL ACCOUNTANTS IS FUNDAMENTAL TO THE STABILITY, EFFICIENCY AND SUSTAINABILITY OF INDIVIDUAL COMPANIES, FINANCIAL MARKETS AND THE ECONOMIES OF ENTIRE COUNTRIES.

Founded in 1886, CPA Australia is one of the world's largest professional accounting and finance bodies, representing 164,695 members and business professionals in 150 countries. Our core services to members include advocacy, education, networking, technical support and training. Our major sources of funding are membership fees and receipts for the products and services we deliver.

Our business model (page 18) has been redeveloped to better reflect the environment both our members and the organisation operates in, and the strategy in place to 2021.

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

Under the new strategy CPA Australia is also seeking to establish a collaborative culture that enables a personalised and engaging member experience. Initial culture workshops took place in 2018 and further work to support the culture and values required to achieve our strategic goals will take place in 2019.

Our business model includes consideration of the six capitals under the <IR> framework; financial, manufactured, intellectual, human, natural, social and relationship. 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 relevant to our business model.

We also consider the United Nations Sustainable Development Goals (SDGs) as part of our business model, with the relevant goals being quality education, decent work and economic growth, and partnerships for the goals.

4 QUALITY
EDUCATION



8 DECENT WORK AND
ECONOMIC GROWTH



17 PARTNERSHIPS
FOR THE GOALS



OUR BUSINESS MODEL

MEMBER JOURNEY

PRE CAREER

Studying and finding a first job. Wanting to understand career paths, how to prepare and what degrees and skills they need.

EARLY CAREER

Developing skills to be able to grow status in their role and be able to perform and contribute. Wanting practical experience and mentoring relevant to their roles.

VALUE DRIVERS

SOCIAL AND RELATIONSHIP CAPITAL

- Member relationships
- Supplier relationships
- Regulator relationships

INTELLECTUAL CAPITAL

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

HUMAN CAPITAL

- **164,695** Members
- **>800** volunteer members
- **517** employees (FTE)

FINANCIAL CAPITAL

- Membership fees **\$84.7m**
- CPA Program fees **\$61.8m**
- CPD fees **\$13.5m**
- Financial reserves **\$102.9m**

MANUFACTURED CAPITAL

- 19 Offices
- IT systems

ACTIVITIES

We create value through our key strategic drivers by focusing on the following themes:



Protect, promote and enhance the integrity of the designation



Lead the future of the accounting profession



Provide members with personalised and engaging experiences



Provide relevant learning and development content and tools



Attract and develop the next generation of CPAs through the CPA Program



Impact policy globally and be active in community advocacy



Development of a constructive culture



Sound governance and risk management practices

OUTCOMES

- Attracting the next generation of fully qualified accountants
- Sustainable economic performance
- Protection of the public interest
- Public trust in CPAs and their work
- Engaged and motivated workforce
- Demand and opportunity for those that hold the CPA designation
- Protection of the future of accounting
- Member trust and satisfaction
- Constructive culture delivering service to members

EXTERNAL INFLUENCERS

TECHNOLOGY

Improvements in accounting software are changing the way accountants use and interact with technology. New processes and systems are shifting the critical skillsets required by accountants.

OFFSHORING AND AUTOMATION

Organisations are outsourcing manual and repetitive tasks to free-up employee time to complete more complex tasks. This means opportunities for accountants are changing with greater emphasis on analytical, advisory and soft skills whilst some other roles will become redundant.

MID CAREER

CPAs have valuable experience under their belt with more flexibility to choose where they want to work. Experience and skills help them cement their career. Want help to maintain growth in seniority through mid-level.

LATER CAREER – RETIREMENT

Searching for a senior role or transitioning to retirement. Want to understand next steps in career, especially if changing industry or retiring. Want to give back and mentor others.

BENEFITS

- Reputation of the designation
- Thought leadership, policy and advocacy work
- Lifelong learning that supports members in their careers
- CPA Program
- Public Practice Program
- Tailored and relevant member experiences
- Retention and development of our people
- Industry partnerships IFAC, CAPA, IIRC, GRI and others

2019 KPIs

MEMBER RETENTION **98.1%**

MEMBER SATISFACTION
6.45/10

PUBLIC PRACTITIONER
SATISFACTION **6.08/10**

THOUGHT LEADERSHIP
6.60/10

MEMBER SATISFACTION
WITH CONTACT **6.48/10**

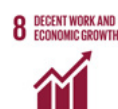
25% OF ELIGIBLE MEMBERS
PARTICIPATING IN CPD

5600 ASAs ADVANCING
TO CPA STATUS

POLICY AND ADVOCACY
MEMBER RATING **6.39/10**

REGRETTED STAFF
TURNOVER **13%**

SOCIETAL VALUE CREATED



REGULATORY AND POLICY ENVIRONMENT

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

DEMOGRAPHIC CHANGE

Growth of new economies such as India and China. Many accountants increasingly need knowledge of how to do business in economies of the future.

ACCOUNTANTS AS STRATEGIC ADVISERS

Organisations are becoming more reliant on skilled accountants to provide them with consultation and advice on strategic business matters. Additionally accountants have a key role to play in reporting strategies and management systems that can deliver information that drives customer, employee and investor engagement.

TRUST AND TRANSPARENCY

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

PERFORMANCE SUMMARY

CPA Australia has developed a set of targets to measure performance against each of the strategic goals, as well as a group target that measures financial performance. In 2018, the Board approved the targets for 2019 as well as re-establishing more appropriate performance figures for 2018 based on the new strategy.

As a consequence of the transition year there have been mixed results under the KPIs set for 2018. In particular, targets for member engagement and satisfaction metrics published in the 2017 annual report have generally not been met. To ensure a more robust approach to setting targets, extensive data analysis has now been undertaken to more accurately set targets for 2019 and beyond.

We also acknowledge that more work needs to be done in regaining member trust and improving our performance in many of these key metrics, and we are committed to doing this.

THIS YEAR HAS BEEN A YEAR OF TRANSITION WHERE THE ORGANISATION HAS GONE THROUGH SUBSTANTIAL CHANGE AND HAS MADE SIGNIFICANT PROGRESS IN ESTABLISHING A NEW STRATEGY AND OPERATING MODEL FOR THE FUTURE.

GOAL	MEASURES	2015 ACTUAL	2016 ACTUAL	2017 ACTUAL	2018 TARGET	2018 ACTUAL	2019 TARGET
Protect, promote and enhance the integrity of the designation	Member retention – fully qualified	98.3%	98.3%	98.1%	98.3%	97.5%	98.1%
	Member satisfaction*	N/A**	5.96****	5.52	>6.5	6.23	6.45
Lead the future of the accounting profession	Thought leadership*	N/A**	N/A**	5.7	6.2-6.7	6.29	6.60
Provide members with personalised and engaging experiences	Member satisfaction with contact*	N/A**	N/A**	5.79	N/A***	6.28	6.48
Provide learning and development, content resources and tools	Value for money CPD	N/A**	N/A**	4.08	N/A***	4.49	5.12
Attract and develop the next generation of CPAs	Number of ASAs advancing to CPA status annually	N/A**	6110	5693	N/A***	5901	5600
Impact policy globally and be active in community advocacy	Policy and advocacy member rating*	N/A**	N/A**	5.3	>6.5	6.03	6.39
Group: financial performance	Total comprehensive income*****	\$7.0M	\$9.5M	\$11.9M	\$5.0M	\$5.5M	\$1.0M

Performance against the key metrics shown in this table is discussed throughout this report.

* A 25-minute online survey with CPA Australia members was conducted by Forethought to track performance and determine current drivers of satisfaction, value and trust in CPA Australia. With a 4 per cent response rate, n=5444 members responded to the survey. Despite the decrease in sample size, from 5839 to 5444, empirical rules suggest that the achieved sample size was still more than sufficient to meet required levels of statistical confidence and precision in the survey estimates. Forethought investigated the data and confirmed this.

** Where a previous year is N/A this information is not available due to either a change in survey questions or a change of IT systems.

*** Where a 2018 target is N/A this is because the metric was selected as a target for 2019 and beyond so no target was set for 2018. Performance metrics for 2018 are provided for transparency.

**** Figure for 2016 was incorrect in our 2017 Annual Report and has been corrected here.

***** Targets for 2018 and 2019 excludes tax, FX and mark-to-market.

FINANCIAL PERFORMANCE

\$'000s	TOTAL REVENUE	TOTAL EXPENSES	SURPLUS / DEFICIT BEFORE TAX
Australia	125,700	120,395	5,305
New Zealand	2,595	2,926	(331)
Europe	1,014	1,747	(733)
ASEAN Group*	20,489	19,958	531
Greater China (including Hong Kong)	20,373	20,109	264
Other Overseas	5,449	3,762	1,687
Total	175,620	168,897	6,723

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

*ASEAN Group comprises Singapore, Malaysia, Vietnam and Indonesia

OUR MEMBERS

LIBBY McGEE
MEMBER 24 YEARS



MATERIAL ISSUES*

Material issues represented in this section include:

Member trust and engagement

M1, M6, M8, M13, M14

Brand and reputation

M2, M6, M11

Certification and the CPA Program

M4, M7, M11

Professional development and knowledge

M6, M8, M12

STRATEGIC GOALS

Protect, promote and enhance the integrity of the designation

Provide members with personalised and engaging experiences

Attract and develop the next generation of CPAs

Provide relevant learning and development content resources and tools

OUTCOMES

Reputation of the designation

Lifelong learning that supports members in their careers

Global demand and opportunities for CPAs

CPA Program

Public Practice Program

Tailored and relevant member experiences

RISKS AND OPPORTUNITIES COVERED

Brand damage

Member value

Member experience

Volunteers

Communication

Education and professional development

Data and systems

* Explanation of our material issues is provided on pages 69 to 71.

MEMBER ENGAGEMENT AND SATISFACTION

Member engagement research was undertaken in 2017 and in 2018 through a third-party provider (Forethought). Information on methodology and response rate can be found on page 20.

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

Key themes from the research include:

- Performance of CPA Australia significantly improved on satisfaction and value
- While experience with CPA Australia improved, members expressed a sentiment that there is still work to be done in order to establish the desired quality of member relationship
- Reputation and future career development were still the most important drivers for member satisfaction

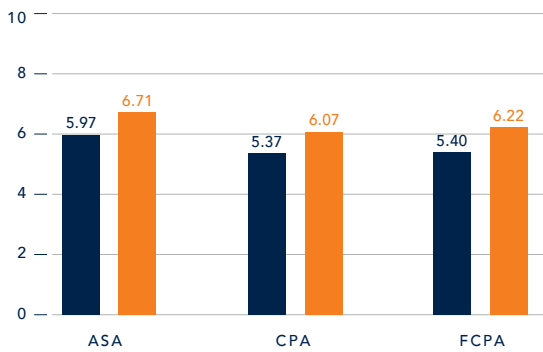
REPUTATION METRICS HAVE SEEN THE MOST MOVEMENT, BUT MEMBERS CLEARLY WANT TO SEE MORE WORK DONE ON PRODUCTS AND SERVICES THAT WILL HELP THEM IN THEIR CAREERS.

DRIVERS OF SATISFACTION AND VALUE

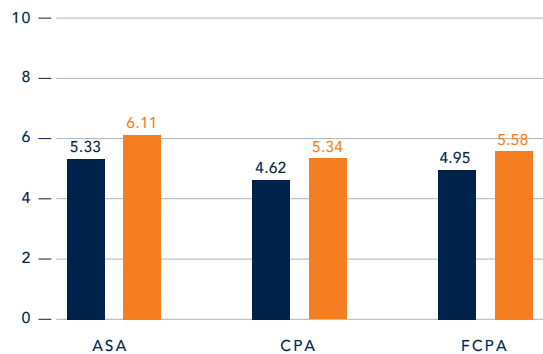
Further analysis was again performed in 2018 to see which attributes were most likely to contribute to members' sense of satisfaction and the value they saw in their CPA Australia membership. The key drivers of both value and satisfaction remained reputation and future career development, consistent with 2017. These factors are central to the strategy with goals focused on protecting, promoting and enhancing the integrity of the designation and providing relevant learning and development content, resources and tools.

2017 ■ 2018 ■

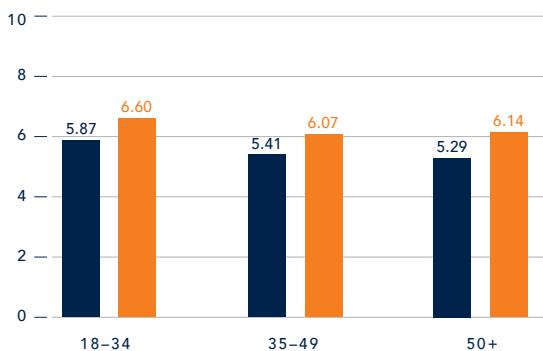
SATISFACTION BY DESIGNATION



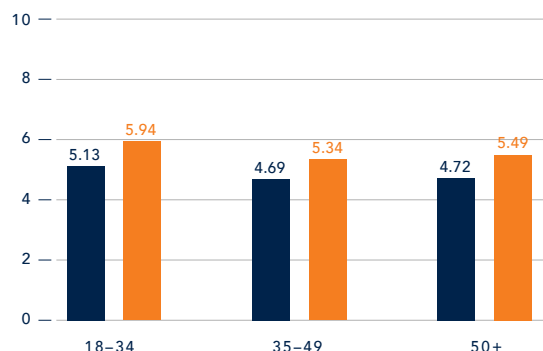
VALUE BY DESIGNATION



SATISFACTION BY AGE

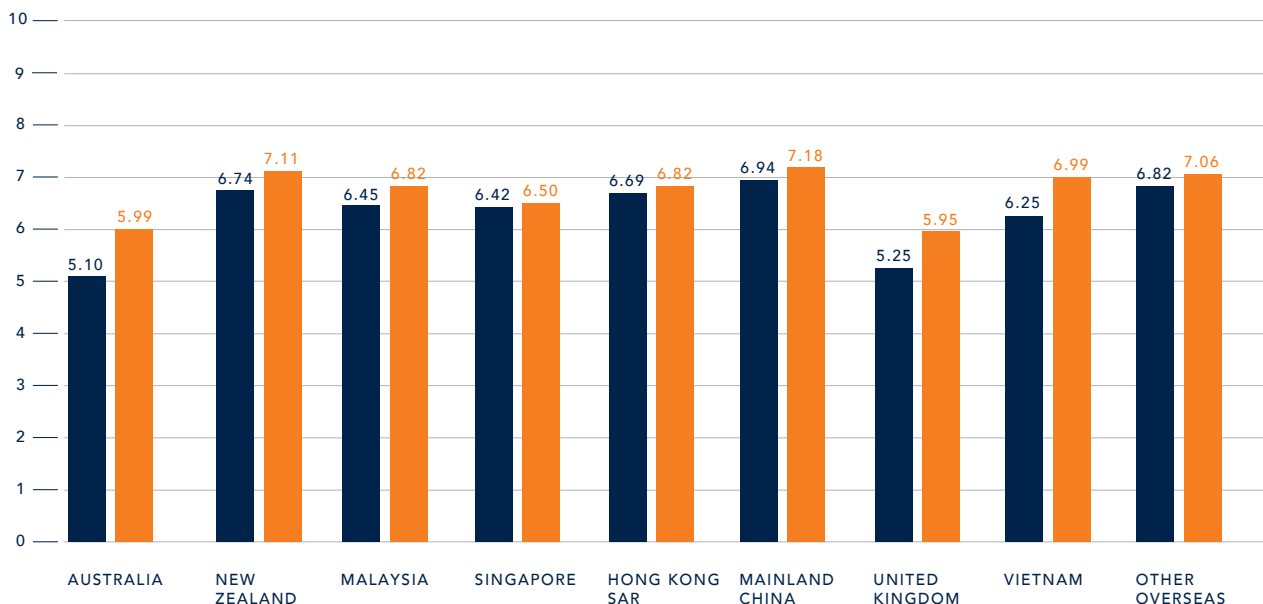


VALUE BY AGE



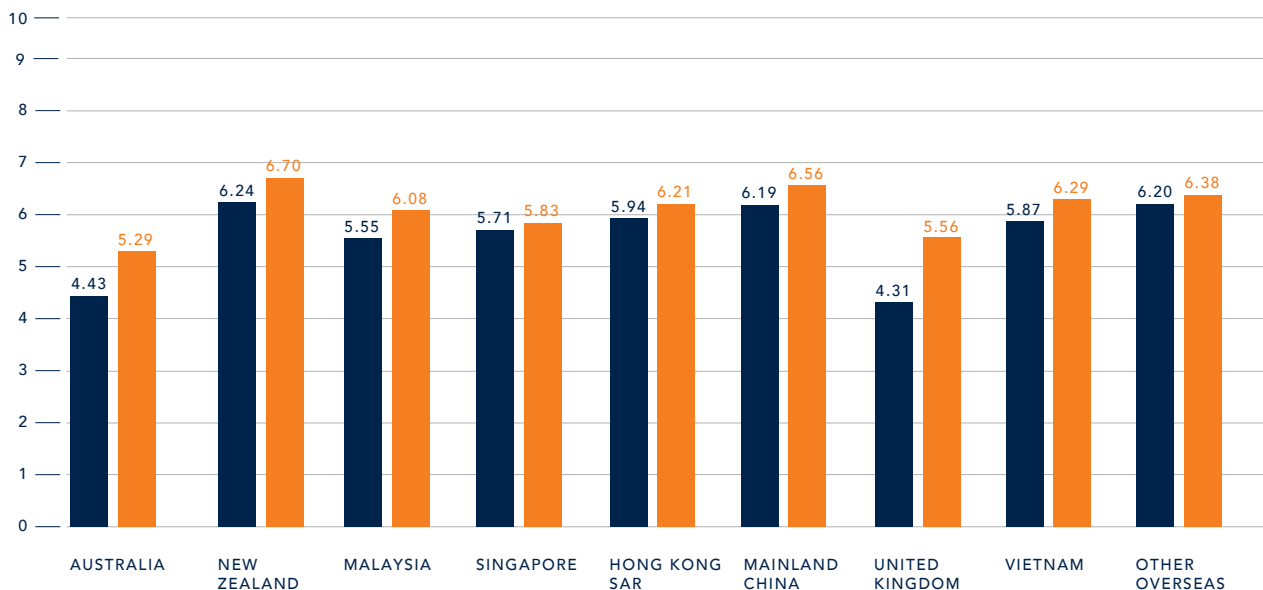
SATISFACTION BY COUNTRY

2017 ■
2018 ■



VALUE BY COUNTRY

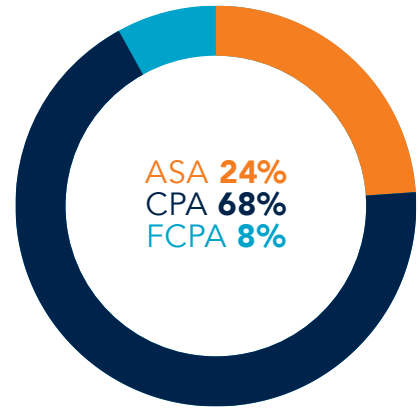
2017 ■
2018 ■



MEMBER DEMOGRAPHICS

164,695 MEMBERS
150 COUNTRIES AND REGIONS

MEMBER TYPE:



ASA	39,068
CPA	112,405
FCPA	13,222

ASA	- 2040	▼
CPA	+ 3075	▲
FCPA	- 90	▼



OCEANIA
119,626

AUSTRALIA	116,694
NEW ZEALAND	2193
OTHER	739

- 36 ▼

AUSTRALIA
116,694

NEW SOUTH WALES	42,354
VICTORIA	37,205
QUEENSLAND	16,287
WESTERN AUSTRALIA	10,291
SOUTH AUSTRALIA	5333
ACT	3347
TASMANIA	1296
NORTHERN TERRITORY	581

- 215 ▼

SOUTH EAST ASIA
20,545

MALAYSIA	10,210
SINGAPORE	8565
VIETNAM	1043
INDONESIA	373
OTHER	354

+ 206 ▲

EASTERN ASIA
19,548

HONG KONG SAR	12,476
MAINLAND CHINA	5943
OTHER	1129

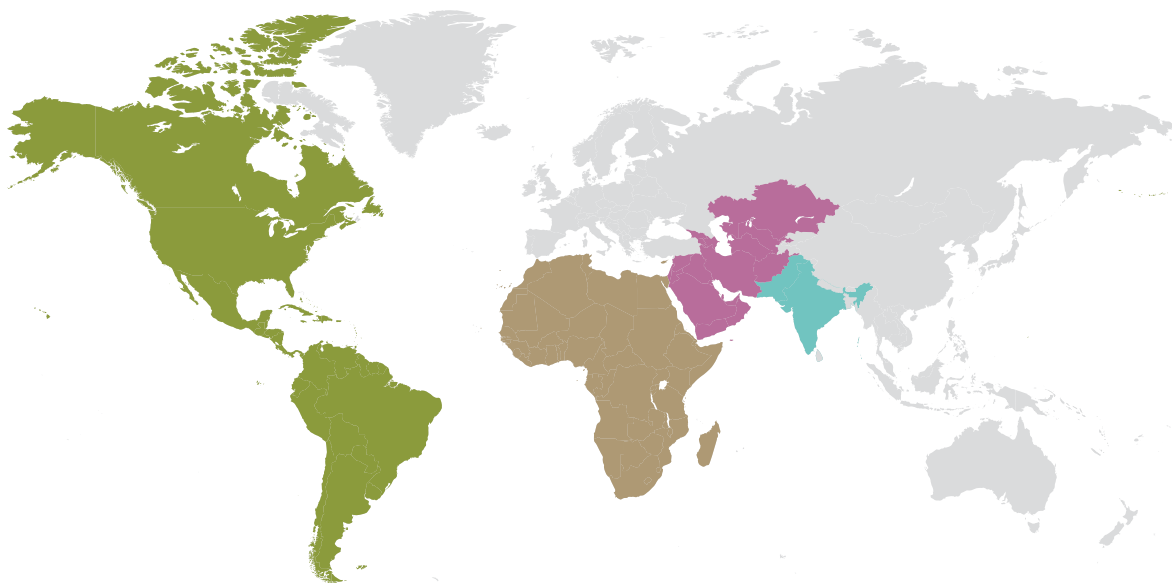
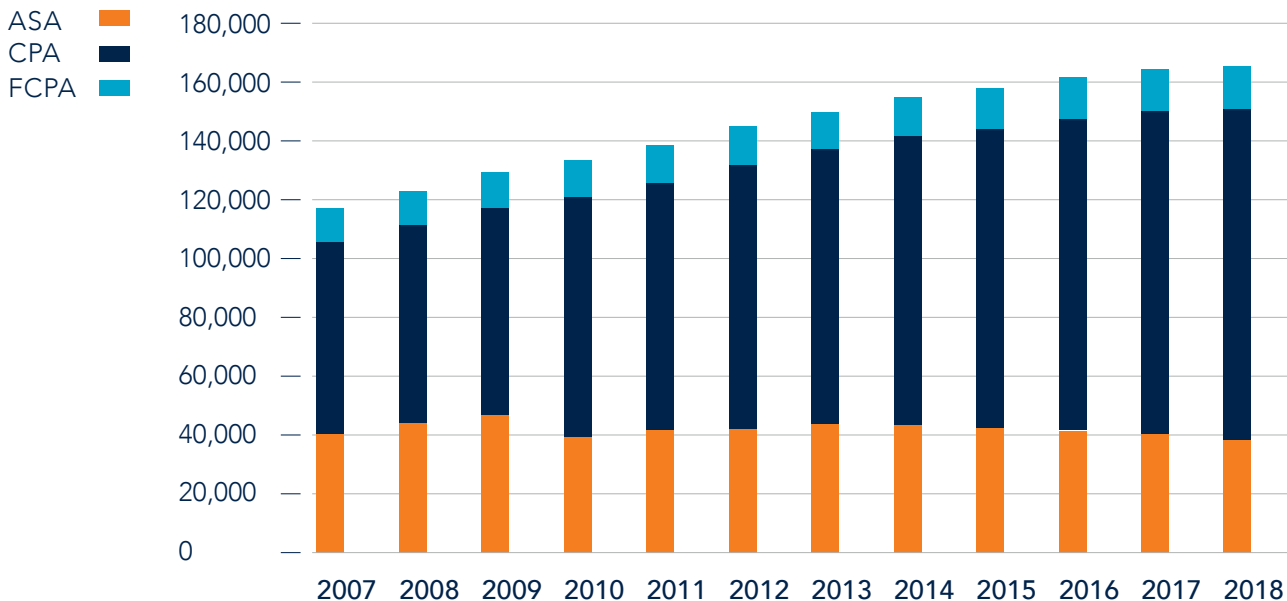
+ 687 ▲

EUROPE
1686

UK	1276
OTHER	410

- 62 ▼

NET MEMBERSHIP GROWTH
BY DESIGNATION:



SOUTHERN ASIA
1369

INDIA **811**
OTHER **558**

+ 106

AMERICAS
1189

USA **723**
OTHER **466**

+ 36

WESTERN ASIA
586

UAE **348**
OTHER **238**

+ 19

AFRICA
146

- 11

MEMBER DEMOGRAPHICS

13% 20-29

33% 30-39

27% 40-49

15% 50-59

7% 60-69

5% 70+

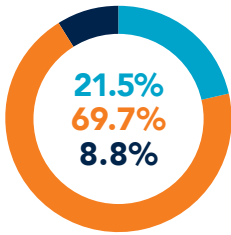
AGE: 20-29

21,287 MEMBERS



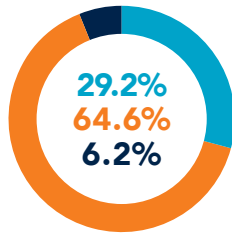
AGE: 30-39

53,907 MEMBERS



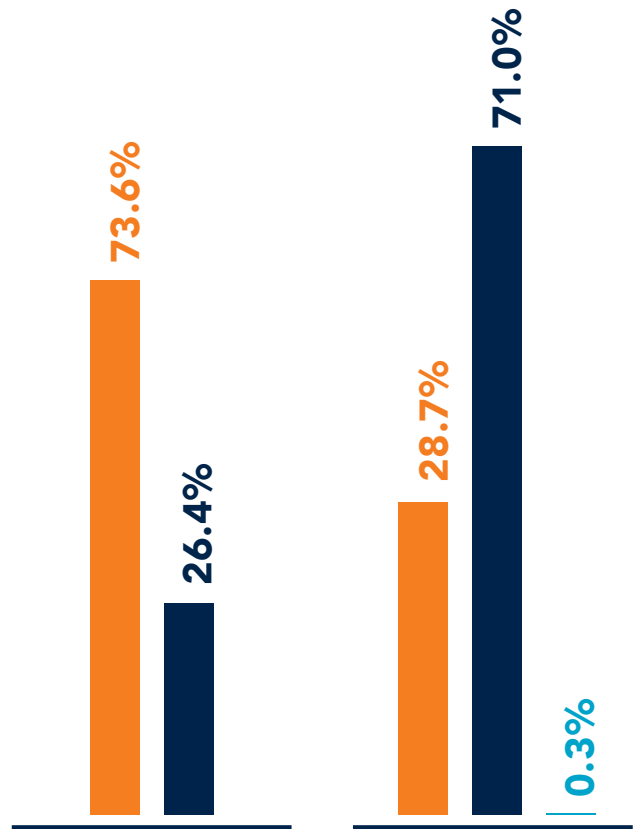
AUSTRALIA

ASA	21.5%
CPA	69.7%
FCPA	8.8%



OVERSEAS

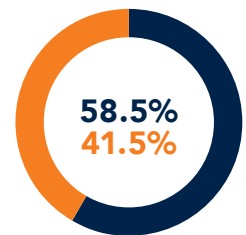
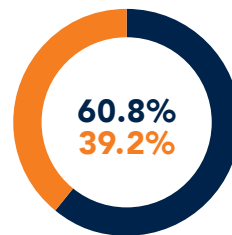
ASA	29.2%
CPA	64.6%
FCPA	6.2%



GENDER

49% FEMALE

51% MALE



AGE: 40-49

44,451
MEMBERS

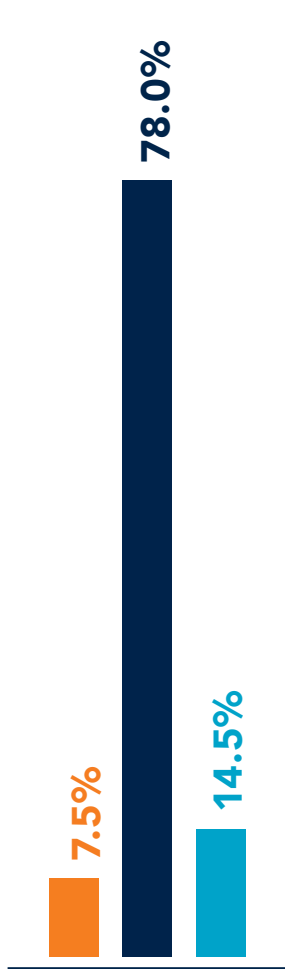
ASA 5534
CPA 36,843
FCPA 2074



AGE: 50-59

24,714
MEMBERS

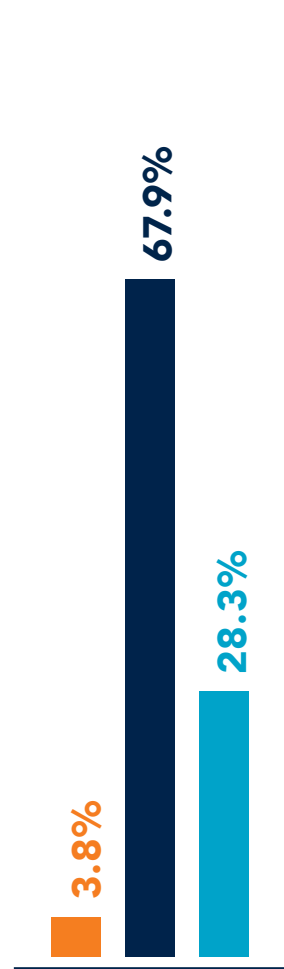
ASA 1863
CPA 19,281
FCPA 3570



AGE: 60-69

12,036
MEMBERS

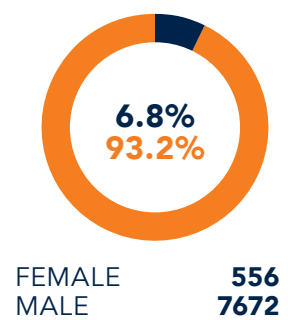
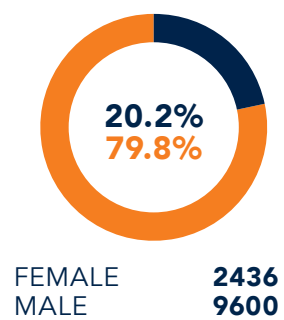
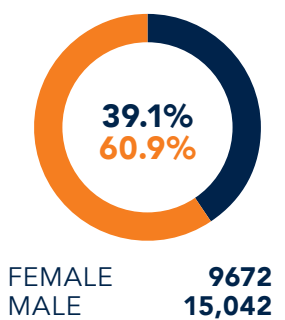
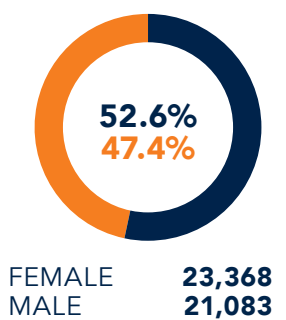
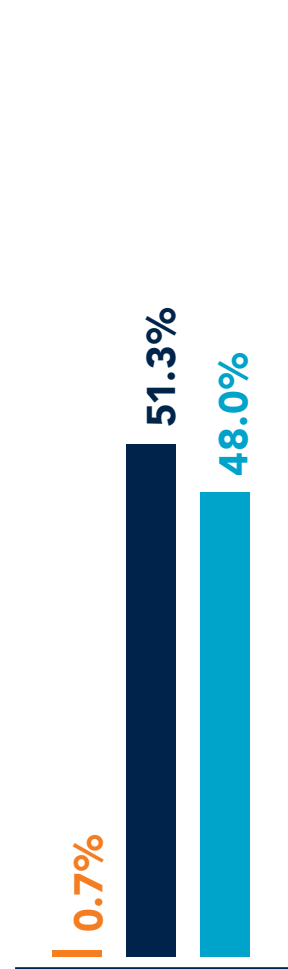
ASA 463
CPA 8168
FCPA 3405



AGE: 70+

8228
MEMBERS

ASA 58
CPA 4217
FCPA 3953



Our total membership includes 72 records that do not have an accurate birth date. There are 10 records with an unrecorded gender.

