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CPA Australia
Integrated
Report 2020



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, the Pacific and United Arab Emirates (UAE) for the calendar year 1 January to 31 December 2020.

The boundary of the report also covers risks, opportunities, material issues, the external environment and the views of our stakeholders.

This report has been prepared in accordance with the fundamental concepts, guiding principles and content elements of the International Integrated Reporting Council's (IIRC) revised Integrated Reporting (<IR>) Framework released on 19 January 2021.

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

We believe that <IR> 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 and social and relationship) feed into strategy, business management and reporting. CPA Australia is a member of the IIRC, driving CPA Australia's commitment to <IR>. More details on the IIRC and the <IR> Framework can be found at theiirc.org

CPA Australia is also 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 relies on a robust reporting framework and high-quality reporting, which we believe is fundamental to enhancing the credibility of our report and to providing a complete and transparent picture of how we create value, both now and into the future.

This report is structured to provide readers with a comprehensive picture of how CPA Australia has created value through our business model and how we intend to do so for the short, medium and long-term*. It is based on the material issues identified through our materiality determination process (page 22).

This structure also reflects our strategic goals and related activities for 2020, and our expectations for 2021 and beyond. The principal audience for this report is our members, but the information is also of value to other stakeholders (pages 23 to 25).

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).

The Group has early adopted AASB *2020-4 Amendments to Australian Accounting Standards – COVID-19-Related Rent Concessions* and applied the practical expedient consistently to eligible rent concessions.

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

This report is available online at cpaustralia.com.au/annualreport-2020

The Board acknowledges its responsibility for the Annual Integrated Report, ending on page 74, and has been involved in its development and direction from the beginning. The Board reviewed, considered and provided feedback on the report at its March 2021 meeting. It is the Board's collective view that the report has been prepared in accordance with the <IR> Framework and it has received Limited Assurance on this basis (pages 75 to 76).

*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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Who we are

Members

168,736

Average years' membership

15.8

Employees

567*

Surplus

\$6.3m

Member satisfaction

6.89/10

* Employees includes full-time, part-time and casual employees, as at 31 December 2020.

CPA Australia is one of the world's largest accounting bodies with a history of more than 134 years. Founded in 1886 with just 160 members, we now have 168,736 members around the globe. Further information on our members can be found on pages 50 to 53.

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

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

Our vision

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

Our purpose

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

Who we are

Governance

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

The Board is responsible for a number of decisions including:

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

The Board is elected by members through the Appointments Council as shown in the figure below.

Figure 1: Governance



In 2021, the Board will introduce a new Education, Policy and Innovation Committee to oversee the significant amount of work we are doing in this area.

The Board sets the strategy of the organisation which is then executed by management. The executive team, headed by CEO Andrew Hunter and the percentage of FTE that sits under each executive is shown in the figure below.

Figure 2: Organisational structure and FTE under each role

Andrew Hunter CEO 3% FTE

Marissa Alley Acting EGM People and Culture 4% FTE

Rowena Buddee EGM Public Practice and Professional Standards 8% FTE

Nicholas Diss CPA CFO 8% FTE

Simon Eassom EGM Education 11% FTE

Karen Hellwig EGM Member Experience 18% FTE

Farid Jarrar CIO 16% FTE

Deborah Leung FCPA EGM International 19% FTE

Gary Pflugrath CPA EGM Policy and Advocacy 3% FTE

Meg Yeates EGM Marketing 10% FTE

A more detailed description of our executive team including the responsibilities of their roles and their experience can be found on our website.

Our culture

Our organisational culture is centred on three pillars:

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

In 2020, we undertook a culture survey with our employees which received a 96 per cent participation rate. Results of the survey showed an improvement compared to 2019, indicating that we have demonstrated commitment to developing behaviours and ways of working necessary to support our strategy and enable a capable and engaged workforce.

In our 2019 report, we stated that the Board, through the People, Remuneration and Culture Committee, would be undertaking a review of our cultural pillars and values. A review commenced prior to the onset of COVID-19; however, the decision was then made to defer this work to 2021 as we focused on supporting our people to work from home.

President's report



2020 was a challenging year for everyone. The COVID-19 pandemic influenced every aspect of our lives. Accounting and finance professionals are leading the economic recovery effort across the world and I am both proud and reassured by the dedication and resolve shown by CPA Australia members, all of whom operated under extreme pressure to provide support to businesses, clients and employees.

Supporting members through COVID-19

CPA Australia's focus over the past 12 months has been to provide continuity of service and deliver value to members. Achieving this has been enabled by the willingness of members to embrace innovation and adapt quickly to new ways of working as we moved to a virtual online environment. There is no better example than ASA members studying the CPA Program who elected to sit online exams to ensure they could progress their studies. Likewise, for the more than 8300 people, including about 6000 members who attended the new-look CPA Virtual Congress in November and the members who joined our Australian Virtual Public Practice Conference or participated in the hundreds of interactive webinars and online events held during the year. Your enthusiastic take-up of these initiatives was a powerful incentive in driving us to keep delivering on your behalf.

Another major event that looked different in 2020 was the hybrid Annual General Meeting (AGM) held in April. While government health and safety regulations prevented members from attending in person, it was pleasing that many members were able to view proceedings online and participate using technology.

The Board announced at the AGM that we are extending the strategy timeline from the end of 2021 to the end of 2022 due to the disruptions caused by COVID-19. Extending the timeline enables us to continue delivering our strategic objectives while providing support to members. We are continuing to invest in major projects such as the development of a new website and the member management and finance system, both of which are important to improve the service we offer now, and to ensure that we have the capability to support members well into the future. At the same time, we paused discretionary spending and deferred expenditure on some planned projects while we focused our resources on COVID-19 support measures.