MEMBER TRUST AND ENGAGEMENT

PERFORMANCE 2018



6.23/10

MEMBER SATISFACTION

(2017: 5.52/10) ▲



5.66/10

ACTS IN MEMBERS' BEST INTERESTS

(2017: 4.75/10) ▲



6.34/10

A TRUSTWORTHY BRAND

(2017: 5.53/10) ▲



6.28/10

COMMUNICATING TO MEMBERS

(2017: 5.79/10) ▲



7.22/10

STAFF WERE HELPFUL

(2017: 6.93/10) ▲



164,695

MEMBERS IN 150 COUNTRIES

(2017: 163,750 IN 125 COUNTRIES) ▲



97.5%

MEMBER RETENTION

(2017: 98.1%) ▼

APPROACH

Our new strategy has members at its core and focuses on delivering increased value and service for members. To support this a new Member Experience team was created in 2018 to ensure greater focus on delivering service to members and creating greater engagement.

In 2018, we undertook a comprehensive review of pricing, and for the third consecutive year, CPA Australia membership fees will remain at the same level and the cost of the Public Practice Certificate will not change. Fees for ASA membership and the CPA Program have been reviewed and have been set at levels to remain competitive in key markets. For the first time, we have introduced fixed local currency pricing in Hong Kong, Singapore, Malaysia and the UK, giving members in these locations price certainty.

MEMBER TRUST

Our recently completed member engagement survey continued to show that a key driver of member satisfaction was reputation, with believing that CPA Australia was a trustworthy brand and was acting in members' best interests being the most important aspects of reputation.

WHILST WE ARE PLEASED THAT MEMBERS HAVE ACKNOWLEDGED THAT WE HAVE STARTED OUR REBUILDING EFFORTS IN THE RIGHT DIRECTION, WE UNDERSTAND THAT MORE NEEDS TO BE DONE FOR MEMBERS TO FULLY REGAIN THEIR TRUST IN THE ORGANISATION.

WE ARE FOCUSED ON DELIVERING THIS AS WE CONTINUE TO IMPLEMENT GREATER VALUE FOR MEMBERS IN 2019 AND BEYOND.

MEMBER ENGAGEMENT

Engaging with our members in meaningful and rewarding ways remains central to building a robust CPA Australia. Alongside the comprehensive engagement process for strategy development covered on page 16 of this report we have also focused on increasing member engagement in other areas.

Division and Branch Councils continue to take a leading role in member engagement and in 2018, more than 3500 member engagement activities were held around the world including council and committee meetings, branch events, networking sessions, discussion groups, 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:

- Welcome receptions and member forums with representatives of CPA Australia's Board and CEO in all divisions
- Member gala dinners and member engagement evenings in Australia, Greater China, Malaysia, Singapore, Vietnam and the United Kingdom celebrating the membership and the broader accounting profession
- CPA Australia collaborated with the Hong Kong Trade and Development Council and hosted an exchange tour to Bangkok for members to get a deeper understanding on business and finance developments in Thailand. More than 20 members joined the exchange tour and they had the opportunity to meet with government officials and multinational conglomerates
- The seventh annual CFO connect symposium in Singapore for CFOs and finance leaders focused on digital revolution and the volatile business environment changing the nature of finance and evolving the role of CFOs. The event attracted nearly 200 CFOs and other senior executives from multinational corporates, small and medium-size businesses and the public sector
- International Women's Day events in Australia focusing on women and leadership
- Policy update webinars and information sessions on matters of concern to members and the accounting profession attracting on average 750 members each session
- Career evenings held in Australia, New Zealand and Singapore where early career professionals joined with a number of experts to aid with employment opportunities and maximising the strength of their resume

ENHANCING MEMBER EXPERIENCE

To support our strategic objective to improve member experience and tailor communications based on individual member needs and feedback, two key projects commenced in 2018.

1. Member journey mapping is a program of work that has started with talking to our members about their needs across their career journey. It will deliver insights that will help drive greater efficiency and refocus effort and resources where they will provide the most return to members.

The key objectives are to:

- Understand and realign our current product and services to better meet our members' career journey needs and goals
- Inform the development of new and existing products and services for members and potential members at different stages of their professional career
- Maintain the high standards and relevance of the CPA designation wherever our members are located

The Australian phase of the research was completed in 2018 and will be rolled out to other markets in 2019.

2. The member experience audit will assess the current state of member service, including member interaction channels, customer service delivery models, evaluation frameworks and related systems and technology. It is designed to deliver recommendations on how we can improve value to members through the implementation of new technologies and changes to our service approach.

LOCAL SUPPORT

In 2018, CPA Australia had 10 Divisional Councils and three Branch Councils. Members are elected to Divisional and Branch Councils by fellow members of the respective division or branch. Councils are advisory bodies that play a key role in representing the interests of members and the broader business community in their jurisdiction. They are an important channel of communication between members and the Board.

To better support members, and as highlighted in the strategy, we have in place an initiative to create a more effective local support model for members through divisions, branches and committees. To enable this, we have increased budgets in 2019 to support division and branch activity that will be beneficial to each particular division. We are also allocating additional budget to allow for new initiatives that may arise from Divisional Council and Council of Presidents meetings and from divisional engagement plans.

Communication protocols have been put in place to support email communication from Divisional Presidents to members in that division. Additional work is being done to establish new digital channels for members in each division to communicate and connect with each other as part of a professional network.

JOHN LO FCPA



CFO Tencent, Greater China Council Member, Deputy President of the South China Committee

John Lo is no stranger to technology, having made the bold move to Tencent in 2004, then a newly established Chinese instant messaging company. Today, Tencent has developed into one of the largest internet services companies in the world. He shares these words of wisdom “these days, it’s all about making knowledge instantly accessible to everyone. CPA Australia is on their way and can crystallise this approach in the coming years. By making courses available online, a CPA’s location will no longer be an issue.”

Bonding with his peers and sharing experiences, whilst keeping abreast of the latest global developments, are two of the main drawcards of CPA Australia membership for John. He states that “CPA Australia courses have also been useful for brushing up on my personal effectiveness. It’s not all technical now, leadership and management skills are equally important.” John is also keen to highlight a benefit from the employer’s perspective, “we want our staff to be practical, not too technical. CPA Program materials equip our people with the ability to think strategically.”

John would like to see more short and sharp training that members can access when they have limited time to study, such as 15 minutes while waiting for a train or sitting in reception waiting for a client meeting.

MENTOR PROGRAM

In 2018, we developed a pilot for a CPA Australia mentoring program. The pilot will consist of two programs, one for members in early-career and one for members in their mid-career stage. The initial criteria for expressions of interest for both mentors and mentees will be based on years of membership and work experience. The program will be supported by an online platform with a blend of face-to-face opportunities in selected locations. We are looking at between 60 and 80 pairs of mentor / mentees as part of the pilot program. The limited size of the pilot is designed to ensure that the appropriate systems and processes are in place to determine that the member experience is at a level that will provide the confidence and ability to make the program available on a global scale. We are looking to launch the pilot in the first quarter of 2019.

This complements the current Mentor the Treasurer program developed in partnership with Pro Bono Australia. Through this program, qualified CPAs volunteer their time and expertise to mentor treasurers / finance personnel of small not-for-profit (NFP) organisations with turnover less than \$250,000. There are currently more than 470 active mentors and mentees in this program.

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 2018, we had two privacy breaches. In each case, we responded in accordance with our privacy policy and the law, and we changed our practice in the area where there were breaches to avoid further instances. In no cases was sensitive information disclosed. There were no other identified leaks, thefts or losses of member or other customer data. We received no complaints from the regulators.

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 and relevant. Overall members assessed our communications to them as improving in 2018 although there is still further work to be done to ensure communications are relevant and tailored to members.

Members also assessed communications from the Board as improving in 2018 (5.92/10 in 2018, 5.13/10 in 2017).

ENSURING WE EFFECTIVELY COMMUNICATE WITH MEMBERS ON THE TOPICS THAT ARE RELEVANT TO THEM IS A KEY FOCUS OF THE NEW STRATEGY. RESULTS AND FINDINGS FROM MEMBER JOURNEY MAPPING AND THE MEMBER EXPERIENCE AUDIT WILL GUIDE OUR FUTURE COMMUNICATION TO MEMBERS.

10 YEARS IN VIETNAM

CPA Australia celebrated 10 years in Vietnam this year. Gala events were held in Hanoi and Ho Chi Minh City to mark this milestone with more than 430 people attending including members, the Consulate-General of Australia, senior leaders from the Australian Embassy, the Ministry of Finance and the State Audit Office of Vietnam, guests from local professional bodies, academic representatives and business partners.



FUTURE OUTLOOK

STRATEGIC GOAL:

PROVIDE MEMBERS WITH PERSONALISED AND ENGAGING EXPERIENCES

ACTIONS

In order to address member retention and satisfaction, many of the initiatives undertaken in 2018 are foundation pieces of work that will enable us to prioritise future investments to ensure we are delivering services and products that are valued by our members. In future, this will include significant investment in technology platforms and interfaces to ensure we can deliver knowledge and services to our members that better meet their needs.

In 2019, we will also work to improve the alignment of division and council engagement planning processes with budgeting processes to ensure appropriate support is available for member engagement activities.

BRAND AND REPUTATION

PERFORMANCE 2018



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



450
RECOGNISED EMPLOYER PARTNERS (2017: 372*) ▲



\$12.9M
MARKETING SPEND 2018
 (2017: \$13.3M) ▼

*Data from 2017 does not include 37 REPs whose status lapsed during 2017 and were undergoing assessment for re-entry into the program.

FIGURE 5

HISTORICAL MARKETING INVESTMENT

ADVERTISING AND PROMOTION

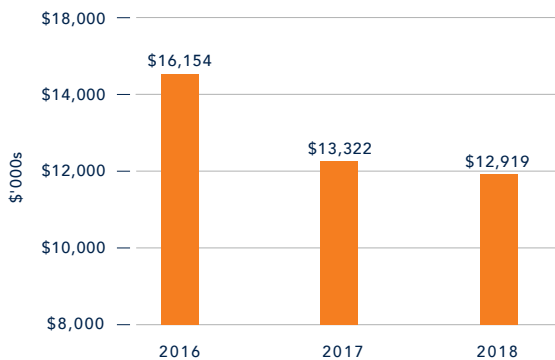
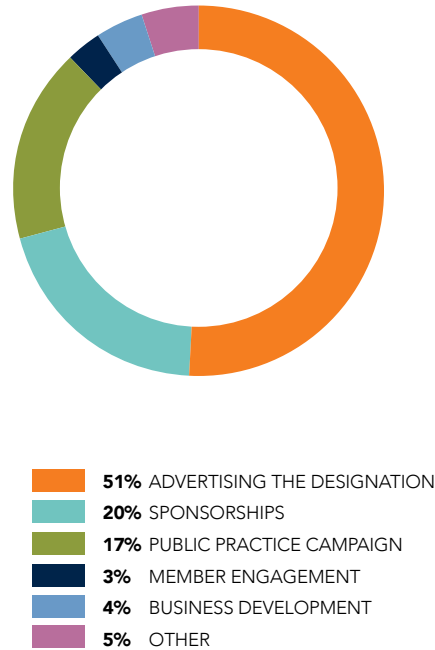


FIGURE 6

MARKETING INVESTMENT



APPROACH

The value of the CPA Australia designation is generated by the technical expertise and reputation of our members. We enhance this reputation by building our brand profile 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.

MEMBER FOCUSED PARTNERSHIPS

During 2018, CPA Australia partnered with the British Broadcasting Corporation as part of the semester one marketing campaign. The campaign focused on content creation that enabled us to profile CPA Australia members, based around themes such as innovation, continuous learning, collaboration, technology and industry sectors.

We also partnered with Virgin and Qantas to deliver campaigns focused on providing value, recognition and support to all members alongside a focus on positioning public practitioners as trusted business advisers. A series of articles featuring members across industry and public practice ran for 12 months in the respective airline publications.

IN 2018, WE FOCUSED ON RESTRUCTURING THE MARKETING FUNCTION INTO ONE TEAM THAT WILL DELIVER EFFICIENCIES, REDUCE DUPLICATION AND ENSURE THAT OUR MARKETING AND BRANDING ACTIVITIES HIGHLIGHT AND SUPPORT OUR MEMBERS.

WE ARE ALSO CONTINUING INITIATIVES AND ACTIVITIES THAT FOCUS ON REPAIRING THE DAMAGE TO THE BRAND REPUTATION OF CPA AUSTRALIA THAT OCCURRED IN 2017.

MARKETING INVESTMENT

CPA Australia's marketing investment for 2018 was \$12.9 million (refer Note 4 on page 99.)

Our investment in marketing (figure six) includes advertising to attract and develop the next generation of CPAs, the Public Practice campaign, sponsorship and other activities.

Significant changes from 2017 include the removal of spend on In Conversation and Career Mentor. This spend was reallocated to the Public Practice campaign.

Marketing investment over time is shown in figure five.

BRAND PERCEPTION

Alongside the member engagement 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 with brand health tracking consistently with 2017 and CPA Australia remaining the first-choice designation in the Australian marketplace.

SPONSORSHIPS

In 2018, major sponsorships were reviewed and the organisation has moved away from large sports sponsorships, with the Australian Open contract concluding in January 2019.

Our Hong Kong office hosted its 10km charity run with more than 500 runners and more than 17 corporate teams taking place and raising funds for the Hong Kong Cancer Fund.

All future sponsorships will be evaluated as part of an integrated approach to campaign activity. Sponsorships will be aligned to the strategy with clear objectives and measurable outcomes and separate standalone sponsorships will not be considered moving forward.

RECOGNISED EMPLOYER PROGRAM

Currently we have 450 organisations that are Recognised Employer Partners.

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

In 2018, 41 new Recognised Employer Partners were approved globally including organisations such as the Commonwealth Department of Education and Training, Mannings Guangdong Retail Company Limited, Melbourne Health and Victoria Police and the TMF Group. Members working for a Recognised Employer Partner benefit from:

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

A full list of our Recognised Employer Partners is available on our website.

ALISON YAM CPA

Manager, Risk Advisory,
Deloitte China



Alison has a key message for members starting out in their careers, “just turn up and ask questions.” She has always found fellow members at CPA Australia events who are more than happy to answer questions relating to her career path or how to tackle a specific challenge at work, but she remembers what it was like at the start.

“Young members can be a little bit shy. They want to be with their own people. CPA Australia helps them with a community to share their ideas with. That’s how we got the idea for the Young Achievers Committee.”

Alison is a founding member and current Chair of the Young Achievers Committee in Hong Kong.

The committee organises events for young CPAs to share their ideas in a comfortable environment, whilst building their confidence in networking.

“Being a CPA opens a lot of doors,” Alison highlights, “but members still need to work out which ones to open in their career. They need to decide what they really enjoy doing out of the many opportunities on offer to CPAs.” She values the local and global community that members can tap into. “You can learn a lot from books, but you also need the softer skills and the real-life experience to help you navigate the professional world. Membership provides this, it is the foundation of a successful career.”

TAILORED SUPPORT

To support members CPA Australia has a tailored offer for the following sectors which impact the largest number of members:

- Mining and energy
- Public Practice
- Public sector
- Healthcare
- Finance and banking

As an example, healthcare is one of Australia’s largest employment sectors and 28 per cent of all new jobs in Australia by 2023 are expected to be in healthcare.

(Source: Australian Department of jobs and small business).

Members working in healthcare are navigating commercial pressures that are resulting from changing business requirements and an expectation to do more with less. In developing a sector approach for healthcare, CPA Australia looked at our whole of business offer (professional development, policy, education, events and communications) with the goal of tailoring our products and services for members working in the sector.

UNIVERSITY AND ACADEMIC ENGAGEMENT

Through campus relationship managers and more than 170 volunteer ambassadors we aim to have close partnerships with the university community to facilitate support, connection and engagement with academics, students and employers.

This includes engagement with 57 student groups and societies, participation in academic, graduate recruiter and national careers officer conferences, sponsorship of more than 80 prize awarding ceremonies and hosting various student on-campus masterclasses.

We also held our inaugural Emerging Academics Forum in Melbourne to assist delegates with a better understanding of the profession and the competencies required to develop their students as accountants of the future.



FUTURE OUTLOOK

STRATEGIC GOAL:

**PROTECT, PROMOTE AND
ENHANCE THE INTEGRITY
OF THE DESIGNATION**

ACTIONS

Work will continue on an integrated marketing approach. The first stage of this has been a social media audit and commencement of communication protocols.

Work to be completed in the first half of 2019 will include a comprehensive brand review including creative agency and media buying contracts to ensure these are aligned to strategic requirements and the delivery of member value.



6.71/10
ASA SATISFACTION
 (2017: 5.97/10) ▲



> 46,000
EXAMS DELIVERED ACROSS 73 COUNTRIES
 (2017: > 51,000 EXAMS ACROSS 78 COUNTRIES) ▼



97.2%
OF CANDIDATES SAT A COMPUTER-BASED EXAM
 (2017: 96%) ▲



5901
ASAs PROGRESSED TO CPA STATUS
 (2017: 5,693) ▲

APPROACH

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

The size and diversity of our student cohort and the number of countries in which our candidates reside continues to be one of the main practical challenges in delivering the CPA Program.

More information on our approach to this area can be found on our website at cpaaustralia.com.au/informationgri2018

CPA PROGRAM – TAXATION

In 2018, we provided our ASA members with an uplifted Australia Taxation subject to meet the accreditation requirements of the Tax Practitioners Board. Both ASAs who had and hadn't completed taxation at an undergraduate level were able to enrol in this subject. It became clear throughout the year that this was not the right approach, as the subject was too advanced for candidates that had no tax background.

Subsequent to this, we updated our taxation study options and from 2019 ASA members will have the choice of two Australia taxation subjects within the CPA Program in order to meet their personal career goals. Australia Taxation and Australia Taxation – Advanced are recognised by the Tax Practitioners Board and will contribute to registration as a Registered Taxation Agent in Australia. Candidates who failed the Advanced Taxation subject in 2018 who did not have the recommended pre-requisite knowledge will be able to take the Australia Taxation subject at no charge in 2019.

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 will 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 have continued to introduce new digital assets that have been 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.

Providing engaging digital experiences will underpin CPA Australia's ability to deliver on our strategic objectives. We are currently investing in the skills required to deliver these experiences. In 2018, we were awarded the LearnX Platinum Award for best learning design team and Highly Commended for the best use of gamification / simulation by the Australian Institute of Training and Development for the Global Strategy and Leadership business simulation, 'DHG: Expanding the Hanoi City Hotel'.



CPA PROGRAM AND CERTIFICATION

EXPANDING THE REACH OF THE CPA PROGRAM

In 2018, we extended our tuition model into new markets and partnered with the Royal Institute of Management in Bhutan, and GlobalFTI in India, to offer tuition support to local CPA Australia members. We also continue to work with partners in mainland China and Taiwan to deliver CPA Program content to their students, including China's biggest accounting education company, China Distance Education Limited.

While the overall trend in education is for 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 2018, 12 per cent of our candidates accessed the CPA Program through our network of providers.

INCREASING SUPPORT

To provide ASA members with more opportunities to prepare for their exams, we launched a series of exam practice questions in the second semester of 2018 across the four core subjects. These questions provide ASA members with access to exam questions of similar difficulty and style to that of the end of semester exam to help them in their preparation. The questions aim to improve exam readiness and reduce anxiety associated with exams and therefore lead to an increase in examination success.

We also launched a series of short videos where three of our experienced members shared their personal insights of studying the CPA Program including study tips, exam techniques and how to overcome disappointment when things don't go well.

We'll be investing in more opportunities for ASA members to practice exam style questions and receive feedback in 2019.

CPA PROGRAM ENROLMENT SYSTEM ENHANCEMENTS

ENROLLING IN THE CPA PROGRAM IS ONE OF THE MOST IMPORTANT TECHNOLOGY INTERACTIONS ASA MEMBERS HAVE WITH US AND IN PREVIOUS YEARS WE HAVE LET OUR MEMBERS DOWN IN TERMS OF PROVIDING A RELIABLE SOLUTION.

This has been due to an increasingly outdated legacy system. In mid-2018, we made a commitment to members to improve the member experience for the November 2018 enrolment period and beyond and invested more than \$1.2 million dollars in upgrading our system. The re-platforming project began in July and required changes to both the technology platform and to our business processes. The project was a success and on the first day of enrolment, when the load on the system was at its peak, the average time to enrol and schedule an exam was 30 seconds and there were no system outages. In comparison, on the first day of the previous semester, the average time to enrol and schedule was over an hour and there was a six-hour outage.

In the first eight hours of opening 1762 exams were scheduled for semester one 2018, 1401 for semester two 2018 and 3032 for semester one 2019.

This was a significant project for the organisation and demonstrates what can be achieved when member experience is prioritised.

NFP SCHOLARSHIPS

Five scholarships were granted in early 2018 to managers and financial officers of registered charitable organisations through our partnership with the Australian Scholarships Foundation. The scholarships offer 100 per cent of coverage of the recipients' CPA Program subject fees.

In 2018, there were a total of 80 applicants compared with 29 in 2017. Key aspects of the application criteria sought to establish propensity to complete the CPA Program and commitment to the NFP sector. In 2018, the five scholarships were awarded to applicants from the following charities:

- Melbourne Legacy, Victoria
- Scope, Victoria
- Orange Sky Australia, Queensland
- Life Without Barriers, Queensland
- Anglicare, Victoria



FUTURE OUTLOOK

STRATEGIC GOAL:

ATTRACT AND DEVELOP THE NEXT GENERATION OF CPAs

ACTIONS

In a transforming profession, a fit for the future CPA Program must not only deliver the skills that members and their employees need but must seek to attract a non-traditional group of professionals who identify with the business and commercial acumen provided by a CPA.

To ensure this, we will be undertaking a comprehensive review of the CPA Program commencing in the first half of 2019. Broad consultation will occur with industry, academia, regulators and employers interrogating the content, design and delivery of the CPA Program, whilst maintaining the highest standards expected of a CPA.

We will seek to continue to deliver the flexibility, variety and choice currently afforded, yet enable different pathways of eligibility into the CPA Program, recognising the diversity of experiences our current and future members already have through their existing education and work experiences.

KIRSTIN SHAW ASA



2018 Graduate Program, Group Compliance at Telstra

Kirstin finds that working at the same time as studying for the CPA Program helps her understanding of the content significantly. "As part of the Telstra Graduate Program, I am working in Group Compliance, where the CPA Program content on governance and ethics is extremely relevant. While I am learning about ethical behaviour, I am seeing how it makes sense in a work environment."

Kirstin goes on to explain that what she studied at university often seemed abstract, without the context of how to make it work in practice. That is why she loves the CPA Program.

Kirstin highlights work life balance as one of the biggest challenges facing those studying to be CPAs at the start of their career. "The push to prove yourself and put in a lot of hours early in your career when you are also studying, and balancing time with family and friends, is a struggle."

Involved in Indigenous Accountants Australia, Kirstin is already giving back, affording her the opportunity to attend events such as WCOA. She is a champion for increasing Indigenous representation in the profession and highlights that "statistics relating to Indigenous accountants are pretty miserable. I am keen to encourage more Indigenous people to come into this profession. We can achieve this by demonstrating the breadth of opportunities available through the CPA Program, not just book keeping. Then we can encourage more Indigenous people to study towards many exciting careers."



PROFESSIONAL DEVELOPMENT AND KNOWLEDGE

PERFORMANCE 2018



6.65/10

OVERALL SATISFACTION WITH THE WEBSITE

(2017: N/A)**



4.49/10

VALUE FOR MONEY CPD

(2017: 4.08/10) ▲



5.64/10

PROVISION OF CPD RELEVANT TO CAREER

(2017: N/A)** ***



> 6500

CONGRESS DELEGATES

(2017: >9000)* ▲



21.8%

PARTICIPATION OF ELIGIBLE MEMBERS IN CPA AUSTRALIA CPD

(2017: 18.3%) ▲

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.

More information on our approach to this area can be found on our website at cpaaustralia.com.au/informationgri2018

CORPORATE LEARNING

CPA Australia offers a customised learning offer where we work with organisations to tailor training to their specific needs. In 2018, we engaged with more than 30 clients with 78 learning solutions delivered to more than 7800 learners globally. This includes three Australian Government agencies, who undertook the Chartered Institute of Public Finance and Accountancy (CIPFA) Financial Management Model review and consulting services, utilising our exclusive access to CIPFA's financial maturity model.

CONGRESS AND CONFERENCES

This year we ran our flagship event CPA Congress in 11 locations over six countries, with more than 6500 delegates attending. This was complemented by attendance at WCOA where more than 5700 delegates were hosted across the event.

The focus for Congress 2018 was on digitisation, automation, visualisation and humanification with world renowned keynote speakers including Christian Kromme (Go Digital, Stay Human) and David McCandless (Data Visualisation).

Other conferences and events attracted a further 1900 members over 29 events, including a NFP specific conference, a series of events for public practitioners, emerging leader events, management accounting and regional events.

INTHEBLACK

In 2018, INTHEBLACK profiled 45 CPA Australia members, and utilised more than 100 CPA Australia members as subject matter experts across many fields including taxation, accounting, technology, audit and public practice. We were also very proud to profile the many members who volunteer and contribute to charities and the NFP sector.

As our delivery mix has diversified, online engagement with INTHEBLACK content has steadily increased. Site visits have gone up 150 per cent between 2015 and 2018 while page views have grown by 75 per cent.

In 2018, nearly 3 million people visited intheblack.com

* The drop in 2018 is due to not running Congress in Hong Kong and WCOA replacing Congress in NSW.

** Survey questions differed from 2017 to 2018 so cannot be compared.

*** Asked of Australian members only.

CPA AUSTRALIA WEBSITE

Whilst overall satisfaction with the website increased slightly this year, we recognise that it is the key channel for many of our members to access information and tools that are relevant to them with more than 2.5 million unique users accessing the site in 2018. The redevelopment of the CPA Australia website will be a priority activity in 2019. The results of member journey mapping and the member experience audit will be used to inform how we develop the website to deliver greater service to members.

CPA LIBRARY

This year the CPA library celebrated 130 years. That makes it one of the oldest libraries in Australia, being founded just 35 years after Australia's oldest library, the State Library of Victoria. To start the collection 19 books were brought back from England in 1888.

Members of CPA Australia now have 24/7 access to information via the CPA Library with continued growth in the use of online resources. More than 30,000 resources are now available to members including books, full text journals, newspapers and eBooks. At the time the library began, books could only be borrowed between the hours of 9.00am and 10.00am. Today, items may be accessed from anywhere in the world, at any time of day or night, via the online library.

IN AN AVERAGE WEEK:

13,000+	Associates open and read ASA CPA Update (2017: 21,000+)
64,000+	CPAs open and read CPA Update (2017: 50,000+)
10,000+	Members open and read Tax News (2017: 8000+)

IN AN AVERAGE MONTH:

128,000+	Visits to intheblack.com (2017: 70,000+)
68,000+	Members open and read INTHEBLACK newsletter (2017: 74,000+)
4000+	Public Practitioners open and read the INPRACTICE newsletter (2017: 4000+)
600+	Members take out loans from CCH e-books (2017: 500+)
97,000+	Member page views in Ebook Central (2017: 64,000+)

PROVIDING GREATER VALUE

One of the clear messages from members through the strategy consultation process has been the need for cost effective CPD through their professional body. Members can now access free CPD through the website including courses, professional resources, podcasts, live chats and webinars. The amount of free CPD available exceeds what is required for a member to meet their CPD requirements.

- CPA Q&A which covers a wide range of finance, accounting, business and leadership topics (accessed by more than 11,200 members) where members could earn 16.5 CPD hours per annum after completing all monthly assessments
- Global Leaders Insights which provides access to a monthly selection of bite-sized videos featuring some of the world's greatest business leaders (accessed by more than 10,600 members)
- Your Sustainable Firm – a specific offer for Public Practitioners which was accessed by 890 members

More than 9000 members accessed both Global Leader Insights and CPA Q&A.

At the end of 2018, through WCOA on demand, we also made accessible up to 25 more hours of complimentary CPD, including highlight sessions, exclusive interviews, leading research and The Future of Accounting eBook.



FUTURE OUTLOOK

STRATEGIC GOAL:

PROVIDE RELEVANT LEARNING AND DEVELOPMENT CONTENT, RESOURCES AND TOOLS

ACTIONS

A focus in 2019 will be a full review of our CPD offer. We have already started this work and from 2019 we will be introducing new simplified CPD pricing, providing better value for members. In addition, we are developing a range of innovative learning solutions, including a new executive education program in partnership with Harvard Business School and further virtual reality experiences following the success of these programs at WCOA.

We know that INTHEBLACK is one of the most common touch points our members refer to and understand there is more work to be done to continue to increase its utility for our wide range of members. In 2019, INTHEBLACK will be reviewed and a new approach will be developed to take the publication into the future.

PUBLIC INTEREST AND THE PROFESSION

MARCUS THELWELL
MEMBER TWO YEARS





MATERIAL ISSUES*

Material issues represented in this section include:

Lead the future of the accounting profession

M5, M10, M15

Public interest and professional standards

M1, M7, M8, M10, M15

Advocacy and thought leadership

M5, M10, M15



STRATEGIC GOALS

Protect, promote and enhance the integrity of the designation

Lead the future of the accounting profession

Provide relevant learning and development content, resources and tools

Impact policy globally and be active in community advocacy



OUTCOMES

Reputation of the designation

Lifelong learning that supports members in their careers

Public Practice Program

Thought leadership, policy and advocacy work

Industry partnerships



RISKS AND OPPORTUNITIES COVERED

Brand damage

Member value

Communication

* Explanation of our material issues is provided on pages 69 to 71.

LEAD THE FUTURE OF THE ACCOUNTING PROFESSION



**World Congress
of Accountants**

PERFORMANCE 2018



5722
DELEGATES



131
COUNTRIES



153
SPEAKERS



95
SEPARATE SESSIONS



32
SIDE MEETINGS

APPROACH

A key to the sustainability of our members and our organisation lies in meeting the changing expectations of the business community and the increasingly complex landscape businesses operate in. We look to do this by conducting research into issues facing the profession both by ourselves and with partners, supporting the development of the profession in under-represented areas and partnering with other professional accounting bodies to advance the future of the profession.

SCHOLARSHIPS FOR FIRST NATION PEOPLES IN AUSTRALIA AND NEW ZEALAND

4 QUALITY EDUCATION



8 DECENT WORK AND ECONOMIC GROWTH



Indigenous Accountants Australia (IAA) is a joint initiative of CPA Australia and CA ANZ 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 2018, 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 with one candidate awarded a scholarship in 2018 as part of this program.

RESEARCH INTO THE FUTURE OF THE PROFESSION

Under the Global Research Perspectives Program we have commissioned research on the "Future of environmental, social and governance reporting: Sustainable Development Goals, Integrated Reporting and Global Reporting Initiative". The project examines how these initiatives are shaping reporting behaviour and practice.

We have also signed an agreement with the RMIT College of Business Blockchain Innovation Hub to explore opportunities for collaboration in education and research on Blockchain, as it is a major topic of interest that will affect the future of the accounting and audit profession.

In Singapore, we partnered with the local office of PwC to release the *State of Digital 2018* publication at Congress. The survey of senior finance leaders and other executives found that a majority of organisations are either in the midst of a transformation journey or have been through a transformation. The study also suggested various digital tools that organisations could employ to support their digitalisation goals.

PARTNERING WITH THE PROFESSION

As careers become more mobile and accountants need to be able to work across jurisdictions it is important that we continue to build our partnerships with other accounting bodies.

In 2018, we announced a Mutual Recognition Agreement with NASBA, AICPA and the U.S. International Qualifications Appraisal Board. This gives eligible CPA Australia members the opportunity to practice in the USA. We are also talking to AICPA about expanding the agreement beyond citizens and legal residents of Australia and New Zealand.

During WCOA we also signed a Memorandum of Co-operation with the Chinese Institute of Certified Public Accountants. The Memorandum is designed to facilitate closer collaboration between the two bodies, enhance the international standard of accounting professionals and broaden the opportunities for members from both bodies.

We also signed collaboration, recognition and pathway agreements with the following professional organisations:

- Philippines Institute of Certified Public Accountants – Mutual Pathway Agreement
- Taxation Institute of Hong Kong – Memorandum of Understanding renewal
- Australian Trade Commission Shenzhen – Memorandum of Cooperation
- RCCPA Taiwan – Mutual Pathway Agreement renewal
- Nexia Trans-Asia – Memorandum of Understanding
- Institute of Chartered Accountants of Sri Lanka – Mutual Recognition Agreement
- Institute of Certified Management Accountants of Sri Lanka – Mutual Pathway Agreement
- Institute of Chartered Accountants of Bangladesh – Mutual Pathway Agreement

WCOA



World Congress
of Accountants



Conducted under the auspices of IFAC, in 2018, we were honoured to co-host the twentieth WCOA in Sydney, Australia alongside CA ANZ.

Held against the backdrop of an uncertain economic landscape, WCOA's mission is to bring together finance leaders, policy setters, accountants and business leaders in an event that embraces the future of the profession. WCOA looked back at how the world has changed since the 10th Congress held in Sydney in 1972, connecting themes from that event to 2018. It also marked the 40th anniversary of IFAC, taking a look at its past, present and future as the peak global body for accountants.

WCOA was attended by more than 5700 delegates, including more than 1000 CPA Australia members. It included 95 separate sessions and 32 side meetings where our professional accounting association colleagues met and discussed goals for the profession. WCOA was delivered over nine days which included 120 staff and volunteers from CPA Australia, CA ANZ and our professional conference organiser.

The CPA Australia stand included a Virtual Reality learning product and we are proud that CPA Australia topped the leader board for the highest engagement of any sponsor.



FUTURE OUTLOOK

STRATEGIC GOAL:

LEAD THE FUTURE OF THE ACCOUNTING PROFESSION

ACTIONS

In 2019, we look to conduct and communicate research into how the CPA designation will meet the future needs of the global business community.

We will also look to ensure we reflect the future needs of the profession through ongoing innovation and enhancement of products, services and certification pathways.

Additionally, we will review membership pathways for skilled business professionals from non-accounting backgrounds to develop core accounting competencies.

PUBLIC INTEREST AND PROFESSIONAL STANDARDS

PERFORMANCE 2018



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



> 1000
PUBLIC PRACTICE
REVIEWS
(2017: >1000)

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 the work of many international standard setting boards, including, for example, the International Accounting Standards Board, the International Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants (IESBA).

CPA Australia jointly nominated members who sit on each of the IESBA and the International Public Sector Accounting Standards Board. Within Australia, CPA Australia nominates two members to the Accounting Professional and Ethical Standards Board (APESB). We help to develop international and national standards relevant to the profession, and promote their adoption and implementation, through engagement, advocacy and consultation with regulators and industry bodies in all regions where our members practice.

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.

GIVEN THE CHANGING NATURE OF THE ENVIRONMENT FACING PUBLIC PRACTITIONERS WE KNOW THAT THEY LOOK TO THEIR PROFESSIONAL BODY FOR SUPPORT AND TO PROMOTE THE VALUABLE SERVICES THEY CAN PROVIDE TO THE PUBLIC.

SUPPORT FOR PUBLIC PRACTITIONERS

In May a new TV, online and radio advertising campaign was released in Australia and New Zealand as part of a new initiative to drive consumers to find a CPA as their trusted adviser. This was complemented with the relaunch of the 'Find a CPA' search engine, supporting members to grow their business.

The campaign had two objectives:

- To support CPAs working in public practice by increasing the number of people who contact them for professional services
- Raise awareness about the broad range of services that CPAs offer and to highlight that this goes beyond tax and compliance

The broader services that practitioners offer were highlighted to the public including:

- Cashflow management
- Business planning and management consulting
- Audit and assurance services
- Financial reporting
- Succession planning
- Company secretarial services

This resulted in more than 66,700 unique page views of the Find a CPA landing page since the campaign launch from the period 30 April to the end of 2018 with the following results:

- Average time on site at 3.59 minutes
- When clicking through to the practitioner's details, the majority of people (67 per cent) then clicked on the public practitioner's website address, followed by email address (18 per cent)

We continued to deliver IN PRACTICE to our practitioners. Members engaged the most with practical articles that could support their business. We will continue to review content in 2019 to ensure it is of relevance to practitioner members.

We also continued the Concierge service, aimed at supporting new Public Practice Certificate holders to start their career and run their own business.

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.

PSC LIMITED LIABILITY SCHEME

In December 2018, the Board lodged an application with the PSC for a new Scheme to come into effect in December 2019. Professional standards schemes are designed to improve standards of professionalism, provide greater protection for consumers, limit the civil liability of professionals to whom the schemes apply for occupational liability and ensure that Public Indemnity Insurance held by professionals meets required standards and is appropriate to the services they provide. Consumers are protected by the insurance and risk management standards. Consumers also

SIGNIFICANT WORK HAS BEEN UNDERTAKEN IN 2018 TO STRENGTHEN GOVERNANCE, COMPLIANCE AND ANALYTIC PRACTICES AROUND MANAGEMENT OF THE SCHEME.

benefit because the scheme participant is a member of a professional body which is committed to continuously improving public accounting standards.

A review into CPA Australia's governance and management of the Scheme by an independent third party has been conducted. This resulted in the introduction of an updated compliance plan, risk management plan and a monitoring plan to support the 2019 application.

BRENT SZALAY FCPA

Managing Director SEIVA

A champion of small business and a member of our Public Practice Advisory Committee and Victorian Divisional Council, Brent knows what it feels like to be so flat out there is little time to explore better ways of doing things. He is passionate about sharing his experience as a practitioner and has recently taken part in a CPA Australia roadshow around Australia, talking to public practitioners far and wide.

"I don't claim to know everything, I am just sharing my journey to help smaller firms with tips and tricks to get started and add value for their clients. I get so much out of being involved with so many inspiring people, hearing their stories and questions."

He is also clear on the value of being a CPA, "if anyone asks me what I do, I respond that I'm a CPA and no more questions are asked. There is a level of credibility, trust and integrity that comes with the designation and a brand that is strong throughout the world."

Brent has a positive outlook, "we talk a lot about the pace of change, but the growth of technology poses a tremendous opportunity. Endless hours are spent working through client information. Technology will cut through the inefficiencies and allow us to provide the value add, as trusted advisers to our clients, much quicker."

Brent is confident in the support from CPA Australia, "they have done a great job of providing tools, templates, content and training. I am excited by what I see in the pipeline and the new ways of disseminating information, such as webinars and roadshows."

PUBLIC INTEREST AND PROFESSIONAL STANDARDS

PROFESSIONAL CONDUCT

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

To ensure all members uphold these standards, CPA Australia has a formal process that enables complaints about its members to be heard, evaluated and, where appropriate, disciplinary action be taken. Investigations and disciplinary processes are guided by the principles of: procedural fairness (the right for a member to put forward their case), confidentiality, independence, and

the right to appeal. We have undertaken to act in the public interest and have an obligation to ensure that complaints about members are investigated thoroughly, in an impartial and timely manner, and at all times striving to preserve the rights of members while acknowledging the public interest concerns of complainants.

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

COMPLAINTS AGAINST MEMBERS	2018	2017
Total complaints received	571	673
Relevant complaints received	212	196
Complaints resolved in the year they were received	461	568
Total complaints resolved (including complaints from previous years)	567	667

NOTES:

Total complaints received refers to all complaints received (phone, email or complaint form), whether investigated or discussed only by phone or email.

Relevant / viable complaints received refers to all complaints formally investigated, that is, they are not considered 'unviable'.

An unviable complaint as defined in the By-Laws is one that concerns a matter that occurred more than five years prior to the date of the complaint, concerns a person who is not a member at the time the complaint is lodged, is not supported on the available evidence, or is primarily a fee dispute.

Complaints resolved refers to the viable complaints investigated and either closed or referred to a disciplinary tribunal for hearing.

Total complaints resolved refers to all complaints received and responded to / resolved.

SOURCE OF RELEVANT COMPLAINTS INVESTIGATED	2018	2017
Internal complaints from quality review and other CPA Australia business units	79	64
External complaints	122	124
Complaints initiated as a consequence of external media	11	8
TOTAL	212	196

RESOLUTIONS FOR COMPLAINTS	2018	2017
Concluded by professional conduct investigation	135	186
Determined by Disciplinary Tribunal (not restricted to 2018/2017 complaints)	29	37
Internal reprimand	5	0
Determined on appeal	0	1

COMPLAINTS HEARD AT A DISCIPLINARY TRIBUNAL	2018	2017
Breaches of Constitution, By-laws, Code of Professional Conduct, applicable regulations	7	22
Standard of professional care	2	2
Conduct derogatory to or not in the best interests of CPA Australia or its members	8	2
Become insolvent / bankrupt	3	1
Adverse finding by any statutory body, civil or criminal court	10	14
Failure to comply with request / determination from CPA Australia	5	6

SANCTIONS ORDERED BY DISCIPLINARY AND APPEALS TRIBUNALS	2018	2017
Forfeiture of membership	13	15
Suspension of membership	0	3
Severe reprimand	20	29
Admonishment	2	3
Training and development / other	1	1
Fine	11	6
Undertaking	5	8

NOTES:

In addition to the penalties imposed, members are often required to meet certain criteria prior to any application for re-admission. This may include, but is not limited to undertakings involving completing a compliant quality review, a course of education, providing evidence of having repaid monies and providing a medical certificate.



FUTURE OUTLOOK

STRATEGIC GOALS:

PROVIDE RELEVANT LEARNING AND DEVELOPMENT CONTENT RESOURCES AND TOOLS

ACTIONS

In 2019, we will be creating a digital tool to assist public practitioners prepare a compliance manual risk management framework for their business. Through our quality review program, we have identified the need to assist public practitioners to meet mandatory requirements. In addition to assisting our public practitioners create their risk management framework, the tool will also enable practitioners to perform a real time health check of their business.

We are also developing a solution to enable communication between public practitioners and our quality reviewers. This will save time and reduce costs, with this planned to be introduced by the next review cycle in February 2019.

LEAD THE FUTURE OF THE ACCOUNTING PROFESSION

The changing regulatory environment continues to be a constant challenge for our members. In 2019, we will focus on the creation of tools and resources to assist members to not only meet their regulatory obligations, but also better service their customers.

We will also be increasing our research and advocacy into matters that are increasing the complexity of doing business for those in Public Practice.

In addition, we will continue to promote the benefits of providing advisory-based services as a value add to the provision of core compliance services, with the development of tools and resources to help members make this transition.

ADVOCACY AND THOUGHT LEADERSHIP

PERFORMANCE 2018



**67 SUBMISSIONS
TO GOVERNMENTS
AND REGULATORS**
(2017: >80 SUBMISSIONS) ▼



**167 MEDIA
MENTIONS
RELATED TO
TAX AND
POLICY ISSUES**
(2017: 129) ▲

APPROACH

CPA Australia and its members seek to influence major issues, policies and regulations that impact the markets in which our members work. Such activity lifts the profile of CPA Australia and our members.

We achieve this by investing in our strong and enduring relationships with members, policy-makers, regulators, standard setters and the broader business community.

We made 67 submissions to government and industry stakeholders in Australia and elsewhere in 2018. These submissions were made in response to calls for comment by government, regulators and standard setters, and in response to member concerns. Submissions are informed by member feedback and are made on behalf of members and the profession and are consistent with our goal of protecting the public interest. Public submissions are typically published on the CPA Australia website at cpaaustralia.com.au/consultations

Many of the issues we advocate for on behalf of members cut across wide ranging policy areas. Some of the broader areas we made submissions on in 2018 included:

- Pre-budget submission to the Australian Government
- CPA Australia's ninth annual Asia-Pacific Small Business Survey
- Changes to the APES professional standard on client monies
- Review of the Australian Charities and Not-for-profit Commission's legislation
- Modernising Australia's business registers
- The Greater Bay Area initiative in southern China
- Reforms to combating illegal phoenix activity in Australia
- Hong Kong budget proposals

CENTRES OF EXCELLENCE

One of the key ways in which we incorporate member input into our policy positions is through our Centres of Excellence (CoE). These are structured forums where experienced specialists assist us in developing CPA Australia's policy position.

We have four existing CoEs:

- Environmental, Social and Governance (ESG)
- External Reporting
- Retirement Savings
- Taxation

In late 2018, the Board also approved the establishment of two additional CoEs:

- Ethics and Professional Standards
- Business Transformation

TAXATION

In 2018, we contributed to important tax reform discussions in Australia, New Zealand and Hong Kong. In New Zealand, we made submissions and representations to the Tax Working Group – which is examining the structure, fairness and balance of New Zealand’s tax system. We also held several engagement sessions with members to help us shape our submissions in response to the reform proposals of the working group.

While holistic tax reform in Australia is not currently on the agenda, there were still many tax changes that attracted the interest of members and CPA Australia. In particular, we made detailed submissions and representations on the government’s proposal to retrospectively remove the capital gains tax main residence exemption for non-residents, including many Australians living overseas for work, family or other reasons. Such a proposal, if it were to become law could see Australians living overseas face significant Australian tax bills of many hundreds of thousands of dollars should they sell their Australian home.

Other major tax topics we advocated on in 2018 included:

- Proposed changes to Division 7A on private company benefits and deemed dividends
- Proposal to remove fully refundable franking credits in Australia
- Review of Australia’s small business tax concessions

RETIREMENT SAVINGS AND FINANCIAL ADVICE

CPA Australia made a number of submissions, including to the Australian Securities and Investment Commission (ASIC) approved Code Monitoring Compliance Schemes and the Interim Report for the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry.

Importantly, the Interim Report highlighted the complex regulatory framework that currently exists in financial services. We are increasingly concerned with the negative impact of regulatory burden on the provision of public accounting services. We believe it is time to rethink the current regulatory framework to encourage the provision of affordable, independent quality advice that seeks to engage and inform, not overwhelm, the consumer.

In self-managed superannuation, the Federal Government has proposed that Self-Managed Super Funds (SMSFs) with a clean compliance and annual return lodgement record will be eligible to move from annual financial and compliance audits to a three-year audit cycle. CPA Australia does not support the introduction of this measure. It is unlikely to meet the stated policy intent to reduce red tape and compliance costs for SMSF trustees. We question the benefit of this measure and the proposed cost savings when considered against the risks to the integrity of SMSFs. We have made a number of representations and submissions on this issue.

In 2018, FASEA began its consultation on developing the requirements for the new legislative education and professional standards framework that will commence on 1 January 2019. Given the importance of these reforms, we contributed to FASEA’s work to develop a new education and professional standards framework for financial advisers in Australia by engaging with members for feedback via a national roadshow, making multiple submissions, running articles in various member publications and engaging with FASEA.

We have made submissions with concerns that the proposals FASEA sought public comment on still fail to recognise that not every existing, or future, financial adviser will provide holistic financial planning advice.

JASON CHAN CPA



Senior Risk and Compliance Manager Westpac Group

Jason Chan is clear on the value of being a member, "it is the softer people skills that set members apart. These strategic and leadership skills are extremely valuable in the workplace, backed up by the traditional technical skills of the profession."

He worked hard for his designation, "I completed my CPA studies in 2017. With a background in Actuarial and Finance, I had to complete almost twice as many subjects to attain my CPA qualification – definitely the road less travelled."

A highlight was when CPA Australia invited Jason to deliver the Vote of Thanks at his Graduation Ceremony. Jason recalls, "I was daunted at the prospect of getting up in front of all those people, but this was an opportunity too good to miss and I was extremely excited by it! Through this, CPA Australia helped me to overcome my fear of public speaking."

Jason stresses that being an active member is the key to getting the most out of his membership. With this in mind, he has championed diversity through Accounting for Pride and Pride in Business. Jason shares, "I don't mind saying that I was more than a little surprised that a traditional organisation like CPA Australia became involved in this space. To be honest, I thought it was quite bold."

To Jason, CPA Australia's support of these initiatives was all part of embracing diversity across the membership and more broadly. Jason goes on to say that, "CPA Australia's thought leadership in this space will benefit the industry, helping to ensure that it remains modern and relevant to its members, both old and new. It is amazing to see them lead the way with this and I am excited to see how this evolves."

AUDIT AND ASSURANCE

Audit quality has been a significant focus both internationally and within Australia in 2018. The Monitoring Group, consisting of public authorities responsible for monitoring the international auditing, assurance, accounting education and ethics standard setting process, created significant debate about the governance of standard setting, the on-going role that the profession should play, and how international standard setting might best be funded. This review was commenced by the Monitoring Group in 2015. CPA Australia played a proactive part in facilitating stakeholder discussion by hosting the Australian roundtables in collaboration with the standards setters and CA ANZ.

We have also worked on audit quality initiatives in conjunction with the largest six network firms and CA ANZ, focusing on individual recognition and accountability for audit quality frameworks and root cause analysis. Further, we publicised to members the audit quality findings of ASIC, the Australian Taxation Office (ATO) SMSF auditor compliance team and New Zealand's Financial Markets Authority.

Other major audit and assurance topics we advocated on in 2018 included:

- Revised international auditing standards on risk assessment and auditing accounting estimates
- The International Organization of Securities Commissions report on good practices for audit committee in supporting audit quality

EXTERNAL REPORTING

CPA Australia was involved in a number of critical developments in financial reporting in 2018. This included the AASB proposals to remove special purpose financial reporting. As part of our advocacy work on this issue, we hosted roundtables on behalf of the AASB, conducted outreach activity with members to obtain feedback, and provided our views and comments through a number of channels including two formal submissions.

Supporting members with the implementation of new and established accounting standards in countries that have adopted or are on the path to adopting IFRS remained a key focus in 2018. This included presentations to members in Australia, India, Malaysia, Papua New Guinea and the United Arab Emirates.

Research funded by CPA Australia on the importance and usefulness of financial reporting was concluded during the year, with the publication of five reports showcasing the key findings arising from the research study.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

We contributed to a range of business-related policy discussions on ESG issues in 2018. In particular, CPA Australia produced a detailed comparison of the legal obligations and potential sources of professional liability for auditors spanning climate risk disclosures in annual accounts, annual narrative analysis of operations and in fundraising documents.

A major revision of Australia's code of corporate governance principles and recommendations was conducted in 2018. CPA Australia as a member of the ASX Corporate Governance Council provided consistent and forthright input into elements of this review that reflected our public interest obligations including enhancing the integrity of corporate reporting, combating foreign bribery and deepening the understanding and management of environmental and social risks.

We were also actively engaged in discussions on introducing a statutory-based modern slavery reporting regime in Australia, including being part of a select group engaged to review the final draft legislation prior to wider public consultations. Modern slavery is one form of social risk gaining prominence within supply chain management and reporting.



FUTURE OUTLOOK

STRATEGIC GOALS:

IMPACT POLICY GLOBALLY AND BE ACTIVE IN COMMUNITY ADVOCACY

LEAD THE FUTURE OF THE ACCOUNTING PROFESSION

ACTIONS

Enhancing and extending the amount of policy and advocacy work CPA Australia undertakes for the benefit of members and the broader community through an increase in the resources dedicated to policy and advocacy work.

Establishing additional mechanisms for members to easily provide feedback on policy positions developed by CPA Australia.

Developing a communication plan so it is clearer to members what policy work is being done, and how members can participate in the formation of such policy work.

Further identifying expert members who we can engage in policy development.

HOW WE DO BUSINESS



LIBBY MCGEE
MEMBER 24 YEARS

JASON CHAN
MEMBER FIVE YEARS

 MATERIAL ISSUES*

Material issues represented in this section include:

Our people

M9, M13

Board of Directors

M1, M3

Risk Management

M1, M2

Councils and Committees

M5

 STRATEGIC GOALS

Protect, promote and enhance the integrity of the designation

Provide members with personalised and engaging experiences

Lead the future of the accounting profession

 OUTCOMES

Reputation of the designation

Retention and development of our people

Industry partnerships

 RISKS AND OPPORTUNITIES COVERED

Brand damage

Constitution

Change

Wellbeing

* Explanation of our material issues is provided on pages 69 to 71.

OUR PEOPLE

PERFORMANCE 2018



68% FEMALE

32% MALE

GENDER COMPOSITION
OF WORKFORCE

(2017: 66% FEMALE / 34% MALE)



14%

REGRETTED TURNOVER
OF LEADERS

(2017: 14%)



21%

EMPLOYEES OUTSIDE
AUSTRALASIA

(2017: 19%) ▲



28%

ROLES FILLED BY
INTERNAL MOVEMENT

(2017: 25%) ▲

APPROACH

CPA Australia aims to ensure an engaged and motivated workforce that is empowered to deliver on our strategy and organisational objectives. To achieve this, we have policies and workplace practices that are centred around attracting, developing and retaining talent.

Considerable organisational change occurred during 2018, including implementing a new organisational structure in August. This created a challenging environment for our employees and we have continued supporting our people through change, while focusing on our strategy to deliver value to members.

More information on our approach to this area, including further GRI data, can be found on our website at cpaustralia.com.au/informationgri2018

REALIGNMENT

In August, a new organisational structure was established to support our strategy. This included the creation of a new Member Experience business unit to build engagement, a strengthened Policy, Advocacy and Public Practice team, an Education team tasked with improving professional development and the CPA Program and a Technology and Digital Solutions team that will ensure members are at the forefront of digital learning.

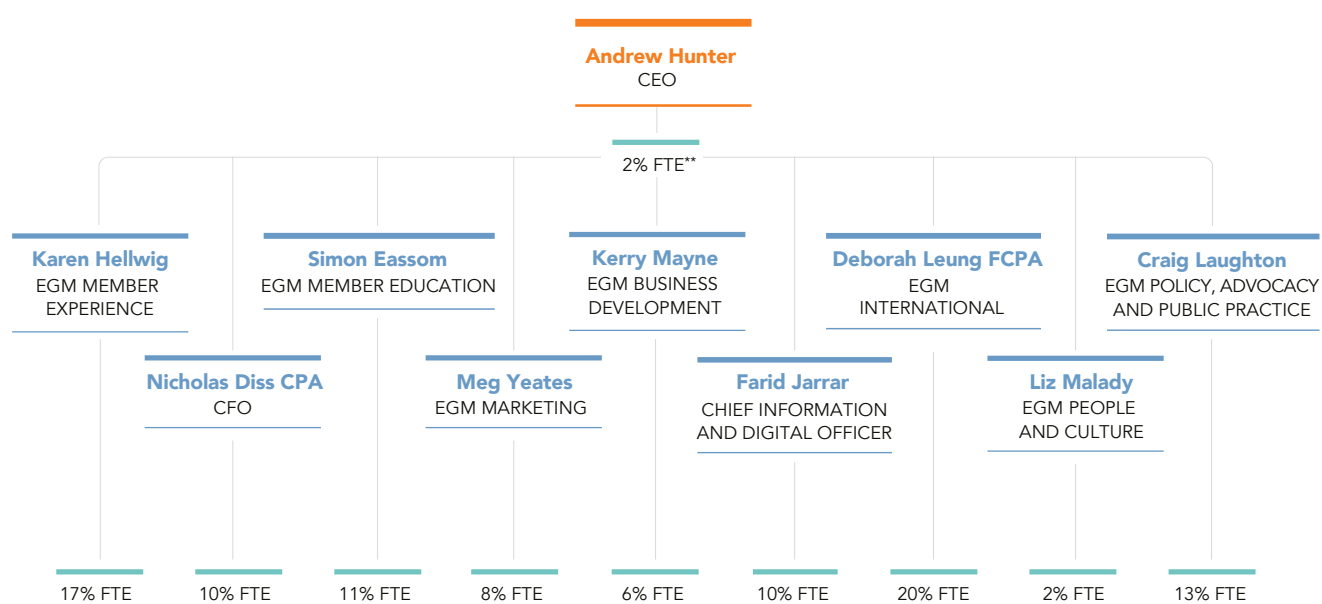
As part of the organisational realignment, a new Executive Management Team structure (figure seven) was put in place, including the appointment of several new executive general managers (EGM).

TABLE 1: CPA AUSTRALIA EMPLOYEES (INCLUDING CASUALS) BY REGION

	2018			2017		
	FEMALE	MALE	TOTAL*	FEMALE	MALE	TOTAL*
Australia	65%	35%	79%	63%	37%	80%
China	89%	11%	9%	87%	13%	9%
Malaysia	86%	14%	4%	89%	11%	4%
Singapore	47%	53%	4%	54%	47%	4%
Other	76%	24%	5%	64%	36%	5%
Total	68%	32%	100%	66%	34%	100%

* Figures are round and may not equal 100%

FIGURE 7: ORGANISATIONAL STRUCTURE*



* Figures are round and may not equal 100%

** FTE under the CEO include the Company Secretary and secretariat resources

OUR PEOPLE

REMUNERATION FRAMEWORK

We also reviewed our remuneration framework to ensure it is aligned to strategy. The framework outlines the principles and approach to remuneration components (fixed and variable) and a process for applying these remuneration components for all employees.

Further information on remuneration of the Board and other Key Management Personnel can be found in Note 19 to the Financial Statements on pages 110 to 116 of this report and in the Schedule of Directors' Remuneration on pages 130 to 137. Table three on page 59 shows the remuneration for the 20 highest paid individuals in the organisation.

CULTURE AND ENGAGEMENT

As part of supporting and empowering our people to activate our strategy, we have commenced the implementation of a culture plan.

The change in our organisational strategy has resulted in a change of focus for our organisational culture, with new culture pillars centred on:

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

Leader and employee workshops have been a focus in the latter part of 2018, to establish the link between strategy and culture. Outcomes have been linked to ways of working that lead to engaged employees, who are empowered to deliver a personalised member experience.

INCLUSION AND DIVERSITY

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

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

CPA Australia employs 517 people (full time, part time and casual) from a diverse range of nationalities, age groups and backgrounds.

We are committed to attracting and retaining employees whose composition reflects a diversity of backgrounds, knowledge, experience and abilities. In support of this objective to achieve gender diversity, the representation of the Executive Management Team currently achieves a 50/50 gender balance. The overall gender composition of our workforce is 68 per cent female and 32 per cent male.

Our new inclusion and diversity plan, was launched in May and key initiatives are underway, more information on this can be found in the governance section on page 11.

EQUAL REMUNERATION

We also committed to a review of like for like roles to identify and remove genuine gender pay gaps. In relation to equal remuneration between men and women (refer to table two on page 59), there are a number of technical specialist roles where to be market competitive and attract suitably qualified candidates, we are required to offer remuneration at a higher rate in the range, which mostly occurs in our Technology and Digital Solutions business unit where there are a number of positions which are predominantly occupied by males. Additionally, the Senior Management level variance reflects that the roles are not like for like in terms of scope.

We continue to focus on minimising the gender pay gap through people strategies and processes including the annual remuneration review, and we have taken steps to address the gender pay gaps across all levels of the organisation. We have set a 2021 target for a ratio of between 0.95 to 1.05 across all remuneration grade levels.

TABLE 2: RATIO OF FEMALE TO MALE REMUNERATION (AUSTRALIA ONLY)*

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

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

TABLE 3: REMUNERATION OF HIGHEST 20 PAID EMPLOYEES 2018

2018 SALARY AND FEES BAND	2018	2017
\$200,000 - \$300,000	12	8
\$300,001 - \$400,000	5	8
\$400,001 - \$500,000	2	1
\$500,001 - \$600,000	-	-
\$600,001 - \$700,000	-	-
\$701,001 - \$800,000	1	2
\$800,001 - \$900,000	-	1
Total number of executives	20	20

The above bands are based on Fixed Salary (FS) which includes total gross remuneration on an annual basis plus employer superannuation contributions. Fringe benefits and fringe benefits tax have also been included where applicable.



FUTURE OUTLOOK

STRATEGIC GOAL:

PROVIDE MEMBERS WITH PERSONALISED AND ENGAGING EXPERIENCES

ACTIONS

A key initiative under this goal is to develop a culture that enables a personalised and engaging member experience. To address this, we will continue to build on the activities undertaken in 2018, to drive initiatives to embed the new culture pillars. This will include conducting an employee culture and engagement survey in 2019.

We will also focus on initiatives to address inclusion and diversity, including launching our first Reconciliation Action Plan (RAP). The RAP will support our strategy and drive our contribution to reconciliation, both internally and in the communities in which we operate.

BOARD OF DIRECTORS

APPROACH

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

More information on our approach to this area including changes made to the governance framework and structures can be found in the Corporate Governance Statement on our website at cpaaustralia.com.au/governancestatement and in the governance section on pages six to 13 of this report.

BOARD SKILLS MIX AND DIVERSITY

The Nomination Committee recommends to the Board the skills and competencies required on the Board and assesses the extent to which those skills are represented on the Board. The Nomination Committee regularly considers diversity issues and manages the diversity of the Board and its committees. In 2019, the newly formed People, Remuneration and Culture Committee will also provide input into the skills mix required. The Board recommends that a minimum of 25 per cent of directors on the Board should be female, the current gender split of the Board is 60 per cent female, 40 per cent male. The diversity of the current Board is shown in table four below, with the skills represented on the Board and its committees in table five on page 61.

TABLE 4: BOARD DIVERSITY AS AT 31 DECEMBER*

2018	TOTAL		FEMALE		MALE	
	Number	%	Number	%	Number	%
Age						
Under 30	0	0%	0	0%	0	0%
30-50	2	20%	2	20%	0	0%
Over 50	8	80%	4	40%	4	40%
TOTAL	10	100%	6	60%	4	40%

2017	TOTAL		FEMALE		MALE	
	Number	%	Number	%	Number	%
Age						
Under 30	0	0%	0	0%	0	0%
30-50	1	9%	1	9%	0	0%
Over 50	10	92%	5	45%	5	45%
TOTAL	11	100%	6	55%	5	45%

* Figures are rounded and may not equal 100%.

TABLE 5: BOARD SKILLS MATRIX AS AT 31 DECEMBER (NUMBER OF DIRECTORS WITH SKILLS AND EXPERIENCE)

	BOARD OF DIRECTORS	AUDIT RISK AND COMPLIANCE	FINANCE AND POLICY	NOMINATION	MEMBER ENGAGEMENT	INDEPENDENT REVIEW IMPLEMENTATION
Skills and experience						
Financial / commercial acumen	10	5	5	2	5	3
Leadership	10	5	5	2	5	3
Public relations / media	7	3	3	1	4	2
Marketing / communications	6	2	4	1	3	2
Human resources	7	3	4	1	4	2
Legal / regulatory	9	5	5	5	4	2
Organisational management	10	5	5	2	5	3
Business development	9	4	5	2	4	3
Project management	10	5	5	2	5	3
Change management	10	5	5	2	5	3
Risk management	10	5	5	2	5	3
Stakeholder management	10	5	5	2	5	3
Policy development	9	5	5	2	4	2
Advocacy	10	5	5	2	5	3
Member-based organisation governance	10	5	5	2	5	3
Government relations	9	5	5	2	4	2
Corporate governance	9	5	5	2	4	2
Sector						
Academia	5	2	3	1	3	2
Public Practice	5	4	2	1	2	1
Government	8	4	4	2	4	2
Large firm	8	3	5	2	3	3
Large listed	5	2	3	1	2	2
NFP	9	4	4	2	5	3
Executive						
Current executive	9	4	5	2	4	3
Practising accountant	5	4	2	1	2	1
Non-Executive director	10	5	5	2	5	3
Board Chair	8	4	4	1	4	3
Committee Chair	9	5	4	1	5	3

BOARD OF DIRECTORS



PETER WILSON AM FCPA, PRESIDENT AND CHAIRMAN OF THE BOARD
BCom (Hons) MA (Melb) FCPHR
FAICD FCIPD (UK)

Peter Wilson is Chairman of the Australian HR Institute Limited. He is a non-executive director of Bank First, and Vision Super.