The impact of COVID-19 is not just economic and we are mindful of the mental health and wellbeing challenges we all faced. To coincide with Mental Health month in October, CPA Australia published a special edition of *INTHEBLACK* that included a curated collection of articles, podcasts, videos and resources to assist members in managing their mental wellbeing. Additional resources and guides, as well as links to mental health services in Australia and internationally, are available on the website via the public practice mental health and wellbeing toolkit and have been shared with members through our communication channels.

I am also proud that CPA Australia is one of three professional accounting bodies selected to deliver an Australian Federal government initiative to support small business owners' mental health during 2021. The program is a collaboration between the professional accounting bodies (CPA Australia, Chartered Accountants Australia and New Zealand (CA ANZ) and the Institute of Public Accountants (IPA)), Deakin University, Beyond Blue, Mental Health First Aid Australia and WorkSafe Victoria. Accountants are on the frontline and can be the first to recognise early signs of stress amongst their business networks. This program will deliver mental health first aid training to 5000 accountants and help them identify and support their clients, employees and themselves in recognising and dealing with mental health issues.

Working for members

The challenges posed to our profession in 2020 highlighted the value of working towards a common objective and the Board is grateful for the leadership and support shown by the Council of Presidents and each of our 13 Divisional Councils. The Council of Presidents, which comprises the President of each of the Divisional Councils, provides advice on issues that arise within the profession and acts as an important link between members and the Board.

The ability of our councils, committees and discussion groups to remain active by meeting and working remotely has been a key factor in our ability to continue offering improved services to members. The Divisional Councils play an important role in member engagement through their regional networks and special interest groups, connecting thousands of members with each other and the organisation, and ensuring that activities are relevant for members in their respective divisions. With the assistance of Divisional Councils, CPA Australia has been able to stay connected with members and deliver on key projects and events.

The ability to work remotely also enabled the Board's outreach program to continue throughout 2020. More than 350 meetings were attended with Directors welcoming the opportunity to attend Council meetings via virtual channels and engage directly with members online at a variety of events. This gives Directors insight into the unique challenges facing members working across the spectrum of the profession and helps us gain an understanding of the different requirements members have of their professional body.

We also gain insights about our performance from our annual member engagement survey. In 2020, more than 10,000 members completed the survey with the results showing continued improvement across a number of key performance areas, including overall member satisfaction ratings. These positive results give us encouragement that we are making steady progress. We recognise however that we must continue to work with energy and zeal to deliver on the strategy and help members negotiate the path to recovery.

With the existing strategy running until the end of 2022, we will commence the process this year to develop a plan for the following three-year strategy, consulting widely with members and other stakeholders to review our progress and set new goals and objectives to meet the ongoing needs of members and build on the momentum of the current strategy.

CPA Australia is pleased that our 2019 Integrated Report was recognised at the 2020 Australasian Reporting Awards in June, winning Integrated Report of the Year and receiving a Gold Award in the general category. These prestigious awards show that CPA Australia is setting the standard for <IR> in Australia and New Zealand and providing members with relevant and meaningful information about the way we operate and deliver value.

Moving forward together

In closing, I would like to thank the Board for electing me as President and Chairman of CPA Australia in 2021. It is a great honour to serve more than 168,000 members around the world and to continue the legacy of our immediate past President, Peter Wilson AM FCPA.

In 2020, Peter completed his maximum term of three consecutive years as President, in accordance with CPA Australia's Constitution. During this time, he made an outstanding contribution towards improving our governance arrangements and implementing best practice procedures, helping to transform our organisation into one that focuses on the needs of members. The Board continues to benefit from Peter's guidance in his ongoing role as a Director. I would also like to acknowledge Chin-Aik Wong who retired as a Director in 2020 after serving the Board with distinction as Deputy President for three years, leading a series of key reforms in internal governance in his role as Chair of the Audit, Risk and Compliance Committee.

I take this opportunity to welcome Michaela Browning to the Board of CPA Australia. Michaela brings considerable experience in international relations across regions where CPA Australia operates. I also thank Board members for their continuing contribution, enthusiasm and unstinting focus on member value. I would also like to thank Robyn Erskine, who resigned on 4 March 2021, for her significant and dedicated service, particularly in the area of member engagement.

The Board is committed to ongoing investment in our systems, people and processes to create opportunities for members to grow their skills, advance their careers and play a rewarding role in the profession.

On behalf of the Board, I take this opportunity to thank the dedicated members who contribute their time and expertise by serving on Divisional Councils, Committees and Centres of Excellence, as well as those who convene discussion groups, participate in member panels and share their expertise in podcasts and other member forums. Your professionalism and knowledge enrich the value of CPA Australia membership.

I also thank Chief Executive Officer (CEO) Andrew Hunter and his executive management team for the strong leadership they have shown this year, as well as all the employees at CPA Australia for their dedication and diligence in working so hard to ensure that CPA Australia continues to provide high-quality service to members in every jurisdiction in which we operate.

Finally, let me thank CPA Australia's members. This was an incredibly difficult year for everyone, but your openness to innovation and your contribution to the collective good of the profession are significant factors in safeguarding the reputation of the CPA designation. The challenges presented by COVID-19 are not yet over and the task of reinvigorating our businesses and economies will be extensive. I'm optimistic that CPA Australia members will play an important and meaningful role in the global effort throughout 2021 and beyond.



Merran Kelsall FCPA
President and Chairman of the Board

Chief Executive Officer's report



2020 was a year like no other in our lifetimes. One month into the year I could not have predicted the disruption and dramatic impact that COVID-19 would inflict. Fortunately, CPA Australia entered the year with considerable momentum under our strategic plan.

It was this momentum that enabled us to quickly redirect our resources to more immediate needs. Our first priority was the wellbeing of members who worked tirelessly to support their local communities and businesses. All around the world, governments responded with unprecedented fiscal and monetary stimulus. At CPA Australia, we focused our time and resources on representing members and interpreting and communicating critical government policy initiatives that protected jobs and economic activity.

Despite the immense disruption caused by COVID-19, CPA Australia was able to continue to advance our strategic initiatives while also achieving the majority of our performance targets. We are grateful for the support of all members and stakeholders in the achievement of our 2020 goals.

It is also a source of great satisfaction that CPA Australia's members remained committed to the organisation, with membership growing to 168,736 members in more than 100 countries, as at 31 December 2020. This includes a fully qualified member retention rate of 98.3 per cent, which surpasses our target and shows that members recognise the value in belonging to a strong professional organisation. This point is further illustrated by the results from our annual member engagement survey, which saw a continued rise in the rating for overall member satisfaction to 6.89 from 6.63 in 2019. There were also positive improvements in other key measures such as CPA Australia acting in the best interests of members and participation of eligible members in continuing professional development (CPD).

I attribute these results to the fact that in a period of upheaval and uncertainty, CPA Australia continued to provide much needed services to members. In a year that began with bushfires in Australia, CPA Australia updated the Disaster Recovery toolkit that offered guidance and resources to assist members with the steps to recovery. Likewise, as COVID-19 began to impact communities across the world, CPA Australia developed a dedicated COVID-19 hub on the website with a range of resources to assist members and their clients in responding to the economic impact of COVID-19.

Investing in technology to connect with members

It was a year of accelerated change with a number of initiatives slated for future implementation being introduced quicker than originally planned. Critical to our ability to provide services to members was the work of our technology team who upgraded systems and provided equipment so that our employees around the world had the capability to work remotely.

In addition, we introduced a new cloud-based operating system in our contact centre that more efficiently manages member contacts by phone and email. The system includes a live webchat service that allows members to contact us online via the website, further enhancing our service capability.

Deploying technology was a crucial factor in our ability to conduct major events during the year, including the AGM and CPA Congress, our flagship networking event. CPA Congress, which normally takes place in multiple locations around the world, was held as a global three-day online event with speakers and delegates connecting in a virtual environment. More than 8300 delegates attended the virtual event to hear a range of renowned local and international speakers, including Dr Ben Bernanke, former Chairman of the US Federal Reserve Bank and Amal Clooney, Barrister and International Human Rights Lawyer.

Overall, CPA Australia held 1400 member events in 2020, this included more than 990 virtual events and webinars that alone attracted more than 173,000 registrations.

July saw the final print edition of our monthly magazine INTHEBLACK, which transitioned to a digital-only format from August. Adopting a digital-first approach was part of our long-term strategy; however, the postage restrictions caused by COVID-19 prompted us to act earlier. The new digital flipbook is more sustainable and offers readers an enhanced interactive experience.

Another key initiative in 2020 was the launch of our new member engagement platform. CPA Member Connect is an online communication channel that provides members with a way to connect with each other in a professional network to share ideas and insights. In a time when members could not come together in person, CPA Member Connect offers a valuable avenue for engagement and has more than 6800 members registered on the platform.

Bringing forward these initiatives through technology puts us in a good position to drive further innovation in member engagement as we continue to adapt our long-term strategy to meet the evolving needs of the profession.

Delivering on the strategy

CPA Australia's investment in technology enabled us to continue to advance key strategic objectives in all our areas of operation. One of our major achievements in member education was to offer ASA members studying the CPA Program the opportunity to sit online exams. With COVID-19 causing the closure of exam centres in Semester 1, we worked with our guided learning partner, to deliver online exams and minimise any disruption to members continuing with their studies. In Semester 2, we offered a hybrid exam model with candidates in most locations able to choose between attending a test centre or sitting an online proctored exam.

Other key aspects of our member education offering in 2020 included:

- Increasing the online learning support package available to candidates
- Expanding our mentoring program across Australia and New Zealand, with plans to expand further to other international locations in 2021
- Transitioning the majority of face-to-face CPD to self-paced online learning at considerably reduced prices, and in many cases free to full members
- Launching our first suite of six micro-credential courses focusing on digital finance. These short-form courses had more than 7000 enrolments and are available to fully qualified members as CPD.

We also introduced important initiatives to assist members working in public practice, including:

- Updating the public practice program to a more flexible, personalised model
- Launching additional My Firm. My Future. webinars and eLearning modules to assist members in building sustainable businesses
- Redesigning the Quality Review Program to be re-launched as the CPA Best Practice Program
- Running a community campaign across major television and radio networks in Australia to create awareness about the value and service professional accountants can provide
- Delivering an intuitive and easy to use Professional Indemnity Insurance (PII) Portal allowing members to provide their insurance and claims data more efficiently.

We continued our policy and advocacy work with the release of the Value of Advice report, following on from our Regulatory Burden report in 2019. The Value of Advice report contains comprehensive research and analysis that advocates for regulatory reform by measuring the value of professional advice provided to consumers, small business and the community.

Our thought leadership focuses on topics that are central to the accounting and finance profession and in the public interest. In 2020, CPA Australia joined 14 of the world's largest professional accounting organisations to call for action on climate change. We also released reports on a wide range of topics including the impact of technology on the skill sets of early stage accountants, business fintech usage in Mainland China, Hong Kong SAR, Malaysia and Singapore, gender equality in Malaysian workplaces, our 11th annual Asia-Pacific Small Business Survey and investors' perspectives on the revised international financial reporting standard on leases.