Peter is an Adjunct Professor in Management at the Monash Business School, Monash University, Melbourne, and is an accredited PhD Supervisor at the Latrobe Business School, Latrobe University. He has honorary roles as the Chairman of the Australian Network on Disability, and the Advisory Council of the

Victorian Institute of Strategic Economic Studies at Victoria University.

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

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



MERRAN H KELSALL FCPA, DEPUTY PRESIDENT
BCom (Hons) FCA MBA FAICD FFIN

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 finance, audit, risk and compliance. She is particularly interested in aligning performance management with strategy, and in financial and non-financial external reporting to include strategy and risk management.

She has experience with organisations that have a strong focus 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 current appointments include director of RACV, Deputy Chair of Melbourne Water, Director of Vic Super and TarraWarra Museum of Art. Merran was also appointed a Professor of Practice in the School of Accounting at the UNSW Business School in December 2018. Her former appointments include Chairman, Australian Auditing and Assurance Standards Board, Member International Auditing and Assurance Standards Board and Director of Superpartners.



CHIN AIK WONG FCPA, DEPUTY PRESIDENT
BEC (Monash) MBA (Hull) CA (M) FCTIM

Chin Aik Wong is a senior finance and commercial leader with extensive experience gained through progressively senior positions in assurance and advisory, banking, oil and gas, shared services, manufacturing, sales and marketing. He previously worked for Deloitte, United Overseas Bank and BP. He was with BP for over 20 years where he held senior leadership positions in commercial and industrial sales, human resources,

finance and accounting and global business services. He is currently the Executive Director of PHHP Group of Companies which he co-founded in 1995.

Chin Aik was a councillor of the Malaysian Division of CPA Australia from 2010 to 2016. He was the Malaysian Divisional President for 2015 and 2016.

In October 2018, Chin Aik was appointed to the Asean Federation of Accountants (AFA) Council where he represents CPA Australia.



RIC DE SANTI FCPA, DIRECTOR
BBus GAICD

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

Ric is presently the Deputy Auditor-General and Chief Operating Officer with the Tasmanian Audit Office. He is also a member of the Australasian Council of Auditors-General (ACAG) technical group, the Financial Reporting and Accounting Committee and Chair of ACAG's Heads of

Financial Audit Group. He was previously a member of CPA Australia's External Reporting Centre of Excellence and has been a registered company auditor since 1982. He has also served on a number of not-for-profit Boards, most recently, from 2016, as a Commissioner on the Tasmanian Catholic Education Commission and Chair of its Finance sub-committee.

Ric was a member of CPA Australia's Tasmanian Divisional Council from 2005 to 2014, was President of the Division in 2009, and returned to Council in 2017. He was a member of CPA Australia's Representative Council from 2013 to 2014 and continues as a member of CPA Australia's Public Sector Network, which he joined in 2012.



ROBYN ERSKINE FCPA, DIRECTOR
BBus CA RITF

Robyn is a partner in Brooke Bird a specialist restructuring, insolvency and turnaround practice. As a highly regarded insolvency practitioner she has developed a strong knowledge of directors duties, financial management and corporate governance. She has been actively involved in the public practice sector for over 30 years and is dedicated to serving the wider accounting profession. She is a member of CPA Australia's Victorian Divisional Council and has previously served on the Victorian Public Practice Committee. In 2014, she was awarded the Henry Fox Award for

outstanding service to Public Practice in Victoria. In 2015, Robyn was appointed to the IFAC Small to Medium Practice Committee (SMPC) after nomination by CPA Australia and CA ANZ. Robyn has been appointed the 2019 Deputy Chair of the IFAC SMPC and also chairs the SMPC Ethics Taskforce.

She is a current director of ARITA where she was the President from 2011 to 2013. In 2015, she was awarded the ARITA President's Award for outstanding service to the profession and in 2017 was awarded Life Membership for her long, dedicated and distinguished service to ARITA and the Profession.



HELEN LORIGAN, DIRECTOR
BCom GAICD SF Fin

Helen Lorigan was appointed as a Venture Partner of Sapien Ventures, a global venture capital company, in April 2017 having commenced as an Executive-in-Residence in February 2016 which also resulted in her subsequent appointment to two fintech company Advisory Boards: HashChing and Investfit. Helen is leading a number of key initiatives across superannuation, self-directed advice, banking and funds management which involve the identification, sourcing and curating of high quality fintech and online

marketplace start-ups for investment. Previously, Helen held the role of CEO of Elders Financial Planning, formed as a Joint Venture between ANZ and Elders Limited in 2009 after initially commencing with Elders as General Manager, Wealth Management in 2006. Helen has also held senior executive positions with the ANZ Group, CBA and MLC.

Helen holds a Bachelor of Commerce from UNSW, is a Graduate of the AICD, a Senior Fellow of FINSIA and has served as a director, Responsible Manager and Advisory Board member on numerous financial services Boards and Australian Financial Services Licences.

BOARD OF DIRECTORS



**PROFESSOR DALE PINTO FCPA,
DIRECTOR**

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

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

He is a Fellow of CPA Australia and served as a member of the WA Divisional Council. Dale was President of the WA Divisional Council in 2018 but following his appointment to the CPA Australia Board stepped down as the WA Divisional Council President on 30 September 2018

prior to commencing his director term on 1 October 2018. He continued to serve as a Divisional Councillor until the end of 2018.

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

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

Dale is a member of the Tertiary Education and Quality Standards Agency Expert Panel in Accounting, Taxation and International Education.



**ROSEMARY SINCLAIR AM 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, an organisation created in 2015 by the COAG Energy Council of Ministers.

Rosemary's Board level experience spans private sector companies, public sector and not-for-profit organisations and includes roles as member or Chair of Audit and Risk Committees for more

than 20 years. Rosemary has international experience in telecommunications and internet policy development committees.

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

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



**CAROLINE SPENCER FCPA, DIRECTOR
BBus FCA GAICD AGIA**

Caroline is the Auditor-General for Western Australia. Prior to this she was a public practitioner based in Canberra specialising in public sector 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 has held a number of predominately public sector Board and committee roles.



**SU-YEN WONG, DIRECTOR
BA MBA MAICD FSID**

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

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

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

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

RISK MANAGEMENT

APPROACH

A key activity in 2018 has been the review and updating of the organisation's approach to risk management. This has included the development of a risk appetite statement for each of the 10 strategic risks agreed by the Board.

The risk appetite statement is a Board approved articulation of the approach CPA Australia will take to manage risk.

The statements developed represent the first time the Board and management of CPA Australia have undertaken such work. As such they represent a key step forward in CPA Australia's risk management maturity.

The risk appetite statement enables the Board and management of CPA Australia to be aligned on risk management and to:

- Identify, assess and treat the strategic risks related to the achievement of objectives whilst remaining within the Board's approved appetite for these risks
- Make decisions that reflect the taking of appropriate risk for appropriate reward, leveraging the right controls
- Provide timely monitoring and reporting on strategic risks to all stakeholders
- Create a sound risk culture that is embedded throughout the organisation
- Continually improve and mature the management of risk
- Satisfy corporate governance and regulatory requirements at all times

Work on risk management has also included a new risk management framework approved by the Board and investment in risk and compliance resources as detailed in the governance section of this report.

The Board discusses strategic and major operational risks as part of its regular meeting agenda. Reporting on risks under the risk appetite is reviewed by the Audit, Risk and Compliance Committee quarterly.

As part of our approach to risk and ongoing planning, trends in our operating environment are reviewed and risk assessment is part of our operational planning.

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. Employees are assessed on their adherence to the Code of Conduct as part of their performance reviews.








































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


As covered in the governance section on page 12 of this report, as part of the overall review of the risk framework of CPA Australia, the internal audit function was reviewed to consider best practice and the current capabilities of the organisation and an external whistleblower function has been introduced.


As well as looking at our strategic risks, through our consultation activities with members we understand that there are areas of opportunity for CPA Australia to better deliver value. Our key strategic risks and opportunities and our response to them can be found on pages 67 to 68.


STRATEGIC RISKS AND OPPORTUNITIES


TITLE	DESCRIPTION	OUR RESPONSE	STRATEGIC GOALS IMPACTED*	MATERIAL ISSUES IMPACTED**
Brand damage	Inability to repair and restore brand and reputation	<p>Continue to communicate transparently and act in members' best interests</p> <p>Strengthen CPA Australia's position as an international designation</p> <p>Strengthen internal quality assurance and risk framework to ensure integrity and transparency</p> <p>Maintain the high standards and relevance of the CPA Program</p>	   	        
Member value	Failure to demonstrate the value of being a CPA Australia member	<p>Investment in member journey mapping</p> <p>Enhance and extend the amount of policy and advocacy work that CPA Australia undertakes for the benefit of members</p> <p>Improve member experience and tailored communications</p> <p>Improve value for money, relevance and flexibility of CPD</p>	  	      
Member experience	Inability to build a consistent and credible member experience	<p>Investment in member journey mapping</p> <p>Establishment of Member Engagement Committee</p> <p>Improve the support model for the CPA Program</p> <p>Invest in the underpinning tools required to support the delivery of a personalised and engaging member experience</p>	  	    
Volunteers	Failure to attract and retain capable and engaged members	<p>Establishment of Member Engagement Committee</p> <p>Creation of a more effective local support model for members through divisions, branches and committees</p>	 	 
Constitution	Adverse constitutional change that impacts efficient and effective business operations	<p>Adoption of recommendations from Independent Review Panel</p> <p>Governance changes taken to 2018 AGM</p> <p>Continued Board communication on activities</p>		  


STRATEGIC GOALS KEY


 Protect, promote and enhance the integrity of the designation

 Provide relevant learning and development content, resources and tools

 Lead the future of the accounting profession

 Attract and develop the next generation of CPA's



























 Provide members with personalised and engaging experiences

 Impact policy globally and be active in community advocacy


*Refer to pages 14 and 15 for more details on our strategy.


**Explanation of our material issues is on pages 69 to 71.


STRATEGIC RISKS AND OPPORTUNITIES


TITLE	DESCRIPTION	OUR RESPONSE	STRATEGIC GOALS IMPACTED*	MATERIAL ISSUES IMPACTED**
Change	Failure to execute change effectively	Investment in change management capability and capacity	     	M13
Wellbeing	Failure to adequately manage the health and wellbeing of our people during a significant time of change	Continued investment in Employee Assistance Program Investment in wellbeing and culture activities	     	M13
Communication	Ineffective communication strategy and practices to effectively engage and connect members and stakeholders	Tailored communications based on individual member needs Develop a culture that enables a personalised and engaging member experience Invest in underpinning tools required to support the delivery of a personalised and engaging member experience		M1 M6 M8
Education and Professional Development	Failure to provide education and professional development that is relevant, meets members' needs and value expectations	Improve the support model for the CPA Program Improve value for money, relevance and flexibility of CPD Maintain the high standards and relevance of the CPA Program	 	M4 M7 M8 M11 M12
Data and systems	The risk of data loss and / or privacy breach and systems availability	Investment in data and systems	  	M1 M14
Industry knowledge	Improving our thought-leadership and advocacy to better address member needs of staying ahead of accounting trends and advocating for the industry	Enhance and extend the amount of policy and advocacy work that CPA Australia undertakes for the benefit of members	  	M1 M2 M10 M15
Career management	Members are looking to CPA Australia for advice on information on next career steps	Structured mentoring program Conduct research on how the CPA designation meets future needs Develop products that will support members in their future career development	  	M1 M5 M8 M11
Skills and training	There is an opportunity to improve the training and skills development we offer our members in order to support their careers	Improve value for money, relevance and flexibility of CPD Enhance tools and resources for Public Practitioners	 	M4 M8 M11 M12


STRATEGIC GOALS KEY


 Protect, promote and enhance the integrity of the designation

 Provide relevant learning and development content, resources and tools

 Lead the future of the accounting profession

 Attract and develop the next generation of CPA's

 Provide members with personalised and engaging experiences

 Impact policy globally and be active in community advocacy

*Refer to pages 14 and 15 for more details on our strategy.

**Explanation of our material issues is on pages 69 to 71.

MATERIAL ISSUES

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

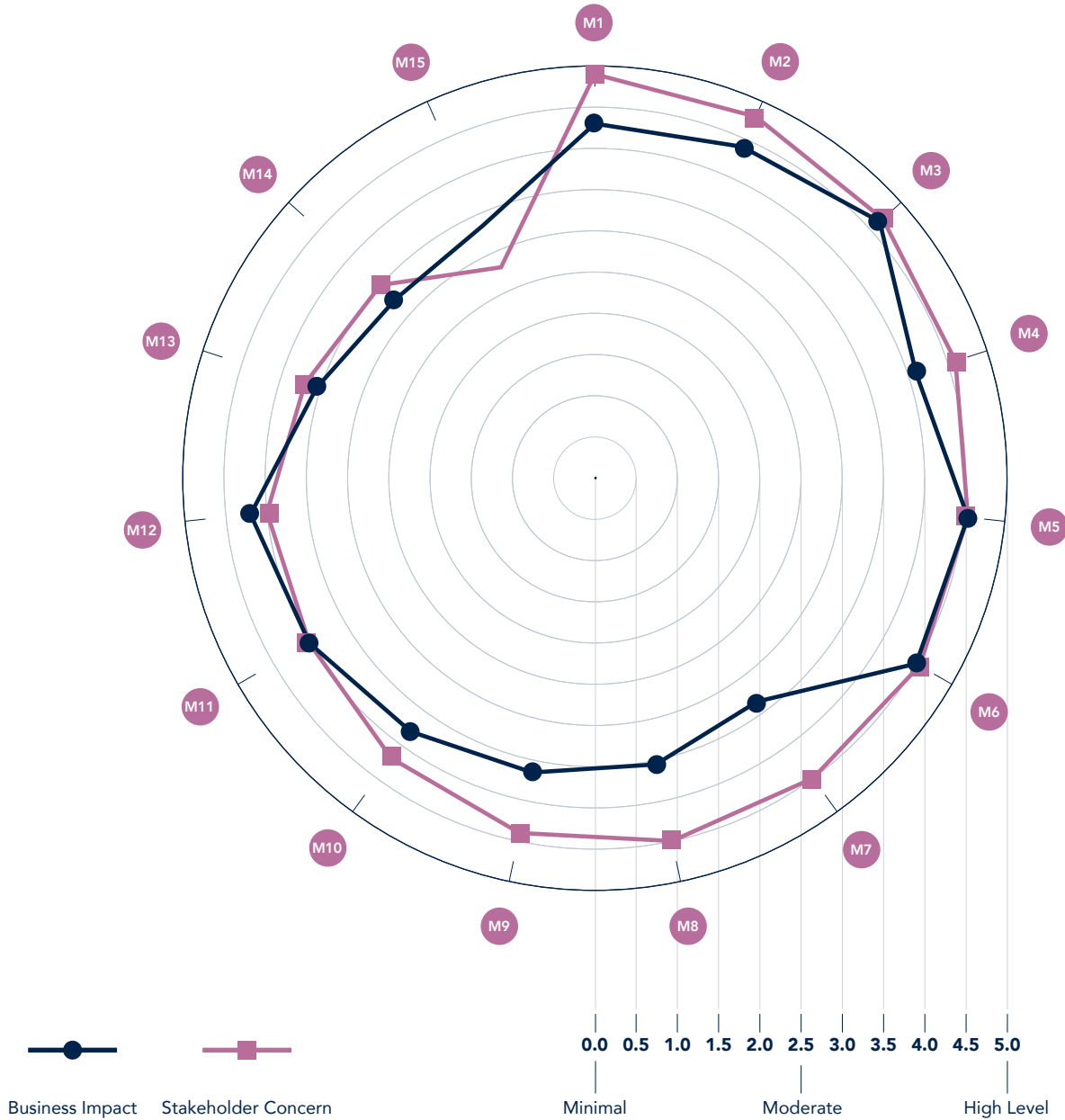
Our materiality process is detailed below.

MATERIALITY DETERMINATION PROCESS



MATERIAL ISSUES

FIGURE 8: MATERIALITY RADAR 2018



MATERIAL ISSUES KEY

- M1** Member trust in CPA Australia
- M2** Reputation and promotion of the brand and designation
- M3** Transparency of governance processes
- M4** High quality CPA Program
- M5** Lead the future of the accounting profession
- M6** Communicating effectively to members
- M7** Professional standards
- M8** Member experience and satisfaction
- M9** Remuneration policies and equal remuneration
- M10** Advocating for the public interest
- M11** Attract and develop the next generation of CPAs
- M12** High quality professional development and knowledge for members
- M13** Engaged and motivated workforce
- M14** Customer privacy
- M15** Advocacy and thought leadership (on behalf of members)

Material issues ranking (figure eight) is based on a combination of business impact (blue web) and stakeholder concern (mauve web).

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

Figure eight also 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 them.

Further information on our materiality process including the boundary for each issue is provided online at cpaustralia.com.au/informationgri2018

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 input from members was 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 considering new material issues.

The issues raised by our stakeholders and our response to them can be found in the table below with further information on additional stakeholders on our website at cpaustralia.com.au/informationgri2018

TABLE 6

STAKEHOLDER GROUP	HOW WE ENGAGED	KEY ISSUES RAISED	OUR RESPONSE
Members	<ul style="list-style-type: none"> Divisional and Branch Councils and Committees Member forums and strategy consultation Customer service activities Discussion groups Materiality survey and interviews Member research Networking and professional development events Social media 	<ul style="list-style-type: none"> Member trust in CPA Australia Reputation and promotion of the brand and designation Transparency of governance processes High quality CPA Program Lead the future of the accounting profession Communicating effectively to members Professional standards Member experience and satisfaction Remuneration policies Advocating for the public interest Attract and develop the next generation of CPAs High quality professional development and knowledge for members Customer privacy Engaged and motivated workforce Advocacy and thought leadership on behalf of members 	<p>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 two to 53</p>
Prospective members	<ul style="list-style-type: none"> Career and Become a CPA events On campus activities Social media Student network 	<ul style="list-style-type: none"> Member trust in CPA Australia Reputation and promotion of the brand and designation High quality CPA Program Lead the future of the accounting profession Professional standards Advocating for the public interest Attract and develop the next generation of CPAs 	<p>Our response to these issues can be found on pages 30 to 53</p>

STAKEHOLDER GROUP	HOW WE ENGAGED	KEY ISSUES RAISED	OUR RESPONSE
Community / broader public	Advocacy activities News and media articles Opinion articles Partnerships with community organisations	Professional standards Advocating for the public interest Reputation of the brand and designation	Our response to these issues can be found on pages 46 to 53
Employees	Formal performance appraisals Materiality survey and interviews Intranet Staff newsletter All-staff gatherings	Member trust in CPA Australia Reputation and promotion of the brand and designation Transparency of governance processes High quality CPA Program Lead the future of the accounting profession Professional standards Member experience and satisfaction Remuneration policies Advocating for the public interest Attract and develop the next generation of CPAs High quality professional development and knowledge for members Engaged and motivated workforce Advocacy and thought leadership on behalf of members	As our employees raise a wide range of material issues our responses are found throughout this report, particularly pages two to 53
Regulators and government	Advocacy activities Contribution to parliamentary enquiries Departmental and Ministerial level meetings Meetings with regulators Ongoing written correspondence Participation in consultation forums	Member trust in CPA Australia Reputation and promotion of the brand and designation Transparency of governance processes High quality CPA Program Professional standards Advocating for the public interest Advocacy and thought leadership on behalf of members	Our response to these issues can be found in the following pages two to 38, 42 to 53 and 60 to 65

COUNCILS AND COMMITTEES

AS AT 31 DECEMBER 2018

AUSTRALIAN CAPITAL TERRITORY

Steve Wearn FCPA, President
Darren Schaeffer FCPA, Deputy President
Gaye Lindfield FCPA, Deputy President
Hawari Badri FCPA
Emily Canning FCPA
Michael Jeremenko CPA
Cha Jordanoski FCPA
Habib Khan FCPA
Tony Marks FCPA
Rodney Miller FCPA
Kym Partington FCPA

NEW SOUTH WALES

Shabnam Amirbeaggi FCPA, President
David Crook FCPA, Deputy President
Rosalie Degabriele FCPA, Deputy President
Susanne Ainsworth FCPA
Vittoria Anderson CPA
Erica Blythe FCPA
Shirley Cho FCPA
David Ferri FCPA
John M Hutcheson FCPA
Mark Jones FCPA
Kegan Kashian FCPA
Teddy Kosasih FCPA
Mark Lehane FCPA
Richard Morton FCPA
Mark Powell FCPA
Allison Yeoland FCPA
Ying Zhang FCPA

NORTHERN TERRITORY

Randle Walker FCPA, President
Joseph Valenti FCPA,
Deputy President
Lisa Blakeley FCPA, Deputy President
Anil Basnet CPA
Benjamin Inglis FCPA
Derek Mayger FCPA
Donna Moore CPA
Linda Murphy FCPA
Bhan Pratap FCPA
Ali Rkein CPA
Ross Springolo FCPA
Joseph Valenti FCPA

QUEENSLAND

Melissa Georgiou FCPA, President
Peta Shipley FCPA, Deputy President
Stuart Tooley FCPA, Deputy President
Vivek Chopra FCPA
Angie Condon-Smith FCPA
Michael Dooley FCPA
Robert McDowall CPA
Stephen McGrory FCPA
Deborah Nisbet FCPA
Kerry Phillips FCPA
Grant Tanham-Kelly FCPA

SOUTH AUSTRALIA

Andrew Dow FCPA, President
Glenn Bain CPA, Deputy President
Chau Chiem FCPA, Deputy President
Ivana Bosio FCPA
Karen Conlon FCPA
Judy Horsfall CPA
Bryan Howieson FCPA
Philip Mann FCPA
Andrew McInerney FCPA
Amanda Taylor FCPA
Stephen Warren FCPA
Denis Yengi CPA

TASMANIA

Sue Shoobridge FCPA, President
Andrew Pearce FCPA, Deputy President
Ric De Santi FCPA, Deputy President
Ralph Doedens FCPA
Paul Gimpl FCPA
Brad Hilder FCPA
Roger Lu CPA
Gary O'Donovan FCPA
Anne-Marie Martin CPA
Eleanor Patterson FCPA
Jesse Penfold CPA
Fiona Stagg FCPA

VICTORIA

Clare Lezaja FCPA, President
Jacquetta Griggs FCPA, Deputy President
Piotr Jakubicki FCPA, Deputy President
Richard Blakeman FCPA
Terence Brooks FCPA
Theresa Day FCPA
Robyn Erskine FCPA
Devini Goonetilleke FCPA
Justin Gordon FCPA
Anne La Fontaine FCPA
Paul Mather FCPA
Gloria Sleaby FCPA
Brent Szalay FCPA
Katrina Watt CPA

WESTERN AUSTRALIA

Quentin Hooper FCPA, Acting President
Andrew Seiner FCPA, Deputy President
Jean Wei Choo FCPA
Kylie Coulson FCPA
John Dawson FCPA
Thomas Griebel FCPA
Tanvi Haria FCPA
Dale Pinto FCPA
Timothy Spencer CPA
Paul Tiernan FCPA
Jimmy Trpcevski FCPA

CHINA – EAST AND CENTRAL CHINA

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

CHINA – GREATER CHINA

Paul Ho FCPA, President
Vickie Fan FCPA, Deputy President
Roy Lo FCPA, Deputy President
Ivan Au FCPA
Sebastian Bombaci FCPA
Bong Chan FCPA
Janssen Chan FCPA
Jeffrey Chan FCPA
Anthony Lau FCPA
John Lo FCPA
Wilson Pang FCPA
Ronald Yam FCPA

CHINA – NORTH CHINA

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

CHINA – SOUTH CHINA

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

COUNCILS AND COMMITTEES

EUROPE

Rajeev Adrian FCPA, President
Philip Sourry FCPA, Deputy President
John Benias FCPA
Garth Britton CPA
Christopher Crellin FCPA
Kristy Eden-Green FCPA
Kerry Huggler CPA
Warren McRae FCPA
Warwick Syphers FCPA

MALAYSIA

Teresa Chong FCPA, President
Sharman Arumugam FCPA, Deputy President
Jimmy Lai FCPA, Deputy President
Nadzirah Abdul Rashid FCPA
Bryan Chung FCPA
Gark Chee Jin FCPA
Surin Segar FCPA
Zulkiflee Mohamed FCPA
Dato' Feizal Mustapha FCPA
Jagdev Singh FCPA
Tan Lay Keng FCPA
Toh Beng Siew FCPA

NEW ZEALAND

Mat Croad FCPA, President
Tracy Hickman FCPA, Deputy President
Matthew Needham FCPA, Deputy President
Lyndon Bain CPA
Stephen Bell FCPA
Gillian Craig CPA
Andrew Dickeson FCPA
John Gill FCPA
Brad Golchin FCPA
Emily Hewat CPA
Scott Scoullar FCPA

SINGAPORE

Yeoh Oon Jin FCPA, President
Ong Pang Thye FCPA,
Deputy President
Chia-Tern Huey Min FCPA
Chng Lay Chew FCPA
Andrew Han FCPA
Ho Yew Kee FCPA
Koh Kah Sek FCPA
Lo Wei Min FCPA
Stanley Sia Swie Kean FCPA
Tan Kay Kheng FCPA
Vincent Toong FCPA
Philip Yuen FCPA

BOARD COMMITTEES

AS AT 31 DECEMBER 2018

AUDIT, RISK AND COMPLIANCE COMMITTEE

Chin Aik Wong FCPA, Chair
Ric De Santi FCPA
Robyn Erskine FCPA
Dale Pinto FCPA
Caroline Spencer FCPA

FINANCE AND POLICY COMMITTEE

Peter Wilson FCPA, Chair
Merran Kelsall FCPA
Helen Lorigan
Rosemary Sinclair CPA
Chin Aik Wong FCPA

INDEPENDENT REVIEW IMPLEMENTATION COMMITTEE

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

MEMBER ENGAGEMENT COMMITTEE

Robyn Erskine FCPA, Chair
Ric De Santi FCPA
Dale Pinto FCPA
Rosemary Sinclair CPA
Su-Yen Wong

NOMINATION COMMITTEE

Merran Kelsall FCPA, Chair
Ivana Bosio FCPA
Helen Lorigan
Kerry Phillips FCPA
Geoff Rees
Leanne Rowe

PEOPLE REMUNERATION AND CULTURE COMMITTEE*

Merran Kelsall FCPA, Chair
Helen Lorigan
Caroline Spencer FCPA
Peter Wilson FCPA
Su-Yen Wong

ADVISORY COMMITTEES

AS AT 31 DECEMBER 2018

APPOINTMENTS COUNCIL

Peter Wilson FCPA, Chair (non-voting)
Ivana Bosio FCPA
Chia-Tern Huey Min FCPA
John Gill FCPA
Paul Gimpl FCPA
Piotr Jakubicki FCPA
Tony Marks FCPA
Kerry Phillips FCPA
Mark Powell FCPA
Ross Springolo FCPA
Warwick Syphers FCPA
Tan Lay Keng FCPA
Paul Tiernan FCPA

COUNCIL OF PRESIDENTS

Rajeev Adrian FCPA
Shabnam Amirbeaggi FCPA
Teresa Chong FCPA
Mat Croad FCPA
Andrew Dow FCPA
Melissa Georgiou FCPA
Paul Ho FCPA
Quentin Hooper FCPA
Clare Lezaja FCPA
Sue Shoobridge FCPA
Randle Walker FCPA
Steve Wearn FCPA
Yeoh Oon Jin FCPA

PROFESSIONAL QUALIFICATIONS ADVISORY COMMITTEE

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

PUBLIC PRACTICE ADVISORY COMMITTEE

Stephen Jones FCPA, Chair
Sharman Arumugam FCPA
Terrence Cheong FCPA
Justin Enright FCPA
Brad Golchin FCPA
Andrew Pearce FCPA
Gavin Swan FCPA
Brent Szalay FCPA

QUALITY REVIEW ADVISORY COMMITTEE

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

DISCIPLINARY PANEL

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

LIFE MEMBERS

Elizabeth Alexander AM FCPA
 Patrick Barrett AO FCPA
 David Baulch FCPA
 Brian Blood FCPA
 David Boymal AM FCPA
 John Cahill FCPA
 Denis Cortese FCPA
 Mark Coughlin FCPA
 Clyde Dickens AM FCPA
 Kenneth Eastwood AM FCPA
 Scott Henderson AM FCPA
 Robert Jeffery FCPA
 Jim Kropp FCPA
 Loh Hoon Sun FCPA
 Low Weng Keong FCPA
 Graeme McGregor AO FCPA
 Ian McPhee AO FCPA
 Paul Meiklejohn FCPA
 John Miller AO FCPA
 Joycelyn Morton FCPA
 Graham Paton AM FCPA
 Des Pearson AO FCPA
 Patrick Ponting FCPA
 Poon Wing Cheung FCPA
 Trevor Russell AM FCPA
 Brian Waldron OAM FCPA
 Bernard Wright AM FCPA

CENTRES OF EXCELLENCE**ESG**

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

EXTERNAL REPORTING

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

RETIREMENT SAVINGS

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

TAXATION

Ken Fehily CPA
 Alexis Kokkinos
 Sue Williamson FCPA

OTHER BOARDS AND COMMITTEES**ASEAN FEDERATION OF ACCOUNTANTS (AFA)**

Chin Aik Wong FCPA

CONFEDERATION OF ASIAN AND PACIFIC ACCOUNTANTS (CAPA)

Low Weng Keong FCPA

INTERNATIONAL FEDERATION OF ACCOUNTANTS (IFAC) BOARD*

Richard Petty FCPA

IFAC COMPLIANCE ADVISORY PANEL*

Penny Egan FCPA

IFAC NOMINATING COMMITTEE*

Michael Codling

IFAC SMALL AND MEDIUM PRACTICES COMMITTEE (SMPC)*

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

Nicholas Diss CPA

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

ACRONYMS

AASB	Australian Accounting Standards Board	IAA	Indigenous Accountants Australia
AAT	Association of Accounting Technicians, Australia	IAASB	International Auditing and Assurance Standards Board
ACAG	Australasian Council of Auditors-General	IASB	International Accounting Standards Board
ACL	Australian Credit Licence	IESBA	International Ethics Standards Board for Accountants
AFA	ASEAN Federation of Accountants	IFAC	International Federation of Accountants
AFCA	Australian Financial Complaints Authority	IFRS	International Financial Reporting Standards
AFSL	Australian Financial Services Licence	IIRC	International Integrated Reporting Council
AGM	Annual General Meeting	IPA	Institute of Public Accountants
AICPA	American Institute of CPAs	IPSASB	International Public-Sector Accounting Standards Board
A-IFRS	Australian Equivalents to International Financial Reporting Standards	IR	Integrated reporting
AK	Knight of the Order of Australia	IRIC	Independent Review Implementation Committee
AM	Member of the Order of Australia	IRP	Independent Review Panel
AO	Officer of the Order of Australia	KMP	Key Management Personnel
APRA	Australian Prudential Regulatory Authority	KPI	Key performance indicator
APES	Accounting Professional and Ethical Standards	LGBTI+	Lesbian, gay, bisexual, transgender and intersex+
APESB	Accounting Professional and Ethical Standards Board	NASBA	National Association of State Boards of Accountancy
ASAE	Australian Standard on Assurance Engagements	NFP	Not-for-profit
ASEAN	Association of South-East Asian Nations	OAM	Medal of the Order of Australia
ASIC	Australian Securities and Investments Commission	PAIB	Professional Accountants in Business
ATO	Australian Taxation Office	PSC	Professional Standards Council
AUASB	Auditing and Assurance Standards Board	PSM	Public Service Medal
CA ANZ	Chartered Accountants Australia and New Zealand	PSS	Professional Standards Scheme
CAPA	Confederation of Asian and Pacific Accountants	SDG	Sustainable Development Goals
CEO	Chief Executive Officer	SIS	Superannuation Industry (supervision)
CFO	Chief Financial Officer	SME	Small-to-medium enterprise
CPA	Certified Practising Accountant	SMP	Small and medium practice
CPD	Continuing professional development	TPB	Tax Practitioners Board
ESG	Environmental, social and governance	TSC	Total Salary Cost
FASEA	Financial Adviser Standards and Ethics Authority	WCOA	World Congress of Accountants
FCCA	Fellow of CPA Australia		
FTE	Full-time equivalent		
GRI	Global Reporting Initiative		
GST	Goods and services tax		

FINANCIAL REPORT

MAGGIE LO
MEMBER TWO YEARS



REPORT OF THE BOARD OF DIRECTORS

DIRECTORS

The directors submit the annual financial report of CPA Australia Ltd ("CPA Australia") and its controlled entities ("the Group") for the financial year ended 31 December 2018. 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 62 to 65 of the Annual Report, together with their qualifications, experience and special responsibilities. Details of meeting attendance are set out on pages 79 to 80 and their remuneration is included in Note 19 on pages 110 to 116.