In Australia, we advocated on behalf of members and the profession to shape the outcome of proposals from governments and standard setters to influence decisions around:

- Limiting cash transactions of more than \$10,000
- Permitting registered tax agents to provide advice on early access to superannuation
- JobKeeper eligibility rules and responsibilities.

The accounting profession faces ongoing challenges as we embark on recovery from COVID-19. Many members have expressed to me that 2020 was the busiest and most challenging of their careers.

As your professional body, CPA Australia will continue to support members in every way we can. We do so from a position of stability, for which I thank our hard-working Board that has discharged its duties with due care and diligence, ensuring that the interests of members remain central to all our decision-making. I also thank the executive management team and all of CPA Australia's employees for their collegiate approach and their commitment to deliver premium service to members.

Finally, I would like to thank all of CPA Australia's members. You are the lifeblood of this organisation and your dedication to the accounting profession and advocacy for the public interest remain critical ingredients to the long-term sustainability of your professional body.



Andrew Hunter
CEO

Strategy

In 2020, the organisation focused on key initiatives that support the strategy put in place in 2018, and on initiatives that would support our members through COVID-19 including:

- Launching the COVID-19 hub (page 27)
- Community campaign to support public practitioners (page 36)
- Releasing the Value of Advice report (page 38)
- Launching our first micro-credential in digital finance (page 44)
- CPA Member Connect platform (page 56)
- Shifting CPA Congress to a virtual event (page 62)
- Moving INTHEBLACK to a fully digital production (page 62)
- Moving CPA Program exams online in Semester 1 and to a hybrid model in Semester 2 (page 67).

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

Due to the disruptions caused by COVID-19, the Board extended the strategy timeline from the end of 2021 to the end of 2022.

CPA Australia’s published strategy covers short to medium-term objectives. Long-term strategy is set and discussed by the Board and management at regular meetings.

The impact of our strategic initiatives across the short, medium and long-term is shown on pages 20 and 21.

Figure 3: CPA Australia strategy



Performance against strategy

CPA Australia has developed a set of external targets (below) to measure performance against each of the strategic goals, as well as a group target that measures financial performance. Additionally, there are further internal metrics that are also used to measure performance that feed into how our people are remunerated (page 58). Some of these internal metrics are used throughout this report to further illustrate performance against strategy.

Many of our key performance indicators (KPIs) come from our annual member engagement survey. This is a 20-minute online survey conducted by Forethought to track performance and determine current drivers of satisfaction, value and trust in CPA Australia. With a 10.7 per cent response rate (of those members who have opted in to receive research), n = 10,208 members responded to the survey. In 2019, we had a response rate of 5.7 per cent (n = 8507). Scores shown for metrics from member engagement research are out of a maximum of 10.

The KPIs put in place to measure progress have brought about better business alignment and focus on the strategy. This focus has seen strong performance across the KPIs with achievement of the majority of targets and a number of metrics from member engagement research improving beyond original 2020 targets.

We did not meet our target for ASAs advancing to CPA status as a result of initial uncertainty around exams in Semester 1 due to COVID-19 (refer page 67). With respect to financial performance, the organisation delivered a surplus of \$6.3m compared to a 2020 target of (\$12.1m) +/- \$3m. We have reflected this as under-performance as COVID-19 had a significant impact on the organisation's financial performance, further information can be found on pages 12 to 13.

Where 2020 results have out-performed 2020 targets, the targets for 2021 and 2022 have been changed to reflect this.

Table 1: Key performance indicators

| Goal | Measures | 2017 Actual | 2018 Actual | 2019 Actual | 2020 Target | 2020 Actual | 2021 Target | 2022 Target | Related material issues* |
|--|--|-------------|-------------|-------------|--------------------|-------------|--------------------|--------------------|-------------------------------------|
| Protect, promote and enhance the integrity of the designation | Member retention – fully qualified | 98.1% | 97.5% | 98.1% | 98.1% | 98.3% ✓ | 98.3% | 98.3% | M1 M3 M5 M6 M7 M10 M13 M14 |
| | Member satisfaction** | 5.52 | 6.23 | 6.63 | 6.86 | 6.89 ✓ | 7.08 | 7.27 | M1 M3 M4 M6 M7 M11 M13 |
| Lead the future of the accounting profession | Thought leadership** | 5.71 | 6.29 | 6.69 | 6.89 | 7.00 ✓ | 7.20 | 7.38 | M2 M7 M9 M12 |
| Provide members with personalised and engaging experiences | Member satisfaction with contact** | 5.79 | 6.28 | 6.59 | 6.76 | 6.77 ✓ | 7.00 | 7.14 | M1 |
| Provide relevant learning and development content, resources and tools | Value for money CPD** | N/A | N/A | 5.34 | 5.75 | 5.77 ✓ | 6.25 | 6.41 | M4 M13 |
| Attract and develop the next generation of CPAs | Number of ASAs advancing to CPA status annually | 5693 | 5901 | 5653 | 5250 | 4588 ✗ | 5250 | 4600 to 5000 | M2 M5 M8 M13 |
| Impact policy globally and be active in community advocacy | Policy and advocacy member rating** | 5.31 | 6.03 | 6.46 | 6.66 | 6.80 ✓ | 7.00 | 7.18 | M2 M6 M7 M9 |
| Group: financial performance | Sustainable annual financial performance (budget before tax, FX, mark-to-market) | \$11.9m | \$5.5m | \$4.4m | (\$12.1m) +/- \$3m | \$6.3m# | (\$15.4m) +/- \$3m | (\$10.6m) +/- \$3m | M6 M10 |

* Key for material issues shown is on pages 22 to 23.