COMPANY SECRETARY

Andrew Kaynes, BA LLB LLM was appointed as Company Secretary on 23 June 2017 and resigned on 14 June 2018.

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

PRINCIPAL ACTIVITIES

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

CONSOLIDATED RESULTS

The consolidated surplus before income tax for the year was \$6,723,000 (2017: \$10,452,000). The consolidated surplus after tax for the year was \$5,992,000 (2017: \$10,292,000).

REVIEW OF OPERATIONS

A review of the operations of the Group during the financial year and the results of those operations are contained in the discussion and analysis of the financial results – see pages 84 to 86.

CORPORATE GOVERNANCE

Following changes in governance during 2017, a new Board of nine directors was in place from 1 January 2018. An additional director was appointed on 1 October 2018.

In 2018, there were five Board Committees of directors in operation being: Audit, Risk and Compliance; Finance and Policy; Nomination; Member Engagement; and Independent Review Implementation. In late 2018, the Board established the People, Remuneration and Culture Committee with the first meeting of that committee to be held in 2019.

During 2018, the Board consulted extensively with members on the recommendations from the IRP Final Report, resulting in four resolutions for constitutional change being passed by members at the AGM on 22 May 2018. Changes were also made to the By-Laws in order to implement the recommendations of the IRP.

The Constitutional changes included setting the maximum number of Board members to 10. The director appointment

process is detailed in the Governance section on pages nine to 10 of this report.

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

DIRECTORS' MEETINGS

The tables on pages 79 and 80 set out the number of Board and Board Committee meetings held and the number of meetings attended by each director during 2018.

CHANGES IN STATE OF AFFAIRS

A comprehensive post-implementation evaluation of CPA Australia Advice was conducted by PwC Strategy during 2018 and it was concluded that in the current circumstances and market, CPA Australia Advice is not financially viable. In light of these findings, the Board subsequently decided to exit the business. At 31 December 2018, all Authorised Representatives had either transitioned to other providers or were no longer providing financial advice services.

Work will continue in 2019 to wind up the business of CPA Australia Advice.

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

SUBSEQUENT EVENTS

CPA Australia Advice formally submitted an application to ASIC in January 2019 to cancel its AFSL and ACL.

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 Group, the results of those activities or the state of affairs of the Group in the ensuing or any subsequent financial year.

FUTURE DEVELOPMENTS

Likely developments in the activities of the Group are noted elsewhere in this report, with the Group working towards the achievement of its objectives under the new strategy in 2019.

INDEMNIFICATION OF OFFICERS AND AUDITORS

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

AUDITOR INDEPENDENCE

The auditor's independence declaration is included on page 81 and forms part of this report.

ROUNDING OF AMOUNTS

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

BOARD OF DIRECTORS MEETINGS 2018

DIRECTORS	ELIGIBLE	ATTENDED
Peter Wilson, Chair	14	14
Merran Kelsall	14	14
Chin Aik Wong	14	13
Ric De Santi ⁽¹⁵⁾	14	10
Robyn Erskine	14	13
Helen Lorigan	14	14
Jon Scriven ⁽¹⁾	10	6
Dale Pinto ⁽²⁾	4	4
Rosemary Sinclair	14	12
Caroline Spencer	14	14
Su-Yen Wong ⁽²⁾	4	3

AUDIT RISK AND COMPLIANCE COMMITTEE MEETINGS 2018

DIRECTORS	ELIGIBLE	ATTENDED
Chin Aik Wong, Chair	9	9
Ric De Santi	9	9
Robyn Erskine	9	9
Dale Pinto ⁽²⁾⁽¹²⁾	3	2
Caroline Spencer	9	7

FINANCE AND POLICY COMMITTEE MEETINGS 2018

DIRECTORS	ELIGIBLE	ATTENDED
Peter Wilson, Chair ⁽⁵⁾⁽⁶⁾	3	3
Merran Kelsall ⁽⁴⁾	4	4
Helen Lorigan	4	4
Rosemary Sinclair ⁽⁵⁾	3	3
Caroline Spencer ⁽³⁾	1	1
Chin Aik Wong ⁽¹²⁾	2	2

NOMINATION COMMITTEE MEETINGS 2018

DIRECTORS	ELIGIBLE	ATTENDED
Merran Kelsall, Chair ⁽⁶⁾	7	7
Ivana Bosio ⁽⁷⁾	5	5
Helen Lorigan	7	7
Kerry Phillips ⁽⁷⁾	5	4
Geoff Rees ⁽⁸⁾	4	4
Leanne Rowe ⁽⁸⁾	4	4
Jon Scriven ⁽¹⁾⁽³⁾	1	1
Peter Wilson ⁽³⁾⁽⁴⁾	2	2

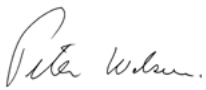
MEMBER ENGAGEMENT COMMITTEE MEETINGS 2018

DIRECTORS	ELIGIBLE	ATTENDED
Robyn Erskine, Chair	13	13
Ric De Santi	13	13
Jon Scriven ⁽¹⁾ ⁽¹¹⁾	8	3
Dale Pinto ⁽²⁾ ⁽¹²⁾	3	2
Rosemary Sinclair	13	13
Caroline Spencer ⁽³⁾	4	3
Su-Yen Wong ⁽²⁾ ⁽¹²⁾	3	0

INDEPENDENT REVIEW IMPLEMENTATION COMMITTEE MEETINGS 2018

DIRECTORS	ELIGIBLE	ATTENDED
Peter Wilson, Chair	4	4
Shabnam Amirbeaggi ⁽¹⁴⁾	4	4
Ivan Au ⁽¹⁴⁾	4	4
Merran Kelsall	4	4
Chin Aik Wong	4	4
Dale Pinto ⁽¹¹⁾ ⁽¹⁴⁾	4	4

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

5 March 2019

Notes:

⁽¹⁾ Term as a director concluded 30 September 2018

⁽²⁾ Appointed as director effective 1 October 2018

⁽³⁾ Term on Committee concluded 23 May 2018

⁽⁴⁾ Term as Chair of Committee concluded 23 May 2018

⁽⁵⁾ Term on Committee commenced on 23 May 2018

⁽⁶⁾ Term as Chair of Committee commenced 23 May 2018

⁽⁷⁾ Appointments Council Nomination Committee members appointed 18 June 2018

⁽⁸⁾ Independent non-director Committee members appointed 23 June 2018

⁽⁹⁾ Nomination and Remuneration Committee was renamed as Nomination Committee on 4 July 2018

⁽¹⁰⁾ Finance Committee was renamed as Finance and Policy Committee on 23 August 2018

⁽¹¹⁾ Term on Committee concluded 30 September 2018

⁽¹²⁾ Appointment to Committee approved by the Board on 17 October 2018; availability to attend meetings for the remainder of 2018 was limited in view of the meeting dates for the Committee being set prior to the directors' appointment to the Committee

⁽¹³⁾ Audit and Risk Committee was renamed as Audit, Risk and Compliance Committee on 17 October 2018

⁽¹⁴⁾ Divisional President representatives (non-directors)

⁽¹⁵⁾ Ric De Santi abstained from one scheduled meeting during 2018 due to a conflict of interest.

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

To the Directors of CPA Australia Ltd

I declare that, to the best of my knowledge and belief, in relation to the audit of CPA Australia Ltd for the financial year ended 31 December 2018 there have been:

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



KPMG



Chris Sargent

Partner

Melbourne

5 March 2019

OVERVIEW OF FINANCIAL RESULTS

FOR THE YEAR ENDED 31 DECEMBER 2018

		CONSOLIDATED	
		2018	2017
		\$'000s	\$'000s
Protect, promote and enhance the integrity of the designation	Revenue	930	1,350
	Cost	(20,628)	(20,337)
	Result	(19,698)	(18,987)
Lead the future of the accounting profession	Revenue	3,706	3,626
	Cost	(1,310)	(1,958)
	Result	2,396	1,668
Provide members with personalised and engaging experiences	Revenue	84,591	84,830
	Cost	(20,782)	(21,585)
	Result	63,809	63,245
Provide relevant learning and development content, resources and tools	Revenue	13,076	16,904
	Cost	(28,345)	(28,552)
	Result	(15,269)	(11,648)
Attract and develop the next generation of CPA's	Revenue	68,013	69,448
	Cost	(34,130)	(37,689)
	Result	33,883	31,759
Impact policy globally and be active in community advocacy	Revenue	-	-
	Cost	(4,635)	(4,403)
	Result	(4,635)	(4,403)
Corporate services and governance	Revenue	5,170	5,183
	Cost	(51,506)	(52,486)
	Result	(46,336)	(47,303)
CPA Australia Advice	Revenue	134	217
	Cost	(3,391)	(4,005)
	Result	(3,257)	(3,788)
Total CPA Australia excluding strategic projects	Revenue	175,620	181,558
	Cost	(164,727)	(171,015)
	Tax credit / (expense)	(731)	(160)
	Result	10,162	10,383
Strategic projects	Revenue	-	-
	Cost	(4,170)	(91)
	Result	(4,170)	(91)
Total CPA Australia including strategic projects	Revenue	175,620	181,558
	Cost	(168,897)	(171,106)
	Tax credit / (expense)	(731)	(160)
	Result	5,992	10,292
Other comprehensive income / (expense) for the year, net of tax		(447)	1,616
Total comprehensive income for the year		5,545	11,908

The new group strategy 2018 – 2021 was released in August 2018 and a new organisational structure was introduced to deliver on that strategy. The strategy has been designed with members at its centre, including a new vision and purpose, and six strategic goals. Each of these goals along with the objectives and initiatives that support them, are informed by the views of members and focus on our core services of advocacy, education, networking, technical support and training.

Following the release of the new strategy, a review of our business activities was completed, and activities have been realigned to the strategic pillars to provide additional clarity and information to the reader of this report. All prior year values have been reallocated accordingly. The six strategic pillars are: promote, protect and enhance the integrity of the profession, lead the future of the accounting profession, provide members with personalised and engaging experiences, provide relevant learning and development content, resources and tools, attract and develop the next generation of CPAs, impact policy globally and be active in community advocacy.

In addition to these pillars, the overview of financial results includes a section on corporate services and governance, CPA Australia Advice and strategic projects.

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

The major activities of lead the future of the accounting profession include the development of strategies, training and tools to support members through the future changes to the profession and the development of membership pathways for skilled business professionals from non-accounting backgrounds.

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

Provide relevant learning and development content, resources and tools core activities include the development and delivery of professional development products that meet the changing needs of our members, a structured mentoring program, library services and publications such as INTHEBLACK, CPA Update and Australian Accounting Review.

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

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

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

CPA Australia Advice includes all activities associated with the operation of the wholly owned subsidiary, which provides an independent licencing solution for CPA Australia members engaged in the provision of financial planning services to clients. The 2018 result includes some one-off costs associated with the wind up of the CPA Australia Advice business.

Strategic projects include costs associated with the strategic review of the Group, a review of the risk management framework and the PSC scheme, re-platforming of the CPA Program and member journey mapping research.

DISCUSSION AND ANALYSIS OF THE FINANCIAL RESULTS 2018

FINANCIAL RESULTS

In 2018, the Group delivered an operating surplus before tax of \$6.7m (2017: \$10.5m) and an overall comprehensive income of \$5.5m (after tax, defined benefit, FX and unrealised gain on investments) (2017: \$11.9m). This allows us the opportunity to further invest in member services and in the initiatives identified under the new strategy. The disclosures in the financial statements and accompanying notes have been further enhanced for 2018 with additional disclosures included in respect of tax and the adoption of several new accounting standards.

REVENUE

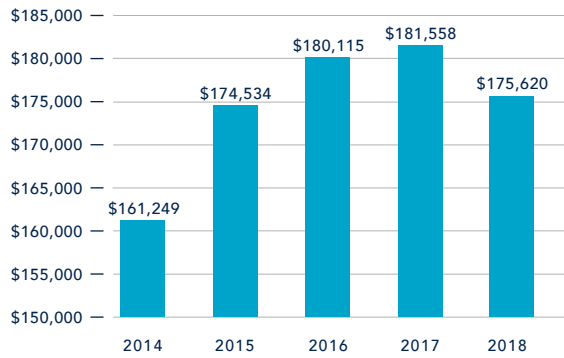
Overall revenue decreased by \$5.9m or 3.3 per cent (2017: increased by \$1.4m or 0.8 per cent) over the 2018 financial year to \$175.6m (2017: \$181.6m). This was primarily due to lower professional development revenue following the introduction of the complimentary CPD offer for members and the cancellation of Sydney Congress in 2018 as we co-hosted the World Congress of Accountants in Sydney alongside CA ANZ. Education and CPA Program revenue was also lower due to a decrease in CPA Program sales and a change in the revenue recognition model under AASB 15 *Revenue from Contracts with Customers*.

The Group ended the year with **164,695** members (2017: 163,750) which was driven by new member growth, membership revenue however, was lower by \$0.4m or 0.5 per cent due to a decrease in the price of the Public Practice Certificate fee for the 2018 membership year.

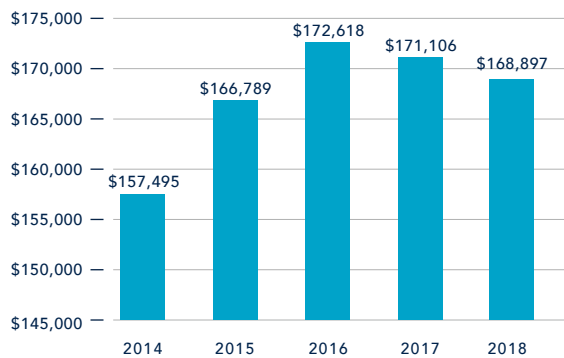
EXPENDITURE

Expenditure before tax was \$2.2m or 1.3 per cent lower than 2017 at \$168.9m (2017: \$171.1m). The decrease is primarily attributable to lower employee benefits costs, which were higher in 2017 due to the termination payments made to the former CEO and former COO – Member Services, lower advertising and promotion costs and lower depreciation and amortisation costs. Event delivery and education and CPA Program costs were also lower due to a decrease in sales. These decreases were partially offset by higher employment agency costs and higher professional services expenses due to a number of new strategic projects undertaken during 2018; further details are outlined in Note 6(e) to the accounts.

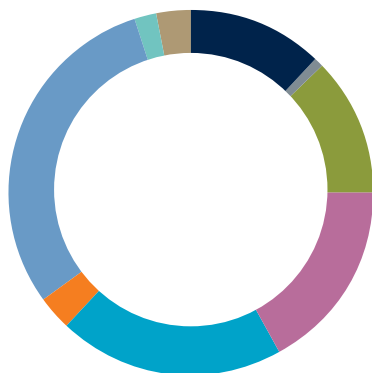
TOTAL REVENUE



TOTAL EXPENDITURE EXCLUDING TAX



EXPENDITURE BY STRATEGIC GOALS



	12% Protect, Promote and Enhance the integrity of the designation
	1% Lead the future of the profession
	12% Provide members with personalised and engaging experiences
	17% Provide relevant learning and development content, resources and tools
	20% Attract and develop the next generation of CPA's
	3% Impact policy globally and be active in community advocacy
	30% Corporate services and governance
	2% CPA Australia Advice
	3% Strategic projects

TAXATION

The income tax expense recognised in profit or loss for 2018 is \$0.7m (2017: \$0.2m). Total income tax benefit recognised in other comprehensive income for the year is \$0.6m (2017: expense of \$0.7m). This is primarily attributable to the deferred tax liability recognised on temporary differences at balance date.

In assessing its income tax liability, the Group applies the principles of mutuality to 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 to or made by the Group are classified for income tax purposes in accordance with income tax legislation.

FOREIGN EXCHANGE

Membership subscription fees and CPA Program fees for 2018, where a foreign currency payment option was available, were reviewed and adjusted as required to reflect the Australian dollar price. During the year, the Board approved prices for 2019 membership subscriptions and CPA Program sales in local currency in Hong Kong, Singapore, Malaysia, and the United Kingdom, giving members price certainty for the first time. Foreign currency cash holdings are limited to the requirements for the funding of local operations to minimise the Group's exposure to fluctuations in exchange rates; any excess cash is returned to Australia. The depreciation of the Australian dollar against the currencies where substantial cash is held contributed to a foreign exchange gain on translation of \$0.4m for the full year (2017: \$0.9m loss). An exchange gain of \$0.2m (2017: \$0.03m loss) on translation of foreign operations at 31 December 2018 is recognised in other comprehensive income.

CASH FLOW

The Group's cash flow and liquidity declined in 2018 with net cash inflows from operating activities of \$1.4m (2017: \$13.0m). The net decrease in cash and cash equivalents of \$17.3m (2017: \$7.6m) during the year was primarily due to lower receipts from operations and increased investment in financial assets. When amounts relating to subscriptions and fees in advance are excluded, the operating cash balance is \$107.2m (2017: \$106.8m) including other financial assets.

INVESTMENTS

The Group's investment portfolio returned \$5.2m (2017: \$5.2m) revenue and an unrealised loss of \$3.3m net of tax in 2018 (2017: \$1.7m gain). This was due to the weakening of Australian equity markets in 2018. The top 200 ASX companies ended the 2018 calendar year 6.6 per cent lower than the year ending 2017.

BALANCE SHEET

The Group's balance sheet reflects net assets increasing by \$4.1m or 3.9 per cent (2017: increase by \$11.9m or 13.1 per cent), which is largely attributable to the surplus delivered in 2018.

Cash and cash equivalents decreased by \$17.3m (2017: \$7.6m decrease) due to increased investment in financial assets and the timing of payments to suppliers.

Trade and other receivables have increased by \$0.5m to \$3.0m in 2018 (2017: \$2.5m); this is due to the timing of payments received from member benefit partners.

Other current assets are \$0.4m lower than the prior year due to lower prepaid expenses.

Current and non-current other financial assets are higher than 2017 by \$18.8m which is directly attributable to an increase in investments during 2018; this is partially offset by an unrealised loss of \$3.9m at financial year-end.

Property, plant and equipment has reduced to \$10.2m (2017: \$11.4m) which is directly attributable to the depreciation charged during the year offset by additions of assets of \$2.4m.

Intangible assets are lower than 2017 by \$2.8m, which is directly attributable to the amortisation charged during the year and a number of assets which were fully amortised during 2018.

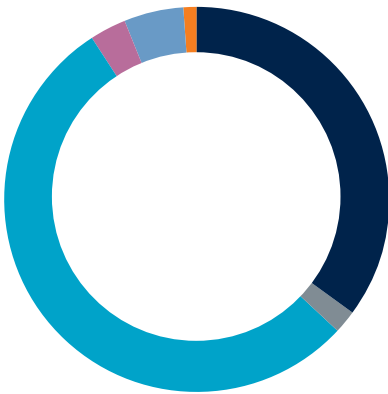
Other non-current assets are \$0.2m higher than 2017 due to higher security deposits.

Trade and other payables were lower by \$6.2m compared to the previous year; this is due to a timing difference in payments to trade creditors.

Provisions ended the year \$0.5m lower than 2017. This is the result of a lower leave provision required at year end offset by an increase in the make good provision for our property portfolio.

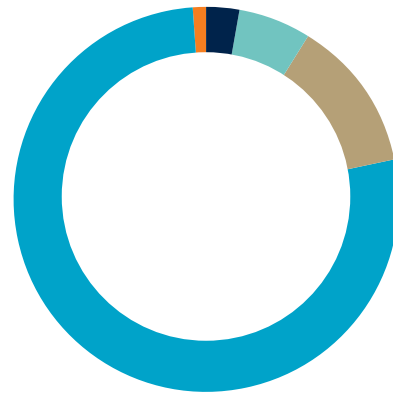
Other current liabilities were \$1.0m higher than 2017 which is due to higher subscriptions and fees received in advance.

ASSETS



- 35%** Cash and cash equivalents
- 2%** Trade and other receivables
- 54%** Other financial assets
- 3%** Other assets
- 5%** Property, plant and equipment
- 1%** Intangible assets

LIABILITIES



- 3%** Non-current provisions
- 6%** Current provisions
- 13%** Trade and other payables
- 77%** Subscriptions and fees in advance
- 1%** Other

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	CONSOLIDATED	
		2018	2017
		\$'000s	\$'000s
Revenue	4	170,407	176,374
Finance income	5	5,213	5,184
Employee benefits expense	6(a)	(63,082)	(66,522)
Education and CPA Program expense	6(b)	(16,833)	(19,786)
Advertising and promotion expense	6(c)	(12,919)	(13,322)
Rent and outgoings		(14,446)	(12,980)
Computer hardware and software licences expense		(4,275)	(3,222)
Event delivery expense	6(d)	(10,624)	(11,087)
Professional services expense	6(e)	(14,467)	(11,509)
Printing and communication expense	6(f)	(6,294)	(6,929)
Travel and catering expense	6(g)	(5,885)	(5,979)
Other staff costs	6(h)	(4,675)	(2,682)
Depreciation and amortisation expense	12 & 13	(7,136)	(9,529)
Finance costs		(5)	(10)
Net foreign exchange gain / (loss)		354	(868)
Gain / (loss) on sale of financial assets at FVTPL		589	-
Gain / (loss) on disposal of investments		-	560
Changes in the fair value of financial assets at FVTPL		(1,944)	-
Impairment gain / (loss)		(43)	150
Loss allowance for trade receivables		(59)	6
Gain / (loss) on sale of property, plant and equipment		(3)	(4)
Other expenses	6(i)	(7,150)	(7,393)
Surplus before income tax		6,723	10,452
Tax (expense)/income	7	(731)	(160)
Surplus for the year		5,992	10,292
OTHER COMPREHENSIVE INCOME			
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Actuarial gain / (loss) on defined benefit plan	22	(29)	(92)
Changes in the fair value of equity investments at FVOCI		(1,295)	-
Gain / (loss) on sale of financial assets at FVOCI		712	-
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translating foreign operations		215	(31)
Changes in the fair value of debt instruments at FVOCI		(50)	-
Net gain / (loss) on available-for-sale assets		-	1,739
Other comprehensive income for the year, net of tax		(447)	1,616
Total comprehensive income for the year		5,545	11,908

CPA Australia 2018 financial statements

The Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the notes to the financial statements set out on pages 91 to 126.

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

	Note	CONSOLIDATED	
		2018	2017
		\$'000s	\$'000s
CURRENT ASSETS			
Cash and cash equivalents	8	72,128	89,433
Trade and other receivables	9	2,983	2,451
Other financial assets	11	38,562	13,747
Other assets	10	6,324	6,752
Total current assets		119,997	112,383
NON-CURRENT ASSETS			
Other financial assets	11	72,332	78,388
Property, plant and equipment	12	10,178	11,381
Intangible assets	13	2,338	5,134
Other assets	10	238	29
Total non-current assets		85,086	94,932
Total assets		205,083	207,315
CURRENT LIABILITIES			
Trade and other payables		12,356	18,565
Provisions	14	5,938	6,646
Other liabilities	15	76,404	75,356
Total current liabilities		94,698	100,567
NON-CURRENT LIABILITIES			
Provisions	14	2,573	2,381
Other liabilities	15	888	1,500
Total non-current liabilities		3,461	3,881
Total liabilities		98,159	104,448
Net assets		106,924	102,867
MEMBERS' FUNDS			
Reserves		4,319	8,469
Retained surplus		102,605	94,398
Total members' funds		106,924	102,867

CPA Australia 2018 financial statements

The Statement of Financial Position is to be read in conjunction with the notes to the financial statements set out on pages 91 to 126.

STATEMENT OF CHANGES IN MEMBERS' FUNDS

FOR THE YEAR ENDED 31 DECEMBER 2018

	CONSOLIDATED			TOTAL
	INVESTMENT REVALUATION RESERVE	FOREIGN CURRENCY TRANSLATION RESERVE	RETAINED EARNINGS	
	\$'000s	\$'000s	\$'000s	
Balance at 1 January 2017	6,315	446	84,198	90,959
Other comprehensive income	1,739	(31)	(92)	1,616
Profit for the year	–	–	10,292	10,292
Balance at 1 January 2018	8,054	415	94,398	102,867
Change in accounting policy	(3,020)	–	1,532	(1,488)
Restated balance at 1 January 2018	5,034	415	95,930	101,379
Other comprehensive income	(1,345)	215	683	(447)
Profit for the year	–	–	5,992	5,992
Balance at 31 December 2018	3,689	630	102,605	106,924

CPA Australia 2018 financial statements

The Statement of Changes in Members' Funds is to be read in conjunction with the notes to the financial statements set out on pages 91 to 126.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	CONSOLIDATED	
		2018	2017
		\$'000s	\$'000s
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from operations		180,744	194,501
Payments to suppliers and employees		(179,387)	(181,484)
Net cash inflows from operating activities	8	1,357	13,017
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for property, plant and equipment and intangible assets	12 & 13	(2,179)	(5,873)
Net receipts/(payments) for deposits less than 1 year but greater than 90 days		(24,813)	(13,690)
Net receipts/(payments) for deposits greater than 1 year		(203)	(59)
Loan to Australian Accounting Technicians (AAT)		–	150
Proceeds from sale of investments		19,325	7,212
Purchase of investments		(15,636)	(12,639)
Investment interest and dividends received		5,073	5,141
Net cash outflows from investing activities		(18,433)	(19,758)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net cash flow from financing activities		–	–
Net increase / (decrease) in cash and cash equivalents held		(17,076)	(6,741)
Cash and cash equivalents at the beginning of the financial year		89,433	97,069
Effects of exchange rate changes in the balance of cash held in foreign currencies		(229)	(895)
Cash and cash equivalents at the end of the financial year	8	72,128	89,433

CPA Australia 2018 financial statements

The Statement of Cash Flows is to be read in conjunction with the notes to the financial statements set out on pages 91 to 126.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

1. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

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

In the current year, the Group adopted the following new Australian Accounting Standards, Interpretations and Amendments issued by the AASB which were mandatorily effective for accounting periods on or after 1 January 2018:

- AASB 15 *Revenue from Contracts with Customers*
- AASB 9 *Financial Instruments*
- AASB 2016-3 *Amendments to Australian Accounting Standards – Clarifications to AASB 15*

The impact of the changes due to the adoption of AASB 15 *Revenue from Contracts with Customers* and AASB 9 *Financial Instruments* is outlined in Note 3 Changes in significant accounting policies.

Standards issued but not yet effective

A number of Australian Accounting Standards, Interpretations and Amendments are in issue but are not yet effective and have not been applied in preparing these financial statements.

AASB 16 *Leases*

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

Based on the Group's assessment, it is expected that the first-time adoption of AASB 16 for the year ending 31 December 2019 will have a material impact on the transactions and balances in the financial statements, in particular:

- Lease assets and financial liabilities on the balance sheet are estimated to increase by \$42.0m and \$39.0m respectively (based on the facts at the date of the assessment)
- Operating lease expenses will reduce, offset by an increase in amortisation and interest expense
- Operating cash outflows will be lower and financing cash flows will be higher in the statement of cash flows as principal repayments on all lease liabilities will now be included in financing activities rather than operating activities

There are no other standards that are not yet effective and that would be expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation

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

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

b) Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards, interpretations and other authoritative pronouncements of the AASB. Compliance with Australian Accounting Standards results in full compliance with IFRS as issued by the IASB. CPA Australia is a not-for-profit entity for the purpose of preparing the financial statements but is not applying paragraphs specific to not-for-profit entities.

CPA Australia is limited by guarantee and domiciled in Australia.

The consolidated financial statements for the year ended 31 December 2018 were authorised by the Board of directors on 5 March 2019.

c) Basis of consolidation

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

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

d) Goods and services tax (GST)

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

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

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

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, 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 the Group's overseas operations are translated at the exchange rates prevailing at the reporting date. Income and expense items are translated at the average exchange rate for the period unless exchange rates fluctuate significantly. Exchange differences arising, if any, are charged / credited to other comprehensive income and recognised in the foreign currency translation reserve in equity.

f) Comparative amounts

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

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

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

Employee entitlements

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

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

Intangible and other assets

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

Deferred tax assets

Deferred tax assets in respect of current and prior period accumulated tax losses are not recognised at balance sheet date as management has assessed 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.

3. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

a) AASB 15 Revenue from Contracts with Customers

AASB 15 *Revenue from Contracts with Customers* replaces AASB 118 *Revenue*, AASB 111 *Construction Contracts* and some revenue-related Interpretations. It establishes a new revenue recognition model, changes the basis for deciding whether revenue is to be recognised over time or at a point in time and improves revenue disclosures. Under AASB 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control, at a point in time or over time, requires judgement.

The Group has applied AASB 15 at 1 January 2018 using the cumulative effect method (without practical expedients); under this method, the cumulative effect of initial application is recognised as an adjustment to the opening balance of retained earnings at 1 January 2018 and comparatives are not restated. In accordance with the transition guidance, AASB 15 has only been applied to contracts that are incomplete as at 1 January 2018.

The adoption of AASB 15 has primarily affected the timing of recognition of education and CPA Program revenue.

Education and CPA Program revenue

Under AASB 118, education and CPA Program revenue was recognised at the time of completion of the examination, provided that revenue could be reliably measured.

Under AASB 15, a number of performance obligations were identified including the provision of materials at the time of enrolment, education support over the period of the semester and the provision of an examination. Each performance obligation was assessed to evaluate the separability of the promised goods or services based on whether they are 'distinct' and a transaction price was applied. A promised good or service is 'distinct' if both:

- The customer benefits from the item either on its own or together with other readily available resources
- It is 'separately identifiable'

Under AASB 15, revenue is recognised as each performance obligation is satisfied; this has resulted in a portion of revenue being recognised sooner than under AASB 118 and a portion of revenue being recognised later than under AASB 118. Where discounts have been granted, the total discount is allocated proportionately to all of the performance obligations in the contract. The impact of these changes on items other than revenue is movement in deferred revenue, which is shown in the Statement of Financial Position as subscriptions and fees in advance under the heading of Current liabilities – other liabilities.

AASB 15 did not have a significant impact on the Group's accounting policies with respect to other revenue streams (see Note 4).

The following table summarises the impact of transition to AASB 15 on retained earnings at 1 January 2018:

	CONSOLIDATED		
	AS REPORTED AT 31 DECEMBER 2017	IMPACT OF ADOPTING AASB 15	AMOUNT UNDER AASB 15 AT 1 JAN 2018
	\$'000s	\$'000s	\$'000s
Retained surplus	94,398		
Education and CPA Program revenue		(1,466)	
Retained surplus under AASB 15 at 1/01/2018	94,398	(1,466)	92,932

The following tables summarise the impact of adopting AASB 15 on the Group's Statement of Financial Position as at 31 December 2018 and its Statement of Profit or Loss and Other Comprehensive Income for the year then ended for each of the line items affected.