** Indicates metrics that are drawn from our annual member engagement survey. Where a metric is N/A this is because of a change in measurement method.

Multiple factors such as delaying spend on some initiatives and government support received as part of the response to COVID-19 impacted our financial performance. As such we have not rated this item.

Financial performance

Table 2: Financial performance

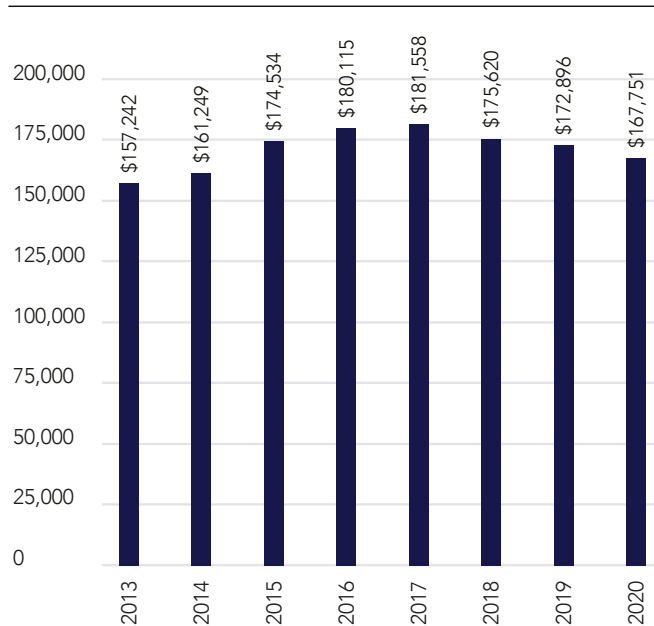
| \$'000s | 2020 total revenue | 2020 total expenses | 2020 surplus/deficit before tax | 2019 surplus/deficit before tax |
|---|--------------------|---------------------|---------------------------------|---------------------------------|
| Australia | 118,847 | 111,627 | 7,220 | 4,927 |
| New Zealand | 2,948 | 3,069 | (121) | 46 |
| Europe | 868 | 1,587 | (719) | (907) |
| ASEAN Group* | 18,630 | 19,329 | (699) | (827) |
| Greater China (including Hong Kong SAR) | 21,670 | 22,687 | (1,017) | (333) |
| Other overseas | 4,788 | 3,105 | 1,683 | 1,513 |
| All locations | 167,751 | 161,404 | 6,347 | 4,419 |

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

Overhead costs such as corporate services, marketing and product development incurred in Australia have been reallocated to regions outside of Australia based on the percentage of the Group's revenue derived in each location.

In 2020, our operating surplus before tax was \$6.3m (2019: \$4.4m). The surplus for 2020 was delivered during a year that was significantly impacted by COVID-19, while continuing to invest in technology and resources that enabled us to advance key strategic objectives and supporting our members with access to free and low-cost online professional development, and the option to sit online CPA Program exams. The surpluses achieved over the past 11 years provide an opportunity to further invest in member services and strategic initiatives.

Figure 4: Total revenue (\$'000s)

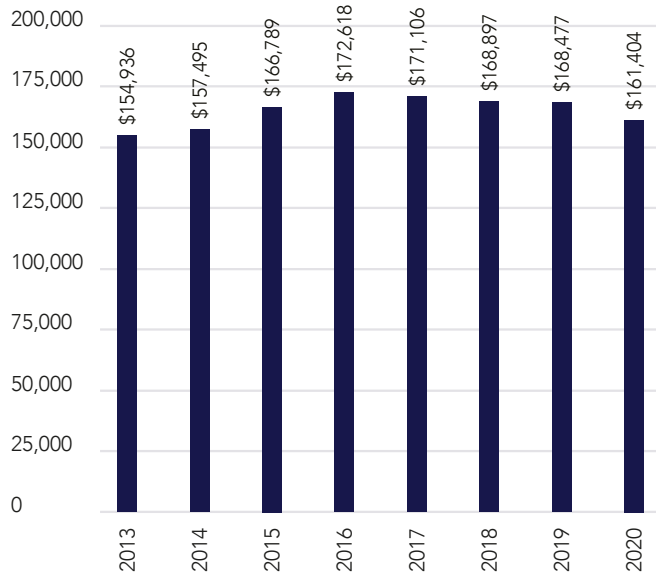


Overall revenue decreased by \$5.1m or three per cent over the 2020 financial year to \$167.8m. This was primarily due to lower professional development sales as a substantial number of face-to-face events were cancelled during the year as a result of COVID-19. We also offered our self-paced online learning products at reduced prices or for free to our members during the pandemic.

CPA Australia also received assistance issued by governments globally in response to COVID-19, including JobKeeper (Australia), Job Support Scheme (Singapore), Employment Support Scheme (Hong Kong) and Wage Subsidy Scheme (New Zealand). Full details of support received can be found on page 104 of the financial report.

Consistent with the government objectives of JobKeeper, financial support received allowed CPA Australia to maintain our relationship with our people and deliver ongoing support to members during 2020. This was through the retention of existing roles and employment of new roles for initiatives to support members into the future.

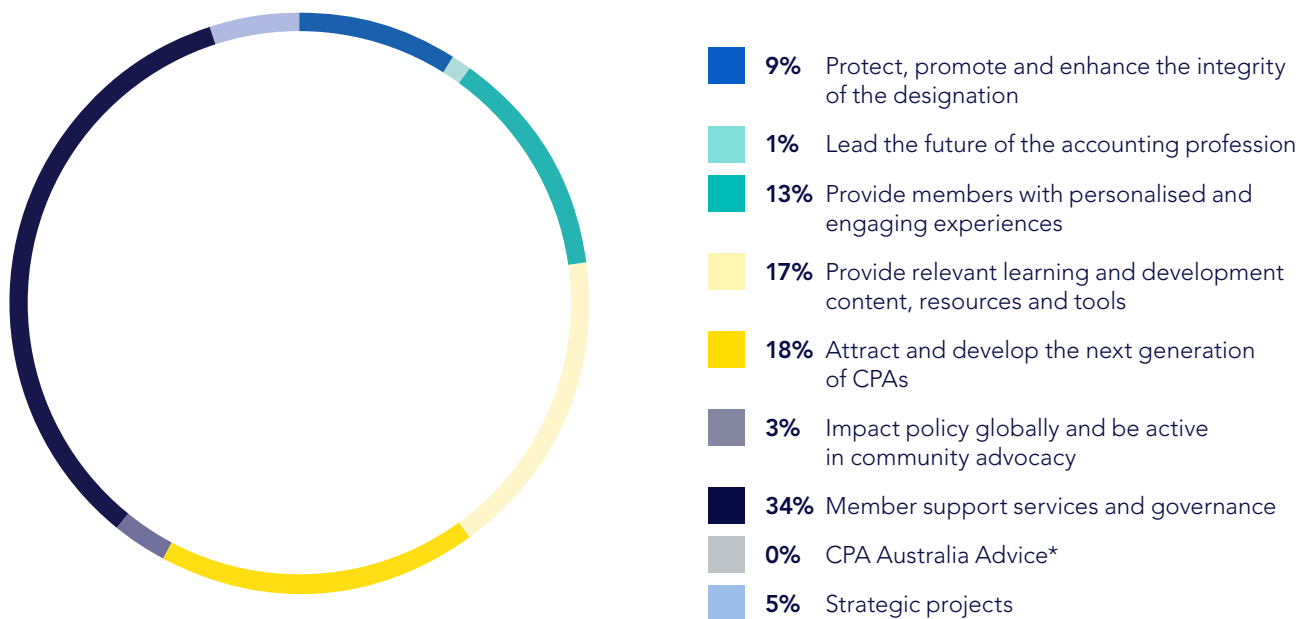
Figure 5: Total expenditure excluding tax (\$'000s)



Expenditure before tax was \$7.1m lower than 2019 at \$161.4m. The decrease is primarily attributable to lower event delivery expenses following the cancellation of face-to-face events during 2020, lower CPA Program costs and lower travel and catering expenses as a result of COVID-19 restrictions in place during most of 2020. Advertising and promotion expenses also decreased due to cost saving initiatives introduced. Printing and communication expenses decreased following the transition of our monthly magazine INTHEBLACK to a digital-only format in August.

The decrease is partially offset by higher employee benefits expenses as a result of higher FTEs during 2020 and redundancy costs associated with a business restructure. Professional services and hardware and software licence costs were also higher due to investment in the new website and member management and finance system, the CPA Member Connect platform and the cloud-based operating system in our contact centre which allows us to enhance services provided to members. Product development costs were also higher due to the investment in the digital finance micro-credential course.

Figure 6: Expenditure by strategic goals









* Spend on CPA Australia Advice in 2020 was \$36,997 or 0.02 per cent, as such it is shown as zero.

External environment and outlook

The external environment impacts our business model and strategy and is a source of the risks and opportunities that we face. Key external trends that have the potential to impact the organisation and its members, and our responses to them are detailed below.

Internal impacts and risks that have the potential to impact our strategy and our responses to them are on pages 33 to 35.

Table 3: External trends

| Risks and opportunities from our external environment | Impact on value creation and capitals |
|---|--|
|  <p>Economic/geopolitical – Changes in the economic/political environment in key markets in which CPA Australia operates.</p> <p>Likelihood: Extreme</p> <p>Impact: Extreme</p> | <p>Financial impact where the denial or restriction to new or existing markets results in fewer new members joining and existing members choosing not to renew (financial capital).</p> <p>Changes in currency valuations can increase or decrease the cost to operate in overseas markets (financial capital).</p> <p>Negative member experience – inability to adequately deliver quality services that support them in the environment they are operating in (social and relationship capital).</p> |
|  <p>Pandemic or natural disaster – An epidemic that becomes very widespread and affects a whole region, a continent, or the world due to a susceptible population and/or a major adverse event of nature.</p> <p>Likelihood: Extreme</p> <p>Impact: High</p> | <p>Potential for illness/injury/fatality (human capital).</p> <p>Financial impact through significant to long-term business disruption (financial capital).</p> <p>Negative member experience – inability to adequately deliver quality services (social and relationship capital, manufactured capital).</p> |
|  <p>Climate change – Failure to effectively manage the impacts of climate change, both directly and indirectly, on CPA Australia's operations.</p> <p>Likelihood: Low</p> <p>Impact: Low</p> | <p>Negative perception of CPA Australia by key stakeholders and related public criticism (social and relationship capital).</p> <p>Breach of legislative requirements (social and relationship capital).</p> <p>Positive perception where the organisation is seen to be addressing climate change risk (natural capital, social and relationship capital).</p> |
|  <p>Technology – Improvements in accounting software are changing the way accountants use and interact with technology. New processes and systems are shifting the critical skill sets required by accountants. Organisations are outsourcing and automating manual and repetitive tasks to free up employee time to complete more complex tasks.</p> <p>This external risk/opportunity is related to our internal risks of IT strategy and data/systems. As such, it is rated as follows:</p> <p>Likelihood: Extreme</p> <p>Impact: High</p> | <p>Opportunities for accountants are changing with greater emphasis on analytical, advisory and soft skills (intellectual capital).</p> <p>Technology changes are also impacting the education space and these changes have sped-up due to COVID19, increasing demand for personalised learning and changing demand for traditional long courses (intellectual capital).</p> <p>Changes in regulation and compliance requirements globally, and in different jurisdictions, also impact technology requirements for members (intellectual capital, social and relationship capital).</p> |
|  <p>Accountants as strategic advisers – Organisations are becoming more reliant on skilled accountants to provide them with consultation and advice on strategic matters.</p> <p>This external risk/opportunity is related to our internal risks of education and CPD and education strategy. As such, it is rated as follows:</p> <p>Likelihood: Moderate</p> <p>Impact: Extreme</p> | <p>Tailored resources, tools and knowledge are required to help accountants transition into this role (intellectual capital).</p> |
|  <p>Trust and transparency – Trust and transparency are increasingly important to organisations.</p> <p>This external risk/opportunity is related to our internal risk of brand and reputation. As such, it is rated as follows:</p> <p>Likelihood: Likely</p> <p>Impact: Major</p> | <p>Trust and transparency are important for organisations to maintain their social licence to operate. Impacts could include:</p> <ul style="list-style-type: none"> • Financial impact, legal/regulatory penalties, legal action • Adverse publicity • Negative perception of CPA Australia by key stakeholders and related public criticism • Positive perceptions and increase in reputation where trust and transparency is demonstrated (social and relationship capital). |