STATEMENT OF FINANCIAL POSITION (EXTRACT) AS AT 31 DECEMBER 2018

	CONSOLIDATED		
	AS REPORTED 2018	ADJUSTMENTS 2018	BALANCES WITHOUT ADOPTION OF AASB 15 2018
	\$'000s	\$'000s	\$'000s
CURRENT LIABILITIES			
Other liabilities	76,404	(1,116)	75,288
Total current liabilities	94,698	(1,116)	93,582
Total liabilities	98,159	(1,116)	97,043
Net assets	106,924	1,116	108,040
MEMBERS' FUNDS			
Retained surplus	102,605	1,116	103,721
Total members' funds	106,924	1,116	108,040

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (EXTRACT) FOR THE YEAR ENDED 31 DECEMBER 2018

	CONSOLIDATED		
	AS REPORTED 2018	ADJUSTMENTS 2018	BALANCES WITHOUT ADOPTION OF AASB 15 2018
	\$'000s	\$'000s	\$'000s
Revenue	170,407	(350)	170,057
Profit for the year	5,992	(350)	5,642
Total comprehensive income for the year	5,545	(350)	5,195

b) AASB 9 Financial Instruments

AASB 9 *Financial Instruments* replaces AASB 139 *Financial Instruments: Recognition and Measurement*. It makes major changes to the previous guidance on the classification and measurement of financial assets, introduces an 'expected credit loss' model for impairment of financial assets and a substantially-changed approach to hedge accounting.

The Group applied AASB 9 retrospectively, with an initial application date of 1 January 2018. The Group has not restated the comparative information, which continues to be reported under AASB 139. Differences arising from the adoption of AASB 9 have been recognised directly in retained surplus and other components of equity.

As a result of the adoption of AASB 9, the Group has adopted consequential amendments to AASB 101 *Presentation of Financial Statements*, which requires impairment of financial assets to be presented in a separate line item in the Statement of Profit or Loss and Other Comprehensive Income. Previously, the Group included the impairment of trade receivables in other expenses.

The following table summarises the impact of transition to AASB 9 on the opening balance of reserves and retained surplus:

STATEMENT OF FINANCIAL POSITION (EXTRACT) AS AT 31 DECEMBER 2018

	CONSOLIDATED		
	OPENING BALANCE UNDER AASB 139	IMPACT OF ADOPTING AASB 9	NEW OPENING BALANCE UNDER AASB 9
	\$'000s	\$'000s	\$'000s
RESERVES			
Balance as reported at 31 December 2017	8,469		
Transfer from AASB 139 FVOCI to AASB 9 FVTPL net of tax		(3,020)	
Recognition of expected credit losses under AASB 9 for debt financial assets at FVOCI		-	
Balance at 1 January 2018			5,449
RETAINED SURPLUS			
Balance as reported at 31 December 2017	94,398		
Transfer from AASB 139 FVOCI to AASB 9 FVTPL net of tax		3,020	
Recognition of expected credit losses under AASB 9		(22)	
Balance at 1 January 2018			97,396
Total members' funds	102,867	(22)	102,845

Classification and measurement of financial assets and liabilities

Under AASB 9, financial assets are subsequently measured at fair value through profit or loss, amortised cost, or fair value through other comprehensive income.

The classification is based on two criteria:

- The Group's business model for managing the assets
- Whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding

AASB 9 eliminates the previous AASB 139 categories of held to maturity, loans and receivables, and available for sale and largely retains the existing requirements in AASB 139 for the classification and measurement of financial liabilities.

The following assessments have been made based on the facts and circumstances that existed at the date of initial application:

- The determination of the business model within which a financial asset is held
- The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL
- The designation of certain investments in equity instruments not held for trading as at FVOCI

The following table explains the original measurement categories under AASB 139 and the new measurement categories under AASB 9 for each class of financial asset and financial liabilities as at 1 January 2018:

CLASSIFICATION AND RE-MEASUREMENT DUE TO AASB 9

	ORIGINAL CLASSIFICATION UNDER AASB 139	NEW CLASSIFICATION UNDER AASB 9	ORIGINAL CARRYING AMOUNT UNDER AASB 139	NEW CARRYING AMOUNT UNDER AASB 9
			\$'000s	\$'000s
FINANCIAL ASSETS				
Cash and cash equivalents	Loans and receivables	Amortised cost	89,433	89,433
Term deposits	Held-to-maturity	Amortised cost	–	13,747
Bank bills	Held-to-maturity	Amortised cost	13,747	–
Equity securities	Available-for-sale	FVOCI – equity instrument	35,434	22,125
Equity funds	Available-for-sale	FVTPL	–	14,767
Property funds	Available-for-sale	FVTPL	4,053	2,595
Securities	Available-for-sale	FVOCI – debt instrument	2,635	2,635
Securities – bonds	Available-for-sale	FVOCI – debt instrument	3,763	3,763
Alternatives – infrastructure	Available-for-sale	FVTPL	1,878	1,878
Alternatives	Available-for-sale	FVTPL	1,318	1,318
Hybrids	Available-for-sale	FVTPL	29,307	29,307
Trade and other receivables	Loans and receivables	Amortised cost	2,451	2,429
Loan to related parties	Loans and receivables	Amortised cost	–	–
Defined benefit plan	Available-for-sale	Excluded	453	–
			184,472	183,997
FINANCIAL LIABILITIES				
Trade payables	Other financial liabilities	Other financial liabilities	(15,698)	(15,698)
			(15,698)	(15,698)

The following table reconciles the carrying amount of financial assets under AASB 139 to the carrying amounts under AASB 9 on transition to AASB 9 on 1 January 2018:

IMPACT OF RE-CLASSIFICATION AND RE-MEASUREMENT ON TRANSITION TO AASB 9

	CONSOLIDATED			AASB 9 CARRYING AMOUNT AT 1 JAN 2018 \$'000s
	AASB 139 CARRYING AMOUNT AT 31 DEC 2017 \$'000s	RE-CLASSIFICATION ADJUSTMENTS \$'000s	RE-MEASUREMENT ADJUSTMENTS \$'000s	
AT AMORTISED COST				
Cash and cash equivalents:				
Opening balance: Loans and receivables	89,433			
Re-measurement			-	
Closing balance: Amortised cost				89,433
Bank bills:				
Opening balance: Held-to-maturity	13,747			
Re-measurement			-	
Closing balance: Amortised cost				13,747
Trade and other receivables:				
Opening balance: Loans and receivables	2,451			
Re-measurement			(22)	
Closing balance: Amortised cost				2,429
AVAILABLE FOR SALE (AFS)				
Opening balance:				
Reclassified to Amortised Cost	78,388			
Reclassified to FVOCI – equity instruments		(22,125)		
Reclassified to FVOCI – debt instruments		(6,398)		
Reclassified to FVTPL		(49,865)		
CLOSING BALANCE:				
Total at Amortised Cost				105,609
Total FVOCI				28,523
Total FVTPL				49,865

Impairment of financial assets

AASB 9 replaces the 'incurred loss' model in AASB 139 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investment at FVOCI, but not to investments in equity instruments. Under AASB 9, credit losses are recognised earlier than under AASB 139.

The Group's debt instruments are considered to be low credit risk and therefore the impairment allowance is determined as 12 months expected credit losses. No impairment allowance was recognised on 1 January 2018 in respect of debt instruments.

For trade receivables under AASB 15, the Group applied a simplified approach of recognising lifetime expected credit losses; the impairment allowance for trade receivables was increased by \$22,000 at 1 January 2018.

The following table outlines the movement in the allowance for impairment of financial assets on adoption of AASB 9:

RECONCILIATION OF IMPAIRMENT OF FINANCIAL ASSETS

	CONSOLIDATED		
	AASB 139 CARRYING AMOUNT AT 31 DEC 2017	RE-MEASUREMENT ADJUSTMENTS	AASB 9 CARRYING AMOUNT AT 1 JAN 2018
	\$'000s	\$'000s	\$'000s
Loss allowance at 31 December 2017 under AASB 139	11		
Adjustments on application of AASB 9:			
Trade and other receivables loss allowance		22	
Debt securities at amortised cost		-	
Debt securities at FVOCI		-	
Cash and cash equivalents		-	
Loss allowance at 1 January 2018 under AASB 9	11	22	33

4. REVENUE

The effect of initially applying AASB 15 on the Group's revenue from contracts with customers is described in Note 3. Due to the transition method chosen in applying AASB 15, comparative information has not been restated to reflect the new requirements.

a) Disaggregation of revenue from contracts with customers

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

	CONSOLIDATED					TOTAL
	MEMBER FEES AND SUBSCRIPTIONS	EDUCATION AND CPA PROGRAM	PROFESSIONAL DEVELOPMENT	OTHER SERVICES	MARKETING, PROMOTION AND PUBLICATIONS	
2018	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Revenue from contracts with customers	84,693	60,022	13,551	6,066	6,075	170,407
Timing of revenue recognition						
At a point in time	2,223	2,531	13,551	6,066	6,075	30,446
Over time	82,470	57,491	–	–	–	139,961
TOTAL	84,693	60,022	13,551	6,066	6,075	170,407
2017						
Revenue from contracts with customers	85,075	61,785	16,997	5,859	6,658	176,374
Timing of revenue recognition						
At a point in time	2,110	2,772	16,997	5,859	6,658	34,396
Over time	82,965	59,013	–	–	–	141,978
TOTAL	85,075	61,785	16,997	5,859	6,658	176,374

Member fees and subscriptions

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

Education and CPA Program

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

Professional development

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

Marketing, promotion and publications

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

Other revenue generating activities

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

b) Contract balances

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

	CONSOLIDATED	
	2018	2017
	\$'000s	\$'000s
Receivables (included in 'trade and other receivables)	2,816	2,372
Loss allowance	(42)	(11)
Total receivables	2,774	2,361
Subscriptions and fees received in advance	75,792	74,744

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

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

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

c) Transaction price allocated to the remaining performance obligations

The following table includes revenue expected to be recognised in the future related to performance obligations that are unsatisfied (or partially unsatisfied) at 31 December 2018.

	CONSOLIDATED 2019
	\$'000s
Member fees and subscriptions	57,764
Education and CPA Program	17,587
Professional development	164
Other services	277
	75,792

5. OTHER INCOME

	CONSOLIDATED	
	2018	2017
	\$'000s	\$'000s
Dividends and distributions	3,067	3,670
<i>Interest income on:</i>		
Financial assets held as investments	2,025	1,405
Bank deposits	121	109
	5,213	5,184

Dividends and distributions

Dividends are received from financial assets measured at fair value through profit or loss (FVTPL) and at fair value through other comprehensive income (FVOCI) (2017 – from financial assets at FVTPL and available-for-sale assets). Dividends are recognised as other income in profit or loss when the right to receive payment is established.

Interest

Interest income from financial assets at fair value through profit or loss (FVTPL) is included in the net fair value gains / (losses) on these assets. Interest income on financial assets at amortised cost and financial assets at fair value through other comprehensive income (FVOCI) (2017 – available for sale, held to maturity investments and loans and receivables) calculated using the effective interest method is recognised in the Statement of Profit or Loss and Other Comprehensive Income.

6. EXPENDITURE

	CONSOLIDATED	
	2018	2017
	\$'000s	\$'000s
A. EMPLOYEE BENEFITS		
Salaries and other benefits	58,004	61,448
Defined contribution	4,676	4,553
Fringe benefits tax	373	476
Defined benefit plan	29	45
	63,082	66,522
B. EDUCATION AND CPA PROGRAM EXPENSE		
Exam delivery	10,822	12,832
Exam and content development	5,500	6,404
Exam support	511	550
	16,833	19,786
C. ADVERTISING AND PROMOTION EXPENSE		
Advertising	6,635	7,542
Sponsorships	2,628	2,039
Public practice program campaign	2,174	–
Business development activity	506	475
Member engagement activity	373	745
Other	237	155
Research prizes and grants	196	145
Media monitoring	134	186
Brand activity	33	20
Member benefits	3	311
In Conversation	–	1,364
Naked CEO activity	–	340
	12,919	13,322

	CONSOLIDATED	
	2018	2017
	\$'000s	\$'000s
D. EVENT DELIVERY EXPENSE		
Professional development events	8,121	8,992
Member engagement events	1,995	1,550
Education events	326	137
Recruitment events	182	408
	10,624	11,087
E. PROFESSIONAL SERVICES EXPENSE		
Technology projects	3,683	2,216
Corporate support	3,117	3,216
Strategic review	1,374	–
Legal	1,183	1,341
Publications	1,040	1,735
Governance	870	573
Business development activity	798	559
Risk management and PSC scheme review	613	–
Product development and delivery	589	608
Member journey mapping	543	–
AGM	401	–
Professional conduct activity	252	176
Social media activity	4	140
Independent review costs	–	945
	14,467	11,509
F. PRINTING AND COMMUNICATION EXPENSE		
Publications	3,468	3,601
Telephone, internet and WAN costs	1,106	1,180
Printing and stationery	713	950
Postage	627	798
Other	380	400
	6,294	6,929

	CONSOLIDATED	
	2018	2017
	\$'000s	\$'000s
G. TRAVEL AND CATERING EXPENSE		
Business development activity	1,305	1,634
Member engagement activity	1,019	1,029
Board and internal audit	809	846
Advocacy	683	554
Corporate support	616	820
Education and professional development activity	553	521
Public practice activity	499	434
Strategic review	310	–
Professional conduct activity	91	90
Independent review costs	–	51
	5,885	5,979
H. OTHER STAFF COSTS		
Agencies employment expense	2,466	1,274
Staff recruitment	1,018	523
Staff training and development	672	420
Other staff costs	519	465
	4,675	2,682
I. OTHER EXPENSES		
Merchant fees and bank fees	2,459	2,618
Memberships and contributions	2,288	2,334
QA review	2,207	2,045
Other	196	396
	7,150	7,393

7. TAXATION

a) Income tax recognised in profit or loss

	CONSOLIDATED	
	2018	2017
	\$'000s	\$'000s
CURRENT TAX EXPENSE / (INCOME)		
Current year tax expense / (income)	–	–
DEFERRED TAX EXPENSE / (BENEFIT)		
Deferred tax expense / (benefit) (refer 7(d))	591	20
Tax expense overseas entities	140	140
Total income tax expense / (income)	731	160

b) Reconciliation of prima facie income tax

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

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

	CONSOLIDATED	
	2018	2017
	\$'000s	\$'000s
Surplus before income tax	6,723	10,452
Income tax expense calculated at 30%	2,017	3,136
TAX EFFECT OF AMOUNTS WHICH ARE NOT DEDUCTIBLE / (TAXABLE) IN CALCULATING TAXABLE INCOME:		
Mutual revenue	(47,000)	(47,741)
Mutual expenses	38,090	38,489
Foreign branch revenue	(827)	(800)
Foreign branch expenditure	6,203	5,680
Non-deductible expenses	1,517	491
TAX EFFECT OF:		
Temporary differences	(641)	20
Derecognition of prior year tax losses as deferred assets	974	–
Current year unused tax losses not recognised as deferred assets	258	745
Impact of tax in foreign jurisdiction	140	140
Total income tax expense / (income)	731	160

Non-mutual operating and investment revenue totalled \$25.7m in 2018. Non-mutual operating expenditure totalled \$23.6m in 2018. This gives rise to a non-mutual taxable surplus of \$2.1m prior to any tax adjustments.

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

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

c) Income tax recognised in other comprehensive income

	CONSOLIDATED	
	2018	2017
	\$'000s	\$'000s
Deferred tax expense / (benefit) arising on the fair value remeasurement of equity investments at FVOCI (refer 7(d))	(554)	–
Deferred tax expense / (benefit) arising on the fair value remeasurement of debt instruments at FVOCI (refer 7(d))	(21)	–
Deferred tax expense / (benefit) arising on the fair value remeasurement of available-for-sale financial assets (refer 7(d))	–	745
Total income tax recognised in other comprehensive income	(575)	745

The deferred tax expense / (benefit) arising on fair value measurement of equity investments and debt instruments (2017: available-for-sale assets) is included in the changes in the fair value of equity investments and debt instruments (2017: net gain / (loss) on available-for-sale assets) in other comprehensive income in the Statement of Profit or Loss and Other Comprehensive Income.

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

	CONSOLIDATED								
	OPENING BALANCE 2017	RECOGNISED IN PROFIT OR LOSS	RECOGNISED IN OTHER COMPREHENSIVE INCOME	FX REVALUATION	CLOSING BALANCE 2017	RECOGNISED IN PROFIT OR LOSS	RECOGNISED IN OTHER COMPREHENSIVE INCOME	FX REVALUATION	CLOSING BALANCE 2018
ASSETS	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Investments	(1,895)	–	(745)	–	(2,640)	583	575	–	(1,482)
Property, plant and equipment	(349)	(42)	–	–	(391)	187	–	–	(204)
Employee benefits	332	47	–	–	379	(102)	–	–	277
Provisions	139	(22)	–	–	117	(27)	–	–	90
Tax losses	2,540	(3)	–	–	2,537	(1,232)	–	–	1,305
FX Revaluation	–	–	–	(2)	(2)	–	–	16	14
	767	(20)	(745)	(2)	–	(591)	575	16	–
LIABILITIES									
Accrued income	–	–	–	–	–	–	–	–	–
	767	(20)	(745)	(2)	–	(591)	575	16	–

In assessing its income tax liability, the Group 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 the Group are classified for income tax purposes in accordance with income tax legislation.

CPA Australia Ltd and its Australian subsidiary CPA Australia Advice Pty Ltd formed a tax consolidated group with effect from 1 April 2016.

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

Deferred income tax 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 used.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable surplus will be available to allow all or part of the deferred income tax asset to be utilised.

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

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

8. CASH AND CASH EQUIVALENTS

	CONSOLIDATED	
	2018	2017
	\$'000s	\$'000s
CURRENT		
Cash at bank and in hand	61,628	52,433
Deposits at call	10,500	37,000
	72,128	89,433

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

Reconciliation of profit after income tax to net cash

	CONSOLIDATED	
	2018	2017
	\$'000s	\$'000s
INFLOW FROM OPERATING ACTIVITIES		
Surplus for the year	5,992	10,292
Plus / (minus) non-operating items:		
Interest and dividend income received	(5,213)	(5,141)
Net gain / (loss) on sale of property, plant and equipment	3	(4)
Net gain / (loss) on sale of financial assets at FVTPL	(589)	(560)
Plus / (minus) non-cash items:		
Depreciation and amortisation	7,136	9,529
Foreign exchange translation	(354)	868
Provision for impairment	43	(150)
Addback loss allowance on trade receivables	59	–
Deferred tax adjustment	575	–
Make-good expense / (gain)	(227)	–
Gain / loss on revaluation of financial assets at FVTPL	1,944	–
Finance cost	5	10
Change in assets and liabilities:		
(Increase) / decrease in receivables	(442)	23
(Increase) / decrease in other assets	219	(1,770)
Increase / (decrease) in payables	(6,247)	1,973
Increase / (decrease) in subscriptions and fees in advance	(419)	(1,675)
Increase / (decrease) in other liabilities	(612)	(637)
Increase / (decrease) in provisions	(516)	351
Change in items in equity		
Amounts recognised in equity relating to defined benefit plan	–	(92)
Net cash inflow from operating activities	1,357	13,017

9. TRADE AND OTHER RECEIVABLES

	CONSOLIDATED	
	2018	2017
	\$'000s	\$'000s
CURRENT ASSETS		
Trade and other receivables	2,852	2,379
Loss allowance	(42)	(11)
	2,810	2,368
OTHER RECEIVABLES		
Accrued interest on bank deposits	11	11
Accrued interest on financial assets at amortised cost	162	72
	173	83
	2,983	2,451

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

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

The movement in the allowance for impairment in respect of trade receivables is as follows. Comparative amounts for 2017 represent the allowance for impairment losses under AASB 139.

	CONSOLIDATED	
	2018	2017
	\$'000s	\$'000s
MOVEMENT IN LOSS ALLOWANCE		
Balance at 1 January under AASB 139	11	24
Adjustment on initial application of AASB 9	22	–
Balance at 1 January under AASB 9	33	–
Amounts recovered	(6)	(13)
Amounts written off	–	–
Remeasurement of loss allowance	15	–
Balance at the end of the year	42	11

Details on the calculation of the loss allowance are provided in Note 23. The effect of initially applying AASB 9 is described in Note 3.

10. OTHER ASSETS

	CONSOLIDATED	
	2018	2017
	\$'000s	\$'000s
CURRENT		
Defined benefit plan	409	453
Prepayments	5,915	6,299
	6,324	6,752
NON-CURRENT		
Loan to related parties (at amortised cost) 19(e)	–	–
Less provision for impairment 19(e)	–	–
Security deposit and other	238	29
Balance at the end of the year	238	29

Defined benefit plan

The defined benefit obligation recognised in the Statement of Financial Position represents the present value of the defined benefit obligation, adjusted for unrecognised past service cost, net of the fair value of plan assets. Any asset resulting from this calculation is limited to the past service cost, plus the present value of available refunds and reductions in future contributions to the plan. Only two employees remain as members of the defined benefit plan and it is closed to new members as of 31 December 1999.

Mercer Benefit Services has provided actuarial calculations of the current benefit of the defined benefit liability and detailed disclosures relating to this plan are provided in Note 22.

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

Loan to related parties

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

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

11. OTHER FINANCIAL ASSETS

	CONSOLIDATED	
	2018	2017
	\$'000s	\$'000s
CURRENT		
Deposits greater than 90 days, less than one year	38,562	13,747
	38,562	13,747
NON-CURRENT		
Deposits greater than one year	203	–
Annuities	1,000	–
Financial assets at fair value through profit or loss (FVTPL)	45,712	–
Financial assets at fair value through other comprehensive income (FVOCI)	25,417	–
Listed non-derivative financial assets available for sale	–	74,625
Non-listed non-derivative financial assets available for sale	–	3,763
	72,332	78,388

Details on accounting policies for financial assets are outlined in Note 23. The effect of initially applying AASB 9 is described in Note 3.

12. PROPERTY, PLANT AND EQUIPMENT

	CONSOLIDATED				TOTAL
	BUILDING AT COST	PLANT AND EQUIPMENT AT COST	LIBRARY BOOKS AT COST	CAPITAL WORK IN PROGRESS	
	\$'000s	\$'000s	\$'000s	\$'000s	
GROSS CARRYING AMOUNT					
Balance at 1 January 2017	3,800	36,613	73	678	41,164
Additions	–	–	17	4,360	4,377
Disposals	–	(2,267)	(22)	–	(2,289)
Transfers to / from asset class	–	4,575	–	(4,575)	–
Balance at 1 January 2018	3,800	38,921	68	463	43,252
Additions	–	1,007	10	1,399	2,416
Disposals	–	(826)	(22)	–	(848)
Transfers to / from asset class	–	1,862	–	(1,862)	–
Balance at 31 December 2018	3,800	40,964	56	–	44,820
ACCUMULATED DEPRECIATION AND IMPAIRMENT					
Balance at 1 January 2017	(1,444)	(29,122)	(38)	–	(30,604)
Disposals	–	2,265	23	–	2,288
Depreciation	(76)	(3,464)	(15)	–	(3,555)
Balance at 1 January 2018	(1,520)	(30,321)	(30)	–	(31,871)
Disposals	–	821	22	–	843
Depreciation	(76)	(3,524)	(14)	–	(3,614)
Balance at 31 December 2018	(1,596)	(33,024)	(22)	–	(34,642)
NET BOOK VALUE					
Property, plant and equipment as at 31 December 2017	2,280	8,600	38	463	11,381
Property, plant and equipment as at 31 December 2018	2,204	7,940	34	–	10,178

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

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

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

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

Land and buildings

Valuations are obtained biennially and were obtained in 2017. All valuations received exceeded the assets recorded value at balance date. They reflect independent assessments of the open market value of land and buildings based on existing use.

Lease restoration

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

Impairment

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

Sale of Non-Current Assets

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

13. INTANGIBLE ASSETS

	CONSOLIDATED		TOTAL
	INTANGIBLE ASSETS AT COST	CAPITAL WORK IN PROGRESS – INTANGIBLE ASSETS	
	\$'000s	\$'000s	\$'000s
GROSS CARRYING AMOUNT			
Balance at 1 January 2017	33,135	–	33,135
Additions	–	1,496	1,496
Disposals	–	–	–
Transfers to / from asset class	751	(751)	–
Balance at 1 January 2018	33,886	745	34,631
Additions	–	770	770
Disposals	(1,211)	–	(1,211)
Transfers to / from asset class	1,186	(1,186)	–
Balance at 31 December 2018	33,861	329	34,190
ACCUMULATED DEPRECIATION AND IMPAIRMENT			
Balance at 1 January 2017	(23,523)	–	(23,523)
Disposals	–	–	–
Amortisation and impairment	(5,974)	–	(5,974)
Balance at 1 January 2018	(29,497)	–	(29,497)
Disposals	1,167	–	1,167
Amortisation and impairment	(3,522)	–	(3,522)
Balance at 31 December 2018	(31,852)	–	(31,852)
NET BOOK VALUE			
Intangible assets as at 31 December 2017	4,389	745	5,134
Intangible assets as at 31 December 2018	2,009	329	2,338

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

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

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

Website costs

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

Impairment of intangible assets

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

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

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

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

14. PROVISIONS

	CONSOLIDATED	
	2018	2017
	\$'000s	\$'000s
CURRENT		
Employee benefits	5,708	6,646
Restoration of leased properties	230	–
	5,938	6,646
NON-CURRENT		
Employee benefits	621	984
Restoration of leased properties	1,952	1,397
	2,573	2,381
	8,511	9,027

Employee benefits

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

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

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

	CONSOLIDATED	
	2018	2017
EMPLOYEE NUMBERS		
Average number of full time equivalent employees (FTEs) during the financial year	475	480

Restoration of leased properties

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

In 2018 the provision was re-measured based on changes in expected costs to restore applicable sites, to the lease terms, inflation and discount rates.

	CONSOLIDATED	
	2018	
	\$'000s	
RECONCILIATION OF RESTORATION OF LEASED PROPERTIES		
Balance at 1 January 2018		1,397
Additional provision charged to plant and equipment		721
Unwinding of discount and effect of changes in the discount rate		64
Balance as at 31 December 2018		2,182

15. OTHER LIABILITIES

	CONSOLIDATED	
	2018	2017
	\$'000s	\$'000s
CURRENT		
Subscriptions and fees received in advance	75,792	74,744
Lease incentive	612	612
	76,404	75,356
NON-CURRENT		
Lease incentive	888	1,500
	888	1,500
	77,292	76,856

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.

16. PARENT ENTITY DISCLOSURES

	2018	2017
	\$'000s	\$'000s
ASSETS		
Current assets	115,894	107,652
Non-current assets	86,207	96,101
Total assets	202,101	203,753
Liabilities		
Current liabilities	94,837	100,139
Non-current liabilities	3,480	4,434
Total liabilities	98,317	104,573
Members' funds		
Retained surplus	99,467	91,279
Reserves		
Investment revaluation reserve	3,711	8,054
Foreign currency translation reserve	606	(153)
Total members' funds	103,784	99,180

	2018	2017
	\$'000s	\$'000s
Surplus for the year	6,733	1,093
Other comprehensive (expense) /income net of tax	(662)	1,616
Total comprehensive income for the year	6,071	2,709

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 \$20.0m; all amounts advanced are interest free and are repayable in full by 8 June 2025 subject to CPA Australia Advice's right to defer the repayment where repayment would cause CPA Australia Advice to become insolvent.

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

As this is an interest free loan, the difference between the loan amount advanced and the amortised cost is recorded as an 'investment in subsidiary' in the parent entity. The amortised cost of the \$2.0m loan amount advanced during 2018 was determined using a market rate of 5.85%.

As at 31 December 2018, the total amount advanced under the loan facility is \$14.4m (2017: \$12.4m); the carrying value of the loan is \$10.0m (2017: \$8.4m) and the total amount recorded as an 'investment in the subsidiary' is \$5.1m (2017: \$4.5m). The directors have assessed the loan and the investment in subsidiary and concluded that there was objective evidence of impairment of the loan (\$10.0m) and the investment in CPA Australia Advice (\$5.1m) at 31 December 2018. A provision for impairment of \$12.9m was previously recognised at 31 December 2017 and an additional provision for impairment of \$2.2m has been recognised in 2018.

17. COMMITMENTS

The Group leases various offices under non-cancellable operating leases expiring within one to 70 years, with most expiring within five years. These leases have varying terms, review clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

	CONSOLIDATED	
	2018	2017
	\$'000s	\$'000s
A. NON-CANCELLABLE OPERATING LEASE COMMITMENTS		
Commitments for minimum lease payments in relation to non-cancellable operating leases:		
Not later than one year	12,208	12,745
Later than one year but not later than five years	19,938	25,581
Later than five years [^]	26,137	26,469
	58,283	64,795

B. OTHER NON-CANCELLABLE CONTRACTUAL COMMITMENTS

In respect of non-cancellable contractual commitments the following liabilities have been recognised:

Not later than one year	1,847	494
Later than one year but not later than five years	1,312	54
Later than five years	–	52
	3,159	600

[^]Commitments later than five years include the long-term lease on the Sydney property. The 2017 comparative number has been restated accordingly.

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 lesser, are charged as expenses in the periods in which they are incurred.

Other contractual commitments

Other non-cancellable commitments primarily include venue and audio-visual hire contracts for Congress events and software licensing agreements.

The Group has no contractual commitments for significant capital expenditure as at the end of the reporting period.

c) Other commitments

In 2019, the Group will continue to support the following organisations: AASB, AUASB, APESB, IFAC and the IIRC.

The Group has provided support in 2018 to IFAC in the pursuit of their objectives. The contribution for the 2018 year was \$1,459,233 (2017: \$1,345,578).

As part of the undertakings with APESB, CPA Australia, CA ANZ and the IPA contribute funds necessary for the pursuit of the objectives of APESB. The contributions for the 2018 year were \$486,239 (2017: \$527,976).

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

18. LIMITATION OF MEMBERS' LIABILITY

CPA Australia is a company limited by guarantee and, in accordance with the Constitution, the liability of members in the event of the Group being wound up would not exceed \$10 per member.

19. RELATED PARTIES

a) Key management personnel

Key management personnel (KMP) are those persons having the authority and responsibility for planning, directing and controlling the activities of the CPA Australia Ltd Group ("Group").

The following were KMP of CPA Australia Ltd during the reporting period. Directors of subsidiaries have only been included where they are also directors of CPA Australia Ltd or are considered KMP of the Group. Unless otherwise indicated, the following non-executive directors and executives were KMP for the entire period:

NAME	TITLE	APPOINTED / RETIRED	TERM END DATE
NON-EXECUTIVE DIRECTORS			
Peter Wilson	President and Chairman	Appointed 1 October 2017	30 September 2019
Merran Kelsall	Deputy President	Appointed 1 October 2017	30 September 2020
Chin Aik Wong	Deputy President	Appointed 1 October 2017	30 September 2020
Ric De Santi	Director	Re-appointed 1 October 2018	30 September 2021
Robyn Erskine	Director	Appointed 1 October 2017	30 September 2019
Helen Lorigan	Director	Appointed 1 October 2017	30 September 2020
Rosmary Sinclair	Director	Appointed 1 October 2017	30 September 2020
Caroline Spencer	Director	Appointed 1 October 2017	30 September 2019
Dale Pinto	Director	Appointed 1 October 2018	30 September 2021
Su-Yen Wong	Director	Appointed 1 October 2018	30 September 2021
Jon Scriven	Former director	Retired 30 September 2018	N/A
EXECUTIVES			
Andrew Hunter	CEO	Appointed 3 April 2018	
Nicholas Diss	Former Interim CFO CFO Director – CPA Australia (Shanghai) Co., Ltd	Ceased 31 May 2018 Appointed 1 June 2018	
Kerry Mayne	Executive General Manager Business Development		
Liz Malady	Executive General Manager People and Culture		
Craig Laughton	Executive General Manager Policy, Advocacy and Public Practice		
Karen Hellwig	Executive General Manager Member Experience	Appointed 1 June 2018	
Meg Yeates	Executive General Manager Marketing	Appointed 2 July 2018	
Simon Eassom	Executive General Manager Member Education	Appointed 1 October 2018	
Deborah Leung	Executive General Manager International Director – CPA Australia (Shanghai) Co., Ltd	Appointed 1 November 2018	
Adam Awty	Former Interim CEO Former director – CPA Australia (M) Sdn. Bhd.	Ceased 2 April 2018 Resigned 2 April 2018	
Glenn Ahern	Former General Manager Australia Divisions and NSW	Ceased 12 April 2018	
Stuart Dignam	Former General Manager Policy and Corporate Affairs	Ceased 12 April 2018	
Erin Wood	Former General Manager Membership	Ceased 31 May 2018	
Robert Thomason	Former Group Executive Member Engagement and Education Former director – CPA Australia (Shanghai) Co., Ltd Former director – CPA Australia (M) Sdn. Bhd.	Ceased 1 July 2018 Resigned 4 June 2018 Resigned 4 June 2018	
Murray Chenery	Former Executive General Manager Brand	Ceased 1 July 2018	
Cathy Bibby	Former Executive General Manager Technology and Digital Solutions	Ceased 12 October 2018	

b) Compensation of key management personnel

(i) Non-executive director compensation

When the new board of the Group was appointed on 1 October 2017, it implemented a rigorous benchmarking program to benchmark remuneration of all directors, 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”. On receipt of the final report in February 2018, the Board of the Group agreed to no longer benchmark against the Auditor-General’s remuneration and 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

On 13 March 2018, director Caroline Spencer was appointed as Auditor-General for Western Australia. Ms Spencer elected to perform her CPA Australia director duties on a pro bono basis and this has been in effect since Ms Spencer began in the role on 28 May 2018.

Director Ric De Santi was Deputy Auditor-General of Tasmania upon his initial appointment to CPA Australia’s Board in October 2017 and he remains in that role. Mr De Santi’s participation on the CPA Australia Board was approved by the Auditor-General of Tasmania and was reported in the 2017 CPA Australia Annual Integrated Report. On 20 November 2018, CPA Australia’s Board communicated to all members that Mr De Santi, in consultation with the Auditor-General, advised that he would perform his CPA Australia director duties on a pro bono basis effective 16 November 2018.

The Board also determined that no committee fees will be paid to any directors. The Group may pay all reasonable travelling, accommodation and other expenses that a director properly incurs in attending meetings of the Board, committees of the Board, meetings of members or otherwise in connection with the business of the Company.

Where a non-director is a member of a Board committee they will be entitled to a per diem amount. For the IRIC, Divisional Presidents seconded to this committee were entitled to receive a per diem amount of \$2,300, capped at 20 days in total throughout 2018. For the Nomination Committee, members were entitled to receive a maximum amount of \$450 per hour, capped at a total of \$50,000 per annum during 2018.

The Board has determined that no directors of CPA Australia are to sit on the Boards of any CPA Australia subsidiaries and remuneration levels for the CPA Australia Advice Board were set at a lower level, effective 1 January 2018.

(ii) Executive compensation

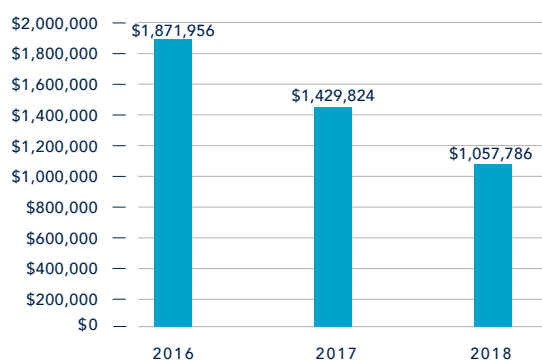
Executive remuneration is comprised of a fixed component based on Total Salary Cost (TSC) and an at risk component comprising an incentive scheme as discussed below.

TSC equals total gross remuneration plus the employer superannuation contribution. Remuneration reviews are conducted annually and any salary increases following on from these reviews will normally be effective from 1 January each year. Remuneration of the CEO and direct reports of the CEO is approved by the Board. Salary increases for all other staff are determined by the CEO in consultation with business unit leaders and approved by the Board.

The Group has in place an incentive scheme for its staff that is designed to focus employees on the new strategy including critical member service outcomes and to reward employee commitment to the overall strategic objectives of the Group. Overall the Group’s KPIs must be achieved for incentive payments to be made; performance is reviewed by the Board at the end of each year and the incentive pool is approved.

The Board completed a review of incentive arrangements during 2018 and a new framework has been approved effective 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 per cent from the market median will be used going forward to determine relevant salary ranges for each executive position taking into account the individuals experience and competence.

TOTAL DIRECTOR REMUNERATION 2016-2018



c) 2018 Compensation – Key management personnel

NAME	COMPANY	POSITION
NON-EXECUTIVE DIRECTORS		
Peter Wilson	CPA Australia Limited	Chairman and President
Merran Kelsall	CPA Australia Limited	Deputy President
Chin Aik Wong	CPA Australia Limited	Deputy President
Ric De Santi ⁽⁴⁾	CPA Australia Limited	Director
Robyn Erskine	CPA Australia Limited	Director
Helen Lorigan	CPA Australia Limited	Director
Rosemary Sinclair	CPA Australia Limited	Director
Caroline Spencer ⁽⁵⁾	CPA Australia Limited	Director
Dale Pinto	CPA Australia Limited	Director
Su-Yen Wong	CPA Australia Limited	Director
Jon Scriven	CPA Australia Limited	Former director
Tyrone Carlin	CPA Australia Limited	Former Chairman and President
	CPA Australia Advice Pty Ltd	Former director
	Total	
James Dickson	CPA Australia Ltd	Former Deputy President
		Former Chairman and President
		Former director
Total		
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	CPA Australia Limited	Former director
Martin Hourigan	CPA Australia Limited	Former director
Timothy Youngberry	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	
Sharon Portelli	CPA Australia Limited	Former director

SHORT-TERM EMPLOYEE BENEFITS			POST-EMPLOYMENT BENEFITS	OTHER LONG-TERM BENEFITS ⁽³⁾	TOTAL 2018 (EXCL TERMINATION BENEFITS)	TERMINATION BENEFITS	TOTAL 2018 (INCL TERMINATION BENEFITS)	TOTAL 2017
SALARY AND FEES ⁽¹⁾	BONUS	OTHER ⁽²⁾	SUPERANNUATION					
\$	\$	\$	\$	\$	\$	\$	\$	\$
205,480	-	-	19,520	-	225,000	-	225,000	56,250
102,740	-	-	9,760	-	112,500	-	112,500	28,125
102,740	-	-	9,760	-	112,500	-	112,500	28,125
59,975	-	-	5,698	-	65,673	-	65,673	18,750
68,493	-	-	6,507	-	75,000	-	75,000	18,750
68,493	-	-	6,507	-	75,000	-	75,000	18,750
68,493	-	-	6,507	-	75,000	-	75,000	18,750
27,485	-	-	2,611	-	30,096	-	30,096	18,750
17,123	-	-	1,627	-	18,750	-	18,750	-
17,123	-	-	1,627	-	18,750	-	18,750	-
51,370	-	-	4,880	-	56,250	-	56,250	18,750
-	-	-	-	-	-	-	-	77,995
-	-	-	-	-	-	-	-	17,500
-	-	-	-	-	-	-	-	95,495
-	-	-	-	-	-	-	-	54,163
-	-	-	-	-	-	-	-	58,333
-	-	-	-	-	-	-	-	18,750
-	-	-	-	-	-	-	-	131,246
-	-	-	-	-	-	-	-	44,012
-	-	-	-	-	-	-	-	44,012
-	-	-	-	-	-	-	-	44,790
-	-	-	-	-	-	-	-	59,579
-	-	-	-	-	-	-	-	46,643
-	-	-	-	-	-	-	-	46,643
-	-	-	-	-	-	-	-	29,903
-	-	-	-	-	-	-	-	75,728
-	-	-	-	-	-	-	-	70,000
-	-	-	-	-	-	-	-	145,728
-	-	-	-	-	-	-	-	75,728
-	-	-	-	-	-	-	-	100,000
-	-	-	-	-	-	-	-	175,728
-	-	-	-	-	-	-	-	75,728
-	-	-	-	-	-	-	-	52,500
-	-	-	-	-	-	-	-	128,228
-	-	-	-	-	-	-	-	94,478

NAME	COMPANY	POSITION
EXECUTIVES		
Andrew Hunter	CPA Australia Limited	CEO
Nicholas Diss ⁽⁶⁾	CPA Australia Limited	Former interim CFO / CFO
	CPA Australia (Shanghai) Co., Ltd	Director
Kerry Mayne	CPA Australia Limited	Executive General Manager Business Development
Liz Malady	CPA Australia Limited	Executive General Manager People and Culture
Craig Laughton	CPA Australia Limited	Executive General Manager Policy, Advocacy and Public Practice
Karen Hellwig	CPA Australia Limited	Executive General Manager Member Experience
Meg Yeates	CPA Australia Limited	Executive General Manager Marketing
Simon Eassom	CPA Australia Limited	Executive General Manager Member Education
Deborah Leung	CPA Australia Limited	Executive General Manager International
	CPA Australia (Shanghai) Co., Ltd	Director
Adam Awty ⁽⁷⁾	CPA Australia Limited	Former COO commercial
	CPA Australia Limited	Former interim CEO
	CPA Australia (M) Sdn. Bhd.	Former director
	Total	
Stuart Dignam ⁽⁸⁾	CPA Australia Limited	Former General Manager Policy and Corporate Affairs
Glenn Ahern ⁽⁹⁾	CPA Australia Limited	Former General Manager Australia Divisions and NSW
Erin Wood ⁽¹⁰⁾	CPA Australia Limited	Former General Manager Membership
Robert Thomason ⁽¹¹⁾	CPA Australia Limited	Former Group Executive Member Engagement and Education
	CPA Australia (Shanghai) Co., Ltd	Former director
	CPA Australia (M) Sdn. Bhd.	Former director
Murray Chenery ⁽¹²⁾	CPA Australia Limited	Former Executive General Manager Brand
Cathy Bibby ⁽¹³⁾	CPA Australia Limited	Former Executive General Manager Technology and Digital Solutions
Alex Malley	CPA Australia Limited	Former CEO
Jeff Hughes	CPA Australia Limited	Former COO member services
	CPA Australia (M) Sdn. Bhd.	Former director
	CPA Australia (Shanghai) Co., Ltd	Former director
TOTAL KMP		

Notes:

⁽¹⁾ Includes annual leave entitlements accrued during 2018.

⁽²⁾ Other short-term benefits include car parking and fringe benefits.

⁽³⁾ Other long-term benefits include long service leave entitlements accrued during the year.

⁽⁴⁾ Mr De Santi elected to perform his director duties on a pro bono basis from 16 November 2018.

⁽⁵⁾ Ms Spencer elected to perform her director duties on a pro bono basis with effect from 28 May 2018.

⁽⁶⁾ No change in remuneration package on appointment from Interim CFO role to CFO role on 1 June 2018

⁽⁷⁾ Annual leave and long service leave entitlements totalling \$284,739 were also paid on termination; this amount is not included in the termination payment.

⁽⁸⁾ Annual leave and long service leave entitlements totalling \$56,151 were also paid on termination; this amount is not included in the termination payment.

⁽⁹⁾ Annual leave and long service leave entitlements totalling \$55,873 were also paid on termination; this amount is not included in the termination payment.

⁽¹⁰⁾ Annual leave and long service leave entitlements totalling \$42,274 were also paid on termination; this amount is not included in the termination payment.

⁽¹¹⁾ Annual leave and long service leave entitlements totalling \$83,197 were also paid on termination; this amount is not included in the termination payment.

⁽¹²⁾ Annual leave and long service leave entitlements totalling \$74,452 were also paid on termination; this amount is not included in the termination payment.

⁽¹³⁾ Annual leave and long service leave entitlements totalling \$61,403 were also paid on termination; this amount is not included in the termination payment.

SHORT-TERM EMPLOYEE BENEFITS			POST-EMPLOYMENT BENEFITS	OTHER LONG-TERM BENEFITS ⁽³⁾	TOTAL 2018 (EXCL TERMINATION BENEFITS)	TERMINATION BENEFITS	TOTAL 2018 (INCL TERMINATION BENEFITS)	TOTAL 2017
SALARY AND FEES ⁽¹⁾	BONUS	OTHER ⁽²⁾	SUPERANNUATION					
\$	\$	\$	\$	\$	\$	\$	\$	\$
493,603	126,997	2,112	15,278	8,426	646,416	–	646,416	–
289,746	35,000	5,001	25,000	10,806	365,553	–	365,553	175,720
–	–	–	–	–	–	–	–	–
217,260	25,000	3,934	24,090	4,333	274,617	–	274,617	–
240,611	25,000	4,779	24,149	4,900	299,439	–	299,439	–
351,096	45,000	4,023	25,000	6,000	431,119	–	431,119	–
171,785	22,719	2,378	15,717	3,611	216,210	–	216,210	–
109,836	12,534	578	12,782	2,597	138,327	–	138,327	–
101,442	15,000	845	6,250	1,667	125,204	–	125,204	–
82,608	8,556	–	2,752	978	94,894	–	94,894	–
–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	377,338
190,031	–	822	6,527	3,263	200,643	843,446	1,044,089	430,941
–	–	–	–	–	–	–	–	–
190,031	–	822	6,527	3,263	200,643	843,446	1,044,089	808,279
90,128	–	1,045	8,333	–	99,506	169,413	268,919	–
53,174	–	11,615	6,148	959	71,896	165,155	237,051	–
78,210	–	–	8,466	1,361	88,037	130,924	218,961	–
198,723	–	1,378	15,753	3,250	219,104	247,322	466,426	–
–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–
150,955	–	2,556	17,415	2,829	173,755	144,786	318,541	–
221,385	–	3,401	24,017	3,856	252,659	164,651	417,310	–
–	–	–	–	–	–	–	–	5,787,724
–	–	–	–	–	–	–	–	1,568,660
–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–
3,830,108	315,806	44,467	312,681	58,836	4,561,898	1,865,697	6,427,595	9,651,868

d) Loans and amounts owing to key management personnel

There are no loans between key management personnel and the Group.

Director fees of \$1,659 have been accrued in respect of Andrew Heng, a director of CPA Australia (M) Sdn. Bhd. and are payable in early 2019.

e) Other transactions of key management personnel and key management personnel related entities

In 2007, the Group entered into a memorandum of understanding with two other accounting bodies (IPA and CA ANZ) to jointly promote the AAT as the peak organisation representing the paraprofessional segment of the accounting profession through the provisions of loan funds. Nicholas Diss, interim CFO (1 January – 31 May 2018) and CFO 1 June 2018 – 31 December 2018) was a director of the AAT Board until 10 October 2017. Jeff Hughes, former COO – member services (1 January 2017 – 31 December 2017) was also a director of the AAT Board until 25 August 2017. 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 in 2017, reducing the non-current loan amount to \$1. The Group had previously recognised an impairment provision in 2015 for the full amount of the loan. This disclosure relates to 2017 only as no key management personnel were directors of the AAT Board during 2018.

Adam Awty, former interim CEO (1 January 2018 – 2 April 2018) was a director of CPA Australia (Malaysia) Sdn. Bhd. until 2 April 2018. Robert Thomason, former Executive General Manager – Education (1 January 2018 – 1 July 2018) was a director of CPA Australia (Malaysia) Sdn. Bhd. and a director of CPA Australia (Shanghai) Co., Ltd until 4 June 2018.

Priya Dharshini Terumalay, Country Head Malaysia, is a director of CPA Australia (Malaysia) Sdn. Bhd. and a director of CPA Australia (Shanghai) Co., Ltd. Nicholas Diss, interim CFO (1 January – 31 May 2018) and CFO 1 June 2018 – 31 December 2018) and Deborah Leung, Country Head Greater China (1 January – 31 October 2018) and Executive General Manager International (1 November 2018 – 31 December 2018) are directors of CPA Australia (Shanghai) Co., Ltd.

There are no other transactions with key management personnel and key management personnel related entities.

20. AUDITOR REMUNERATION

	CONSOLIDATED			
	2018	2018	2017	2017
	\$	\$	\$	\$
AUDITOR OF PARENT ENTITY, AUSTRALIA SUBSIDIARIES AND NEW ZEALAND BRANCH				
	KPMG	DTT	KPMG	DTT
Audit of financial report	249,222	31,239	–	209,114
Other assurance services	41,500	50,400	–	123,900
Non-audit services – tax compliance	–	4,148	–	4,148
AFFILIATED FIRMS				
Audit of financial reports for overseas subsidiaries and branches	90,009	930	–	73,334
Other assurance services	–	–	–	–
	380,731	86,717	–	410,496
OTHER AUDIT FIRMS				
Audit of financial reports for overseas branches	20,696	–	–	28,951
	20,696	–	–	28,951

In 2018, KPMG Australia replaced Deloitte Touche Tohmatsu as the external company auditor of the Group. The 2018 annual financial report has been audited by KPMG Australia.

Any activity that involves the engagement of the company auditor must adhere to the Board endorsed principles and requires the prior approval of the Audit, Risk and Compliance Committee to ensure there is no conflict of interest. As a general principle, the use of the external auditor is limited to the provision of statutory audit work and non-discretionary audit-related work. Where the statutory auditor is deemed to be the most appropriate to deliver professional development, article authoring or CPA Program authoring, this is to be documented and provided to the Audit, Risk and Compliance Committee for endorsement quarterly.

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

During 2018, the Group received revenue in the form of sponsorship from both Deloitte and KPMG in the Hong Kong division. The Singapore division received local sponsorship from Deloitte and KPMG for CPA Australia Profession Sessions Singapore and CPA Australia 2018 Congress Singapore.

KPMG Malaysia provided sponsorship to CPA Australia (M) Sdn. Bhd for a student tax challenge competition, CPA Australia Profession Sessions Malaysia and CPA Australia 2018 Congress Malaysia.

There were no commercial sponsorships in Australia, Shanghai and New Zealand.

21. INVESTMENT IN CONTROLLED ENTITIES

	CLASS OF SHARE	ENTITY INTEREST		AMOUNT OF INVESTMENT	
		2018	2017	2018	2017
		%	%	\$	\$
CONTROLLED ENTITY					
CPA Australia (M) Sdn. Bhd.	Ordinary	100	100	160,127	160,127
CPA Australia (Shanghai) Co., Ltd	Ordinary	100	100	1,206,987	1,206,987
CPA Australia Advice Pty Ltd	Ordinary	100	100	1	1

The amount of investment represents the historical capital invested into each entity, which may be different to the fair value of that investment. The historical capital invested into CPA Australia Advice Pty Ltd of \$5,109,665 has been written down to \$1.

CPA Australia (M) Sdn. Bhd. is incorporated in Malaysia to facilitate the provision of services to members in Malaysia.

CPA Australia (Shanghai) Co., Ltd is incorporated in China to facilitate the provision of services to members in China.

CPA Australia Advice Pty Ltd is incorporated in Australia to provide financial advice under the AFSL and ACL.

22. SUPERANNUATION AND DEFINED BENEFIT PLAN

Employees have the choice to contribute either to the Group Superannuation Plan of the ANZ Smart Choice Corporate Superannuation ('the plan') or their own nominated fund. Employees may contribute to the funds at various percentages of their total salary cost.

The plan provides both accumulation and defined benefit divisions. Eligibility to enter the defined benefit divisions ceased on 31 December 1999.

Accounting policy

Actuarial gains and losses are recognised immediately through the Statement of 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 2018, the Defined Benefit Plan had two 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, the Australian Prudential Regulation Authority, licenses and supervises regulated superannuation plans.

Risk

There are several risks to which the Fund exposes the employer. The more significant risks relating to the defined benefits are:

- Investment risk – the risk that investment returns will be lower than assumed and the employer will need to increase contributions to offset this shortfall
- Salary growth risk – the risk that wages or salaries (on which future benefits amounts will be based) will rise more rapidly than assumed, increasing defined benefit amounts and thereby requiring additional employer contributions
- Legislative risk – the risk is that legislative changes could be made which increase the cost of providing the defined benefits
- Timing of members leaving service – as the Fund has only a small number of members, if members with large benefits or groups of members leave, this may have an impact on the financial position of the Fund, depending on the financial position of the Fund at the time they leave. The impact may be positive or negative, depending upon the circumstances and timing of the withdrawal

The defined benefit assets are invested in the Legg Mason Balanced investment option. The assets have a 60 per cent weighting to equities and therefore the Fund has a significant concentration of equity market risk. However, within the equity investments, the allocation both globally and across the sectors is diversified.

Significant events

There were no fund amendments affecting the defined benefits payable, curtailments or settlements during the year.

Reconciliation of the net defined benefit liability / (asset)

	FINANCIAL YEAR ENDED	
	31 DECEMBER 2018	31 DECEMBER 2017
	\$'000s	\$'000s
Net defined benefit liability / (asset) at start of year	(453)	(553)
Current service cost	63	65
Net Interest	(15)	(20)
Actual return on fund assets less interest income	68	(36)
Actuarial (gains) / losses arising from changes in financial assumptions	–	–
Actuarial (gains) / losses arising from liability experience	(39)	128
Employer contributions	(33)	(37)
Net defined benefits liability / (asset) at end of year	(409)	(453)

Reconciliation of the fair value of fund assets

	FINANCIAL YEAR ENDED	
	31 DECEMBER 2018	31 DECEMBER 2017
	\$'000s	\$'000s
Fair value of fund assets at beginning of the year	1,291	1,254
Interest income	49	54
Actual return on fund assets less interest income	(68)	36
Employer contributions	33	37
Contributions by fund participants	3	5
Benefits paid	(734)	–
Taxes, premiums and expenses paid	(11)	(95)
Fair value of fund assets at end of the year	563	1,291

Reconciliation of the defined benefit obligation

	FINANCIAL YEAR ENDED	
	31 DECEMBER 2018	31 DECEMBER 2017
	\$'000s	\$'000s
Present value of defined benefit obligations at beginning of the year	838	701
Current service cost	63	65
Interest cost	34	34
Contributions by fund participants	3	5
Actuarial (gains) / losses arising from changes in financial assumptions	–	–
Actuarial (gains) / losses arising from liability experience	(39)	128
Benefits paid	(734)	–
Taxes, premiums and expenses paid	(11)	(95)
Present value of defined benefit obligations at end of the year	154	838

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 2018

ASSET CATEGORY	TOTAL	QUOTED PRICES IN ACTIVE MARKET FOR IDENTICAL ASSETS	SIGNIFICANT OBSERVABLE INPUTS	UNOBSERVABLE INPUTS
		LEVEL 1	LEVEL 2	LEVEL 3
	\$'000s	\$'000s	\$'000s	\$'000s
INVESTMENT FUNDS				
Legg Mason Balanced Trust	563	–	563	–
Total	563	–	563	–

The percentage invested in each asset class at the reporting date is:

	AS AT	
	31 DECEMBER 2018	31 DECEMBER 2017
Australian equity [^]	38%	38%
International equity [^]	22%	20%
Fixed income [^]	29%	15%
Property [^]	8%	9%
Alternatives / other [^]	–	7%
Cash [^]	3%	11%

[^]Asset allocation as at 31 December 2018 is currently unavailable.
Asset allocation at 31 October 2018 has been used.

Fair value of entity's own financial instruments

The fair value of Fund assets includes no amounts relating to:

- Any of the employer's own financial instruments
- Any property occupied by, or other assets used by, the employer

Significant actuarial assumptions at the reporting date

	FINANCIAL YEAR ENDED	
	31 DECEMBER 2018	31 DECEMBER 2017
ASSUMPTIONS TO DETERMINE DEFINED BENEFIT COST		
Discount rate	3.8% p.a.	4.3% p.a.
Expected salary increase rate	2.0% p.a.	3.0% p.a.

	AS AT	
	31 DECEMBER 2018	31 DECEMBER 2017
ASSUMPTIONS TO DETERMINE DBO		
Discount rate	4.3% p.a.	3.8% p.a.
Expected salary increase rate	2.0% p.a.	2.0% p.a.

Sensitivity analysis

The defined benefit obligation as at 31 December 2018 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 per cent p.a. lower discount rate assumption

Scenario B: 0.5 per cent p.a. higher discount rate assumption

Scenario C: 0.5 per cent p.a. lower assumed salary increase rate assumption

Scenario D: 0.5 per cent p.a. higher assumed salary increase rate assumption

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

Asset-liability matching strategies

The Group 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 per cent of accumulation account balances; plus
- 110 per cent of Defined Benefit Vested Benefits over the next three years.

In that valuation, it was recommended that the Group 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)

	BASE CASE	SCENARIO A	SCENARIO B	SCENARIO C	SCENARIO D
Discount rate	4.3% p.a.	3.8% p.a.	4.8% p.a.	4.3% p.a.	4.3% p.a.
Salary increase rate	2.0% p.a.	2.0% p.a.	2.0% p.a.	1.5% p.a.	2.5% p.a.
Defined benefit obligation^ (\$'000s)	154	154	154	154	154

^Includes defined benefit contributions tax provision

23. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The effect of initially applying AASB 9 on the Group's financial instruments is described in Note 3. Due to the transition method chosen, comparative information has not been restated to reflect the new requirements.

a) Initial recognition and subsequent measurement

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument, and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss, which are measured initially at fair value.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with AASB 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable). For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- Amortised cost
- Fair value through profit or loss (FVTPL)
- Equity instruments at fair value through other comprehensive income (FVOCI)
- Debt instruments at fair value through other comprehensive income (FVOCI)

Classifications are determined by both:

- The Group's business model for managing the financial asset
- The contractual cash flow characteristics of the financial assets

Financial assets at amortised cost

Financial assets are measured at amortised cost only if both of the following criteria are met:

- The asset is held within a business model whose objective is to collect the contractual cash flows
- The contractual terms give rise to cash flows that are solely payments of principal and interest

These financial assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

The Group's cash and cash equivalents, term deposits, trade receivables and loans to related parties fall into this category of financial instruments.

Financial assets at fair value through other comprehensive income (FVOCI)

The Group classifies the following financial assets at FVOCI:

- Equity instruments that are not held for trading, and for which the group has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the Group considers this classification to be more relevant
- Debt securities where the contractual cash flows are solely principal and interest and the objective of the Group's business model is achieved both by collecting contractual cash flows and selling financial assets

Equity investments at FVOCI are subsequently measured at fair value in other comprehensive income and are never reclassified to profit or loss. Dividends are recognised as income within the profit or loss unless the dividend clearly represents a return of capital. This category includes equities that were previously classified as 'available-for-sale' under AASB 139.

Debt investments at FVOCI are subsequently measured at fair value in other comprehensive income and will be reclassified to profit or loss upon derecognition of the asset. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. This category includes securities that were previously classified as 'available-for-sale' under AASB 139.

Financial assets at fair value through profit or loss (FVTPL)

These financial assets are mandatorily measured at FVTPL as they are debt instruments that do not qualify for measurement at either amortised cost or FVOCI. They are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss. This category includes property funds, hybrids and alternatives that were previously classified as 'available-for-sale' under AASB 139.

Financial liabilities – Trade Payables

In accordance with AASB 9, the Group classifies its Trade Payables as other financial liabilities and these are measured at amortised cost.

Trade payables represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid as at the reporting date. The amounts are unsecured and are usually paid within 30 days of recognition. The Group's terms and conditions of purchase state payment terms of 30 days from date of invoice.

b) Accounting policy applicable before 1 January 2018

Prior to 1 January 2018, the Group classified its financial assets into one of the following categories:

- Loans and receivables
- Held-to-maturity investments
- Available for sale financial assets

Loans and receivables and held-to-maturity financial assets were measured at amortised cost using the effective interest method.

Available-for-sale financial assets were measured at fair value and changes, other than impairment losses, interest income and foreign currency differences on debt instruments, were recognised in other comprehensive income and accumulated in the fair value reserve. Upon derecognition of these assets, the gain or loss accumulated in equity was reclassified to profit or loss.

Financial liabilities were classified as measured at amortised cost using the effective interest method, if applicable. The Group did not hold any interest-bearing financial liabilities.

c) Carrying amounts and fair values of financial instruments

The table on the following page shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

FINANCIAL INSTRUMENTS

	CONSOLIDATED					
	CARRYING AMOUNT					
	AMORTISED COST	FVOCI – DEBT INSTRUMENTS	FVOCI – EQUITY INSTRUMENTS	FVTPL – OTHERS	OTHER FINANCIAL LIABILITIES	TOTAL
AS AT 31 DECEMBER 2017	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
FINANCIAL ASSETS MEASURED AT FAIR VALUE						
Equities	–	–	22,125	–	–	22,125
Equity funds	–	–	–	14,767	–	14,767
Property funds	–	–	–	2,595	–	2,595
Securities	–	2,635	–	–	–	2,635
Securities – bonds	–	3,763	–	–	–	3,763
Alternatives – infrastructure	–	–	–	1,878	–	1,878
Alternatives	–	–	–	1,318	–	1,318
Hybrids	–	–	–	29,307	–	29,307
Total financial assets measured at fair value	–	6,398	22,125	49,865	–	78,388
FINANCIAL ASSETS NOT MEASURED AT FAIR VALUE						
Cash and cash equivalents	89,433	–	–	–	–	89,433
Term deposits	13,747	–	–	–	–	13,747
Receivables	2,429	–	–	–	–	2,429
Loan to related parties	–	–	–	–	–	–
Total financial assets not measured at fair value	105,609	–	–	–	–	105,609
FINANCIAL LIABILITIES NOT MEASURED AT FAIR VALUE						
Trade payables	–	–	–	–	15,698	15,698
Total financial liabilities	–	–	–	–	15,698	15,698
AS AT 31 DECEMBER 2018						
FINANCIAL ASSETS MEASURED AT FAIR VALUE						
Equities	–	–	18,553	–	–	18,553
Equity funds	–	–	–	9,281	–	9,281
Property funds	–	–	–	2,551	–	2,551
Securities	–	1,029	–	–	–	1,029
Securities – bonds	–	5,835	–	–	–	5,835
Alternatives – infrastructure	–	–	–	2,930	–	2,930
Alternatives	–	–	–	1,462	–	1,462
Hybrids	–	–	–	29,488	–	29,488
Total financial assets measured at fair value	–	6,864	18,553	45,712	–	71,129
FINANCIAL ASSETS NOT MEASURED AT FAIR VALUE						
Cash and cash equivalents	72,128	–	–	–	–	72,128
Term deposits	38,765	–	–	–	–	38,765
Annuities	1,000	–	–	–	–	1,000
Receivables	2,810	–	–	–	–	2,810
Loan to related parties	–	–	–	–	–	–
Total financial assets not measured at fair value	114,703	–	–	–	–	114,703
FINANCIAL LIABILITIES NOT MEASURED AT FAIR VALUE						
Trade payables	–	–	–	–	9,324	9,324
Total financial liabilities	–	–	–	–	9,324	9,324

CONSOLIDATED				
FAIR VALUE				
LEVEL 1	LEVEL 2	LEVEL 3	TOTAL	
\$'000s	\$'000s	\$'000s	\$'000s	
22,125	-	-	22,125	
-	14,767	-	14,767	
-	2,595	-	2,595	
2,635	-	-	2,635	
-	3,763	-	3,763	
-	1,878	-	1,878	
-	1,318	-	1,318	
11,767	17,540	-	29,307	
36,527	41,861	-	78,388	
-	-	-	-	
-	-	-	-	
-	-	-	-	
-	-	-	-	
-	-	-	-	
-	-	-	-	
-	-	-	-	
-	-	-	-	
18,553	-	-	18,553	
-	9,281	-	9,281	
-	2,551	-	2,551	
1,029	-	-	1,029	
-	5,835	-	5,835	
-	2,930	-	2,930	
-	1,462	-	1,462	
4,910	24,578	-	29,488	
24,492	46,637	-	71,129	
-	-	-	-	
-	-	-	-	
-	-	-	-	
-	-	-	-	
-	-	-	-	
-	-	-	-	
-	-	-	-	
-	-	-	-	
-	-	-	-	
-	-	-	-	
-	-	-	-	
-	-	-	-	

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities at the end of the reporting period.

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices). Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2.

Level 3 fair value measurements are those that are valued in whole or in part using valuation techniques or models that are based on unobservable inputs that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data.

There were no transfers between levels during the year.

d) Risk management objectives and policies

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

The Group focuses on actively securing its short to medium-term cash flows by minimising the exposure to financial markets. Long term financial investments are managed to generate maximum member returns while not exposing the Group to a high level of risk. Investment of funds is in line with the Group's Cash and Investment Policy.

The most significant financial risks to which the Group is exposed are described below.