Note: Key to strategic goals is on page 10.

Key responses

Cyclical strategic and business planning and closely monitoring the competitive landscape.

Board/executive management monitoring of financial performance and trends.

Engagement of external advisers as required.

Business continuity management policy and plan.

Support members, their clients and the profession globally, and in different jurisdictions, navigate economic and geopolitical changes.

Business continuity and emergency management plans that reflect the nature of the potential threats in the locations in which we operate.

An "SOS" style service for those travelling overseas and monitoring of alerts issued by relevant government authorities.

Our response to the COVID-19 pandemic can be found on page 27.

Environmental sustainability policy and practices.

Dedicated management committee covering environmental sustainability.

CPA Australia Integrated Report.

CPA Australia's commitment to the framework of the Accounting for Sustainability (A4S) forum with a dedicated focus on sustainability and transparency.

Supplier due diligence.

Education of members via the CPA Program and advocacy and thought leadership around broader sustainability and reporting topics.

The launch of CPA Australia's digital finance suite of products provides members with an understanding of the impact of new technologies and how to harness the capability of these mechanisms to further thrive in their careers (page 44).

Introducing CPA Member Connect, enabling members to build local and global networks in a closed, private and secure environment (page 56).

Investment in our website, member management and finance systems (page 56).

Maintain and improve understanding of regulatory and compliance expectations and enable members to better assist the organisations they support manage these technological and compliance changes.

Continuing research into issues facing the profession.

The updated My Firm. My Future. report provides public practitioners with an understanding of the technological landscape (page 44).

Furthering our work on the Value of Advice project (page 38).

CPA Australia's members have a responsibility to act in the public interest (page 38).

As an organisation we produce this integrated report as it provides a more complete picture as to how we create preserve and erode value.

Our business model

Our business model is on pages 18 and 19 and reflects the environment that both our members and the organisation operates in, and the strategy in place to 2022 and beyond. It includes consideration of the six capitals under the <IR> Framework; financial, manufactured, intellectual, human, natural and social and relationship.

In our 2019 report, we stated that the Board would review its current position and impact on natural capital, having regard to whether new targets should be established in this area. As such, we have now included natural capital in our business model. In light of the impact of COVID-19 and the impact this has had on our use of natural capital we will look to set targets in 2021, particularly around our scope three emissions; emissions as a result of activities from assets not owned or controlled by CPA Australia, but that we directly impact on through our value chain.

Our business model is set to deliver value to our members throughout their career journey as their needs from their professional body change over time. While our overall business model remains stable the impact on some capitals has changed as a result of COVID-19. With our people working from home and the need to shift the CPA Program exams and CPD sessions online, our use of manufactured capital, in particular our IT systems, has increased, while our use of natural capital has declined due to moving away from print publications and reduction in travel. The manner in which our human capital (our employees) was deployed and supported also changed substantially (page 57).

Through the consideration of our material issues and our business model we believe we have reviewed and disclosed the most material impacts we have on value creation, preservation and erosion across the capitals.

CPA Australia's competitive advantage comes from the integrity and quality of our members, the strength of our member network and strong brand awareness of the CPA designation. Through the CPA Program and a commitment to life-long learning, our members hold a soundness in depth, breadth and quality of accountancy knowledge and are widely regarded by employers and the communities in which they operate. Our 168,736 members operate in more than 100 countries across the globe and represent a diverse range of finance, accounting and business professionals. Our brand awareness is strongest in Australia and New Zealand and we continue to ensure our activities support this position and continue to engender trust and deliver a sense of pride as the industry undergoes significant change. We have a long-established presence in Hong Kong SAR, Malaysia and Singapore and a strong network of relationships with standard setters and other professional bodies in these regions. In emerging or less established markets we operate in a highly competitive environment and we continue to establish activities to grow our profile to support our members in these important regions.

In an increasingly competitive environment CPA Australia positions itself as an organisation whose members not only have technical accounting skills, but also broader business skills to cover the changing business landscape. We also look to adapt our services and approach to meet the challenging business landscapes that our members around the globe operate in.