(i) Foreign currency risk

The Group operates internationally and is mainly exposed to Singapore dollars, Hong Kong dollars, Chinese yuan and Malaysian ringgits. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the functional currency of the parent entity.

The Group does not utilise off-balance sheet derivative instruments as a means of managing exposure to fluctuations in foreign exchange rates. Foreign exchange exposure is continuously monitored by the Group's finance business unit and reported to the relevant operation through management reports which analyse exposures by degree and magnitude of risks.

In 2018, the appreciation of the Australian dollar against the currencies where substantial cash is held resulted in a foreign exchange gain of \$0.4m for the full year.

The following table illustrates the sensitivity of profit for 2018 and intercompany loan amounts to shifts in foreign exchange rates. Minimum and maximum exposure is calculated at shifts of one per cent and 10 per cent change in exchange rates respectively.

(ii) Interest rate risk

Exposures to interest rate risk are limited to financial assets bearing variable interest rates, including cash at bank and some debt instruments. Most of the interest bearing financial assets are instruments held to maturity with fixed interest rates and term.

The Group does not have any interest bearing financial liabilities.

(iii) Equity security price risk

The Group is exposed to equity price risks arising from equity investments. Equity investments are held for strategic rather than trading purposes. The Group does not actively trade these investments.

Sensitivity analysis has been determined based on the exposure to equity price risks at the end of the reporting period. If equity prices had been five per cent higher / lower equity reserves would have increased / decreased by \$0.9m due to changes in fair value.

(iv) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has a policy of only dealing with creditworthy counter parties as a means of mitigating the risk of financial loss from defaults. The exposure is continuously monitored and limits reviewed annually.

Trade receivables consist of members and customers, spread across diverse industries and geographical areas. The Group does not have any significant credit risk exposure to any single party or any group of counter parties having similar characteristics. The credit risk on liquid funds and term deposits is mitigated by ensuring the authorised deposit taking institutions have a minimum S&P credit rating of BBB+ (or Moody's / Fitch equivalent).

	MINIMUM		AVERAGE		MAXIMUM	
	2018	2017	2018	2017	2018	2017
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
ANNUAL RISK BY RISK TYPE						
Foreign exchange	461	99	2,218	502	4,234	905

The credit risk on financial assets of the Group which have been recognised on the Statement of Financial Position is generally the carrying amount, net of any loss allowance. Use of off balance-sheet financial instruments is not part of current policy. Trade receivables are concentrated in Australia and the concentration of credit risk arises mainly in the following industries:

- Advertising and sponsors
- Accounting practices
- Credit services

Impairment of financial assets

AASB 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit losses (ECL) model'. The Group has two types of financial assets that are subject to the ECL model:

- Trade receivables
- Debt instruments carried at FVOCI

The Group considers a broad range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument. In applying this forward-looking approach, a distinction is made between:

- Financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1')
- Financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2')

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Trade and other receivables

The Group makes use of a simplified approach in accounting for trade and other receivables and records the loss allowance at the amount equal to the expected lifetime credit losses. In using this practical expedient, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix. The Group assesses impairment of trade receivables on a collective basis as they possess credit risk characteristics based on the days past due. Based on its analysis, the Group has allowed 1.66 per cent for all amounts, which is based on an average loss over the past five years.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include the failure of a debtor to engage in a repayment plan with the group and failure to make contractual payments for a period of greater than 120 days past due.

Impairment losses on trade receivables are presented in the statement of profit or loss.

In the prior year, the impairment of trade receivables was assessed based on the incurred loss model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly.

The loss allowance as at 31 December 2018 and 1 January 2018 (on adoption of AASB 9) was determined as follows for trade receivables.

LOSS ALLOWANCE

	CURRENT	MORE THAN 30 DAYS PAST DUE	MORE THAN 60 DAYS PAST DUE	MORE THAN 90 DAYS PAST DUE	TOTAL
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
31 DECEMBER 2018					
Expected loss rate	1.66%	1.66%	1.66%	1.66%	
Gross carrying amount – trade receivables	1,876	404	126	140	2,546
Loss allowance	31	7	2	2	42
1 JANUARY 2018					
Expected loss rate	1.66%	1.66%	1.66%	1.66%	
Gross carrying amount – trade receivables	1,254	374	133	200	1,961
Loss allowance	21	6	2	3	33

Debt instruments

Debt instruments at FVOCI include listed and unlisted securities and are limited to 12 months expected losses. No loss impairment allowance has been recognised at 31 December 2018.

(v) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board, who have built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management.

The Group manages the liquidity risk by maintaining adequate cash reserves, and by continuously monitoring forecast and actual cash flows while matching the maturity profiles of financial assets and liabilities.

The Group invests in equities that are traded in an active market on the Australian Securities Exchange and that can be readily disposed of. All financial liabilities, namely trade and other payables, are due for settlement within three months and are non-interest bearing.

(vi) Market risk management

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

(vii) Capital risk management

The Group manages its capital to ensure that it will be able to continue as a going concern, while maximising the return on investments. The overall strategy remains unchanged from 2017.

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

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

24. CONTINGENT LIABILITIES

A client of a former adviser who was authorised under CPA Australia Advice has lodged a complaint with the Australian Financial Complaints Authority (AFCA) regarding financial advice received. Management are currently working with AFCA to resolve this matter and believes that any liability arising will not exceed \$100,000. There is no provision recorded for this amount as the Company believes it is not probable that an economic outflow will be required to settle the claim.

25. SUBSEQUENT EVENTS

CPA Australia Advice formally submitted an application to ASIC in January 2019 to cancel its AFSL and ACL.

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 Group, the results of those activities or the state of affairs of the Group in the ensuing or any subsequent financial year.

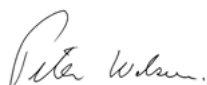
DIRECTORS' DECLARATION

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 Group; and**
- c) **the financial report also complies with International Financial Reporting Standards as disclosed in Note 2 (b).**

Signed in accordance with a resolution of the directors made pursuant to s.295 (5) of the *Corporations Act 2001*.

On behalf of the directors



**Peter Wilson FCPA
Director**



**Merran Kelsall FCPA
Director**

5 March 2019



Independent Auditor's Report

To the Members of CPA Australia Ltd

Opinion

We have audited the **Financial Report** of CPA Australia Ltd (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the **Group's** financial position as at 31 December 2018 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The **Financial Report** comprises:

- Consolidated statement of financial position as at 31 December 2018
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in members' funds, and Consolidated statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

The **Group** consists of the Company and the entities it controlled at the year-end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period.

This matter was addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Recognition of revenue	
Refer to Note 3(a) to the Financial Report	
The key audit matter	How the matter was addressed in our audit
<p>Recognition of revenue is a key audit matter due to its significance to the Group’s financial results and significant audit effort associated with different revenue streams across multiple countries.</p> <p>The Group generates member based revenue from a variety of service offerings. Significant revenue streams include:</p> <ul style="list-style-type: none"> • fees from membership subscriptions, • fees from the provision of educational services and the CPA Program, and • fees from the provision of other professional development services. <p>The Group adopted the new accounting standard AASB 15 <i>Revenue from Contracts with Customers</i> (AASB 15) with effect from 1 January 2018. This gave rise to our further focus on the Group’s assessment of certain new conditions driving revenue recognition, along with the disclosures of the one-off transitional impact. The specific new conditions apply judgement and included:</p> <ul style="list-style-type: none"> • timing of when performance obligations are satisfied; • relative standalone selling and transaction prices for services; and • allocation of transaction prices to the satisfaction of performance obligations. 	<p>Our procedures included:</p> <ul style="list-style-type: none"> • We obtained an understanding of the Group’s process regarding accounting for member based revenue. We tested key controls such as: <ul style="list-style-type: none"> - the Board’s annual approval of member fee and subscription rates; - Management’s review and approval of member fee and subscription rates entered into the Group’s IT system; - involving our IT specialists, the automation of the interfaces between the Group’s membership-based systems to the Group’s financial reporting system. • For a sample of members’ contracts relating to fees from the provision of educational services and the CPA program, and fees from the provision of other professional development services, we: <ul style="list-style-type: none"> - evaluated the Group’s determination of performance obligations, transaction prices and the allocation of transaction prices to performance obligations against the requirements of AASB 15 - assessed the Group’s determination of either relative standalone selling prices for services by checking the prices charged for stand-alone services to Board approved rates. We did this to assess the Group’s allocation of transaction prices to the relevant performance obligations; - checked the timing of satisfaction of performance obligations to published CPA Program timetables. • We developed an expectation for International membership fee revenue and compared this



	<p>with actual International membership fee revenue for the year. We based our expectation upon the number of active members and approved subscription rates. We tested the number of active members by testing the automated interface between cash receipts and the Group's IT systems as noted above.</p> <ul style="list-style-type: none"> • Involving our data and analytics specialists, we checked a sample of Australian member based revenue from the Group's financial reporting system, to the member invoice, to cash collected on an individual transaction basis. This included checking cash received from membership fees related to the year ended 31 December 2018 or future periods, to assess the recognition of revenue in the current period. • We assessed the additional disclosures relating to the adoption of AASB 15 in the financial report using our understanding obtained from our testing and against the requirements of the accounting standards.
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Other Information

Other Information is financial and non-financial information in CPA Australia Ltd's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Schedule of Directors' Remuneration and Global Reporting Initiatives information included within the 2018 Integrated Report and our related assurance opinions.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- assessing the Group and Company's ability to continue as a going concern and whether the use of

the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: http://www.auasb.gov.au/auditors_responsibilities/ar5.pdf
This description forms part of our Auditor's Report.



KPMG



Chris Sargent
Partner

Melbourne

5 March 2019

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SCHEDULE OF DIRECTORS' REMUNERATION FOR THE YEAR ENDED 31 DECEMBER 2018

5 March 2019

We disclose an audited schedule of remuneration paid and payable to each director of CPA Australia Ltd and its subsidiaries for the year ended 31 December 2018. This schedule is included on the following page titled Schedule of Directors' Remuneration which discloses the remuneration paid to each director for the year ended 31 December 2018, prepared as if CPA Australia Ltd had received a direction from members to disclose the information prescribed under section 202B of the *Corporations Act 2001*.

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 2018 CPA Australia Ltd Consolidated Financial Report together with comparative information in respect of the 2017 financial year.

BASIS OF PREPARATION

This Schedule of Directors' Remuneration has been prepared as if the Company had received a direction to disclose the information prescribed under section 202B of the 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 2018 regardless of whether it was paid to the director in relation to their capacity as director or another capacity (the remuneration of each director is as defined in the Act and has been determined in accordance with requirements of AASB 124 *Related Party Disclosures*). The remuneration is on an accruals basis.

The determination of remuneration in this Schedule has been applied consistently with that used in the schedule for the financial year ended 31 December 2017.

Schedule of directors' remuneration

NAME	COMPANY	POSITION	DATE APPOINTED	DATE RETIRED / RESIGNED
NON-EXECUTIVE DIRECTORS				
Peter Wilson	CPA Australia Limited	Chairman and President		
Merran Kelsall	CPA Australia Limited	Deputy President		
Chin Aik Wong	CPA Australia Limited	Deputy President		
Ric De Santi ⁽⁴⁾	CPA Australia Limited	Director	Re-appointed 1 October 2018	
Robyn Erskine	CPA Australia Limited	Director		
Helen Lorigan	CPA Australia Limited	Director		
Rosemary Sinclair	CPA Australia Limited	Director		
Caroline Spencer ⁽⁵⁾	CPA Australia Limited	Director		
Dale Pinto ⁽⁶⁾	CPA Australia Limited	Director	1 October 2018	
Su-Yen Wong	CPA Australia Limited	Director	1 October 2018	
Suzanne Haddan	CPA Australia Advice Pty Ltd	Director		
Arun Nangia	CPA Australia Advice Pty Ltd	Director		
Stephen Jones ⁽⁷⁾	CPA Australia Advice Pty Ltd	Director	1 April 2018	
Andrew Heng ⁽⁸⁾	CPA Australia (M) Sdn. Bhd.	Director		
Tyrone Carlin	CPA Australia Limited	Former Chairman and President		Resigned 30 May 2017
	CPA Australia Advice Pty Ltd	Former director		Resigned 30 May 2017
	Total			
James Dickson	CPA Australia Ltd	Former Deputy President		Resigned 30 May 2017
		Former Chairman and President	31 May 2017	Resigned 30 September 2017
		Former director	1 October 2017	Resigned 31 December 2017
	Total			
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	CPA Australia Limited	Former director		Resigned 15 June 2017
Martin Hourigan	CPA Australia Limited	Former director		Resigned 15 June 2017
Timothy Youngberry	CPA Australia Limited	Former director	15 June 2017	Retired 30 September 2017
Michele Dolin	CPA Australia Limited	Former director		Retired 30 September 2017
	CPA Australia Advice Pty Ltd	Former director		Resigned 31 December 2017
	Total			
Graeme Wade	CPA Australia Limited	Former director		Resigned 30 September 2017
	CPA Australia Advice Pty Ltd	Former Chairman		Resigned 31 December 2017
	Total			

SHORT-TERM EMPLOYEE BENEFITS			POST- EMPLOYMENT BENEFITS	OTHER LONG-TERM BENEFITS ⁽³⁾	TOTAL 2018 (EXCL TERMINATION BENEFITS)	TERMINATION BENEFITS	SHARE- BASED PAYMENT	TOTAL 2018 (INCL TERMINATION BENEFITS)	TOTAL 2017
SALARY AND FEES ⁽¹⁾	BONUS	OTHER ⁽²⁾	SUPERANNUATION						
\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
205,480	-	-	19,520	-	225,000	-	-	225,000	56,250
102,740	-	-	9,760	-	112,500	-	-	112,500	28,125
102,740	-	-	9,760	-	112,500	-	-	112,500	28,125
59,975	-	-	5,698	-	65,673	-	-	65,673	18,750
68,493	-	-	6,507	-	75,000	-	-	75,000	18,750
68,493	-	-	6,507	-	75,000	-	-	75,000	18,750
68,493	-	-	6,507	-	75,000	-	-	75,000	18,750
27,485	-	-	2,611	-	30,096	-	-	30,096	18,750
29,823	-	-	1,627	-	31,450	-	-	31,450	-
17,123	-	-	1,627	-	18,750	-	-	18,750	-
75,342	-	-	7,158	-	82,500	-	-	82,500	70,000
8,449	-	-	36,609	-	45,058	-	-	45,058	2,635
48,422	-	-	2,928	-	51,350	-	-	51,350	-
1,659	-	-	-	-	1,659	-	-	1,659	1,516
-	-	-	-	-	-	-	-	-	77,995
-	-	-	-	-	-	-	-	-	17,500
-	-	-	-	-	-	-	-	-	95,495
-	-	-	-	-	-	-	-	-	54,163
-	-	-	-	-	-	-	-	-	58,333
-	-	-	-	-	-	-	-	-	18,750
-	-	-	-	-	-	-	-	-	131,246
-	-	-	-	-	-	-	-	-	44,012
-	-	-	-	-	-	-	-	-	44,012
-	-	-	-	-	-	-	-	-	44,790
-	-	-	-	-	-	-	-	-	59,579
-	-	-	-	-	-	-	-	-	46,643
-	-	-	-	-	-	-	-	-	46,643
-	-	-	-	-	-	-	-	-	74,091
-	-	-	-	-	-	-	-	-	75,728
-	-	-	-	-	-	-	-	-	70,000
-	-	-	-	-	-	-	-	-	145,728
-	-	-	-	-	-	-	-	-	75,728
-	-	-	-	-	-	-	-	-	100,000
-	-	-	-	-	-	-	-	-	175,728

NAME	COMPANY	POSITION	DATE APPOINTED	DATE RETIRED / RESIGNED
Richard Petty	CPA Australia Limited	Former director		Retired 30 September 2017
	CPA Australia Advice Pty Ltd	Former director		Retired 30 September 2017
	Total			
Sharon Portelli	CPA Australia Limited	Former director		Resigned 31 December 2017
Jon Scriven	CPA Australia Limited	Former director		Retired 30 September 2018
EXECUTIVE DIRECTORS				
Nicholas Diss ⁽⁹⁾ ⁽¹⁰⁾	CPA Australia Limited	Former Interim CFO / CFO	1 June 2018	
	CPA Australia (Shanghai) Co., Ltd	Director		
Priya Dharshini Terumalay ⁽¹⁰⁾	CPA Australia (M) Sdn. Bhd.	Country Head Malaysia		
	CPA Australia (M) Sdn. Bhd.	Director		
	CPA Australia (Shanghai) Co., Ltd	Director		
Deborah Leung ⁽¹⁰⁾	CPA Australia (Shanghai) Co., Ltd	Executive General Manager International	1 November 2018	
	CPA Australia (Shanghai) Co., Ltd	Director		
Andrew Kaynes ⁽¹¹⁾	CPA Australia Limited	Consultant to Board Secretariat		
	CPA Australia (M) Sdn. Bhd.	Director	28 June 2018	
	CPA Australia (Shanghai) Co., Ltd	Director	20 June 2018	
Adam Awty ⁽¹⁰⁾ ⁽¹²⁾	CPA Australia Limited	Former COO Commercial		Ceased 23 June 2017
	CPA Australia Limited	Former interim CEO		Ceased 2 April 2018
	CPA Australia (M) Sdn. Bhd.	Former director		Resigned 2 April 2018
	Total			
Robert Thomason ⁽¹⁰⁾ ⁽¹³⁾	CPA Australia Limited	Former Group Executive Member Engagement and Education		Ceased 1 July 2018
	CPA Australia (Shanghai) Co., Ltd	Former director		Resigned 4 June 2018
	CPA Australia (M) Sdn. Bhd.	Former director		Resigned 4 June 2018
Jeff Hughes	CPA Australia Limited	COO – member services		Ceased 31 December 2017
	CPA Australia (M) Sdn. Bhd.	Former director		Resigned 19 December 2017
	CPA Australia (Shanghai) Co., Ltd	Former director		Resigned 19 December 2017
TOTAL				

Notes:

⁽¹⁾ Includes annual leave entitlements accrued during 2018.

⁽²⁾ Other short-term benefits include car parking.

⁽³⁾ Other long-term benefits include long service leave entitlements accrued during the year.

⁽⁴⁾ Mr De Santi elected to perform his director duties on a pro bono basis from 16 November 2018.

⁽⁵⁾ Ms Spencer elected to perform her director duties on a pro bono basis with effect from 28 May 2018.

⁽⁶⁾ Salary & Fees include \$17,123 paid in relation to Mr. Pinto's position as director of CPA Australia Ltd from 1 October 2018 and a per diem amount of \$12,700 paid in respect of work performed for the Independent Review Implementation Committee during the period 3 February 2018 to 25 September 2018.

⁽⁷⁾ Salary & Fees include \$17,600 paid in relation to professional Fees to ATM Consultants of which Mr Jones is one of two directors and a 50% shareholder.

⁽⁸⁾ Total 2018 remuneration has been accrued in the 2018 financial statements. All amounts are payable early 2019.

⁽⁹⁾ No change in remuneration package on appointment from Interim CFO role to CFO role on 1 June 2018.

⁽¹⁰⁾ These directors are employees of the CPA Australia Limited Group who do not receive remuneration in their capacity as directors of Subsidiaries.

⁽¹¹⁾ Mr Kaynes is a consultant to the Board Secretariat of CPA Australia Limited Group and did not receive remuneration in his capacity as a director of the Subsidiaries.

⁽¹²⁾ Annual leave and long service leave entitlements totalling \$284,739 were also paid on termination; this amount is not included in the termination payment.

⁽¹³⁾ Annual leave and long service leave entitlements totalling \$83,197 were also paid on termination; this amount is not included in the termination payment.

SHORT-TERM EMPLOYEE BENEFITS			POST- EMPLOYMENT BENEFITS	OTHER LONG-TERM BENEFITS ⁽³⁾	TOTAL 2018 (EXCL TERMINATION BENEFITS)	TERMINATION BENEFITS	SHARE- BASED PAYMENT	TOTAL 2018 (INCL TERMINATION BENEFITS)	TOTAL 2017
SALARY AND FEES ⁽¹⁾	BONUS	OTHER ⁽²⁾	SUPERANNUATION						
\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
-	-	-	-	-	-	-	-	-	75,728
-	-	-	-	-	-	-	-	-	52,500
-	-	-	-	-	-	-	-	-	128,228
-	-	-	-	-	-	-	-	-	94,478
51,370	-	-	4,880	-	56,250	-	-	56,250	18,750
289,746	35,000	5,001	25,000	10,806	365,553	-	-	365,553	326,681
-	-	-	-	-	-	-	-	-	-
141,360	10,852	-	38,355	6,429	196,996	-	-	196,996	167,576
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
347,691	51,195	-	15,979	5,870	420,735	-	-	420,735	370,962
-	-	-	-	-	-	-	-	-	-
213,073	-	-	-	-	213,073	-	-	213,073	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	377,338
190,031	-	822	6,527	3,263	200,643	843,446	-	1,044,089	430,941
-	-	-	-	-	-	-	-	-	-
190,031	-	822	6,527	3,263	200,643	843,446	-	1,044,089	808,279
198,723	-	1,378	15,753	3,250	219,104	247,322	-	466,426	365,557
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	1,568,660
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
2,316,712	97,047	7,201	223,313	29,618	2,673,891	1,090,768	-	3,764,659	5,037,539



Independent Auditor's Report

To the Members of CPA Australia Ltd

Opinion

We have audited the Schedule of Directors' Remuneration (the **Schedule**) of the **Group**.

In our opinion, the accompanying Schedule presents fairly, in all material respects, the remuneration of each Director of the Group for the year ended 31 December 2018 in accordance with the Basis of Preparation of CPA Australia Ltd described in the Schedule of Directors' Remuneration.

The **Schedule** comprises:

- the remuneration of each Director on pages 134 to 137 for the year ended 31 December 2018
- the Basis of Preparation of CPA Australia Ltd.

The **Group** consists of CPA Australia Ltd (the Company) and the entities it controlled at the year end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Schedule* section of our report.

We are independent of the Group in accordance with the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the *Schedule* in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Emphasis of matter – basis of preparation and restriction on use and distribution

We draw attention to page 133 of the Schedule, which describes the basis of preparation.

The Schedule has been prepared to assist the Directors of CPA Australia Ltd for the purpose of meeting the needs of members by presenting information consistent with the requirements of section 202B of the Corporations Act 2001 (the Act).

As a result, the Schedule and this Auditor's Report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Our report is intended solely for the members of CPA Australia Ltd and should not be used by or distributed to parties other than the members of CPA Australia Ltd. We disclaim any assumption of responsibility for any reliance on this report, or on the Schedule to which it relates, to any person other than the members of CPA Australia Ltd or for any other purpose than that for which it was prepared.

Other Information

Other Information is financial and non-financial information in CPA Australia Ltd's annual reporting which is provided in addition to the Schedule and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Schedule does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon with the exception of the Financial Report (including the consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, consolidated statement of members' funds, consolidated statement of cash flows, notes including a summary of significant accounting policies and directors' declaration) and Global Reporting Initiatives information included within the 2018 Integrated Report and our related assurance opinions.

In connection with our audit of the Schedule, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Schedule or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Schedule

The Directors are responsible for:

- the preparation and fair presentation of the Schedule in accordance with the requirements of section 202B of the Act.
- implementing necessary internal control to enable the preparation of the Schedule that is free from material misstatement, whether due to fraud or error
- assessing the Company and Group's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Information

Our objective is:

- to obtain reasonable assurance about whether the Schedule as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Schedule.

A further description of our responsibilities for the audit of the Schedule is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf. This description forms part of our Auditor's Report.



KPMG



Chris Sargent
Partner

Melbourne

5 March 2019

**Reconciliation of total remuneration per section
202B disclosure to the total Key Management
Personnel Remuneration per the CPA Australia
Limited Consolidated Financial Report**

	FINANCIAL YEAR ENDED	
	31 DECEMBER 2018	31 DECEMBER 2017
	\$	\$
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	3,764,659	5,037,539
<i>Add:</i> Alex Malley (not a director of any CPA Australia Ltd Group entity)	–	5,787,724
<i>Less:</i> Timothy Youngberry (payment received during the period he was a Director for consulting services provided)	–	(44,188)
<i>Less:</i> Andrew Heng (non executive director of CPA Australia (M) Sdn. Bhd. but not a key management person of CPA Australia Ltd Group)	(1,659)	(1,516)
<i>Less:</i> Suzanne Haddan, Arun Nangia and Stephen Jones (non executive directors of CPA Australia Advice Pty Ltd not key management personnel of CPA Australia Ltd Group)	(178,908)	(72,635)
<i>Less:</i> Dale Pinto (work performed for the Independent Review Implementation Committee during the period 3 February 2018 to 25 September 2018)	(12,700)	–
<i>Less:</i> Directors of a foreign subsidiary but not key management personnel of CPA Australia Ltd Group (Priya Dharshini Terumalay ⁽¹⁾ , Robert Thomason ⁽²⁾ , Deborah Leung ⁽³⁾ , Nicholas Diss ⁽⁴⁾ , Andrew Kaynes ⁽⁵⁾)	(735,911)	(1,055,056)
<i>Add:</i> Key management personnel of CPA Australia but not directors (Stuart Dignam, Glenn Ahem, Erin Wood, Murray Chenery, Cathy Bibby, Andrew Hunter, Kerry Mayne, Liz Malady, Craig Laughton, Karen Hellwig, Meg Yeates and Simon Eassom)	3,592,114	–
Total Key Management Personnel Remuneration per CPA Australia Limited Consolidated Financial Report	6,427,595	9,651,868

Notes:

⁽¹⁾ Remuneration for Priya Dharshini Terumalay was excluded in 2017 and 2018 as she is not a key management personnel of CPA Australia Ltd Group.

⁽²⁾ Remuneration for Robert Thomason was excluded in 2017 as he was not a key management personnel of CPA Australia Ltd Group. His remuneration for 2018 has been included as he was a key management personnel of CPA Australia Ltd Group from 1 January 2018 to 1 July 2018.

⁽³⁾ Remuneration for Deborah Leung was excluded in 2017 as she was not a key management personnel of CPA Australia Ltd Group. Her remuneration for 2018 has been included from 1 November 2018 to 31 December 2018 following her appointment to Executive General Manager International. Deborah Leung was considered a key management personnel of CPA Australia Ltd Group for this period.

⁽⁴⁾ Remuneration for Nicholas Diss in the role of Deputy CFO from 1 January 2017 to 23 June 2017 was excluded in 2017 as he was not considered a key management personnel of CPA Australia Ltd. Group for this period. His remuneration for 2018 as Interim CFO (1 January 2018 - 31 May 2018) and CFO (1 June 2018 - 31 December 2018) has been included for 2018 as he was considered a key management personnel for this period.

⁽⁵⁾ Andrew Kaynes was appointed as director of CPA Australia (Shanghai) Co., Ltd on 20 June 2018 and director of CPA Australia (M) Sdn. Bhd on 28 June 2018. He is a consultant to the Board Secretariat of CPA Australia Limited Group and did not receive remuneration in his capacity as a director of the Subsidiaries. He is not a key management personnel of CPA Australia Ltd Group.

GRI INDEX

GENERAL STANDARD DISCLOSURES

INDICATOR	DESCRIPTION	PAGE/URL
ORGANISATIONAL PROFILE		
102-1	Name of the organisation	Inside front cover
102-2	Activities brands, products and services	17
102-3	Location of the organisation's headquarters	Outside back cover
102-4	Location of operations	17
102-5	Ownership and legal form	Inside front cover
102-6	Markets served	Inside front cover
102-7	Scale of the organisation	18, 21, cpaaustralia.com.au/informationgri2018
102-8	Information on employees and other workers	cpaaustralia.com.au/informationgri2018
102-9	Supply chain	cpaaustralia.com.au/informationgri2018
102-10	Significant changes to the organisation and its supply chain	cpaaustralia.com.au/informationgri2018
102-11	Precautionary principle or approach	66
102-12	External initiatives	Inside front cover
102-13	Membership of associations	Inside front cover, 83
STRATEGY		
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102-15	Key impacts, risks and opportunities	67-68
ETHICS AND INTEGRITY		
102-16	Values, principles, standards and norms of behaviour	58
GOVERNANCE		
102-18	Governance structure	6
STAKEHOLDER ENGAGEMENT		
102-40	List of stakeholder groups	71-72, cpaaustralia.com.au/informationgri2018
102-41	Collective bargaining agreements None of our staff are covered by collective bargaining agreements.	GRI Index
102-42	Identifying and selecting stakeholders	71-72, cpaaustralia.com.au/informationgri2018
102-43	Approach to stakeholder engagement	71-72, cpaaustralia.com.au/informationgri2018
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REPORT PRACTICE		
102-45	Entities included in the consolidated financial statements	117
102-46	Defining report content and topic boundaries	69-70, cpaaustralia.com.au/informationgri2018
102-47	List of material topics	70
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102-49	Changes in reporting	Inside front cover
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102-51	Date of most recent report	Inside front cover
102-52	Reporting cycle	Inside front cover
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 pages 143 to 144	141
102-55	GRI Index	141-142
102-56	External assurance	143-144

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	58	None
103-2	The management approach and it's components	58	None
103-1	Evaluation of the management approach	58	None
405-1	Diversity of governance bodies and employees	60	None
405-2	Ratio of basic salary and remuneration of women to men	59	None
GRI 418			
CUSTOMER PRIVACY			
103-1	Explanation of the material topic and its boundaries	32	None
103-2	The management approach and it's components	32	None
103-1	Evaluation of the management approach	32	None
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	32	None

Independent Limited Assurance Report to the Directors of CPA Australia Ltd

Conclusion

Based on the evidence we obtained from the procedures performed, we are not aware of any material misstatements in the Global Reporting Initiative (GRI) Standards disclosures set out in the GRI Index in the CPA Australia Integrated Report 2018 for the year ended 31 December 2018 (Integrated Report 2018), which have been prepared by CPA Australia Ltd in accordance with the 'Core' requirements of the GRI Standards and the basis of preparation disclosed in the Integrated Report 2018.

Information Subject to Assurance

Information subject to assurance includes the GRI Standards disclosures set out in the GRI Index presented on pages 141 to 142 in the Integrated Report 2018.

Criteria Used as the Basis of Reporting

The criteria used as the basis of reporting include the GRI Standards published by the GRI and the basis of preparation disclosed in the Integrated Report 2018 prepared by the Directors and Management of CPA Australia Ltd.

Basis for Conclusion

We conducted our work in accordance with Australian Standard on Assurance Engagements ASAE 3000 *Assurance Engagements other than Audits of Reviews of Historical Financial Information* (Standard). In accordance with the Standard we have:

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

Summary of Procedures Performed

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

- Interviews with executives, senior management and relevant staff responsible for the overall governance, strategy, KPIs, targets, processes and policies used for managing and reporting non-financial and sustainability performance relevant to the information subject to assurance;
- Assessment of the application of the 'Core' requirements of the GRI Standards;
- Review of CPA Australia Ltd's process to identify and validate the completeness of material issues, including the processes for identifying and engaging with stakeholders and analysing and reporting on the outcomes of the engagement processes;
- Evaluation of the design and implementation of the key processes, systems and controls for collecting, managing and reporting the information subject to assurance;
- Agreeing the information subject to assurance to relevant underlying sources on a sample basis and applying analytical and other review procedures;
- Evaluating the appropriateness of the criteria with respect to the information subject to assurance; and
- Reviewing the Integrated Report 2018 in its entirety to ensure it is consistent with our overall knowledge of the assurance engagement.



How the Standard Defines Limited Assurance and Material Misstatement

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

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

Use of this Assurance Report

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

Management's responsibility

Management are responsible for:

- determining that the criteria is appropriate to meet their needs;
- preparing and presenting the information subject to assurance in accordance with the criteria; and
- establishing internal controls that enable the preparation and presentation of the information subject to assurance that is free from material misstatement, whether due to fraud or error.

Our Responsibility

Our responsibility is to perform a limited assurance engagement in relation to the information subject to assurance, and to issue an assurance report that includes our conclusion.

Our Independence and Quality Control

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

KPMG
Melbourne
5 March 2019

CPA Australia members featured on front cover:

Beverly Lim, member three years
Guillaume Sekala, member three years

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