In early 2021, the Board and executive team met to discuss how our strategy and business model need to adapt over the short, medium and long-term.

United Nations Sustainable Development Goals

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

The Board continues to review the organisation's operations against the SDGs and is committed to reporting on the goals where we have an impact.

5 GENDER EQUALITY



Achieve gender equality and empower all women and girls.

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

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

4 QUALITY EDUCATION



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

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

8 DECENT WORK AND ECONOMIC GROWTH



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

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

We equip our members with resources that will assist their contributing to the reporting, and response by businesses to the risks of modern slavery in their operations and supply chains.

Additionally, our procurement process includes consideration of modern slavery risks.

13 CLIMATE ACTION



Take urgent action to combat climate change and its impact.

We do this by being a signatory to the A4S's call to action in response to climate change where we have committed to the following to support our members:

- Provide our members with the training, support and infrastructure they need to apply their skills to the challenge
- Support relevant market-based policy initiatives and incentives, consistent and well-considered regulation, and more useful disclosure
- Provide sound advice to help governments to create the policy and regulatory infrastructure necessary for a just transition to a net zero carbon economy.

17 PARTNERSHIPS FOR THE GOALS



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

We do this through our partnerships with other professional bodies and our membership of organisations such as the International Federation of Accountants (IFAC), A4S, the Global Reporting Initiative and the IIRC.

Our business model

Strategic goals



Protect, promote and enhance the integrity of the designation



Lead the future of the accounting profession



Provide members with personalised and engaging experiences



Provide 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

Supporting platform for achieving the strategic goals



Sustainable annual financial performance

Inputs

Financial capital

- Membership fees \$89.3m
- CPA Program fees \$54.8m
- Financial reserves \$113m

Manufactured capital

- 19 offices
- IT systems

Intellectual capital

- CPA Australia brand and designation
- CPA Program and public practice program
- CPD content
- Member input and expertise
- Thought leadership

Human capital

- 168,736 members
- >1600 volunteer members
- 567 employees

Natural capital

- Paper for publications
- Carbon through airline and other travel

Social and relationship capital

- Member relationships
- Supplier relationships
- Regulator relationships
- Relationships with industry

Activities

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

Outputs

- Quality CPA Program
- Recognised brand in the accounting profession and market more broadly
- High-calibre accounting professionals
 - CPD and publications that deliver valued knowledge
 - Public practice program
 - Professional standards program
 - Personalised and engaging member experiences
 - Policy and advocacy work
 - Quality assurance program
- Waste through overprints of program materials and other publications
- Emissions through our use of electricity, flights and other travel
- Strong financial reserves

- Developing marketing plans and initiatives that ensure members, employers and prospective members are aware of and understand the benefits of being, or employing, a CPA
- Developing and delivering thought leadership, policy and advocacy work for the benefit of members and the public interest
- Attracting high-calibre ASAs through a compelling content offer and experience for prospective members
- Building a culture that is collaborative, constructive and has a learning focus
- Reviewing internal controls, procedures and decision-making processes and risk frameworks to ensure strong internal governance
- Managing and investing members' funds
- Providing input into standard setting

Outcomes

- 
Financial capital
 Productive financial systems supported by the work of those who hold the CPA designation (external impact over the long-term)
 Sustainable organisation (internal impact over the long-term)
- 
Manufactured capital
 Spaces for our members and people to work and connect (external and internal impact from short to medium-term)
- 
Intellectual capital
 Increasing the knowledge and skills of our members and employees (external and internal impact over the short to medium-term)
- 
Human capital
 Engaged and motivated workforce (internal impact from short to medium-term)
- 
Natural capital
 Reduction in natural capital through our publications and emissions (external impact in the short-term)
 Enhancement in natural capital through thought leadership, policy and advocacy work (external impact from short to long-term)
- 
Social and relationship capital
 Demand and opportunities for those who hold the CPA designation (external impact in the long-term)
 Trust in the business community (external impact across the long-term)
 Protection of the public interest (external impact from short to long-term)

Societal impact



Strategic initiatives over time*

Strategic initiatives and their impact on value creation

This figure shows our strategic initiatives and their impact on value creation. Whilst some initiatives impact across all three horizons we have focused on where the majority of the impact will be felt.



Short-term

- Brand strategy
- CPA Best Practice Program
- Micro-credentials
- My Firm. My Future.
- Enhanced website
- My Capability Plan
- Mentoring program
- Service transformation
- SME strategy
- Continuing our focus on the future of work and the future of the profession

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



Medium-term

- 2022+ strategy
- Evolving our education offer to deliver value to members in a changing environment
- Continuing to implement technology solutions for our members
- Brand strategy
- SME strategy
- Micro-credentials
- My Firm. My Future.
- Updating and enhancing our core systems to enhance member experience
- Enhanced website
- My Capability Plan
- Service transformation
- Policy and advocacy for advancing broader corporate reporting
- Continuing our focus on the future of work and the future of the profession



Long-term

- 2022+ strategy
- Evolving our education offer to deliver value to members in a changing environment
- Continuing to implement technology solutions for our members
- Updating and enhancing our core systems to enhance member experience
- Policy and advocacy for advancing broader corporate reporting
- Continuing our focus on the future of work and the future of the profession

Materiality and stakeholders

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

Material issues

Our material issues are those that are defined as having the most impact on our ability to create value for our members, the organisation and the broader community. Under this definition we acknowledge that there are some trade-offs between material issues. As an example, a material issue may negatively impact value creation for the organisation, but create value for our members; that is, high-quality professional development and knowledge for members has a negative impact on financial capital for the organisation but creates value for members in terms of increasing their knowledge and skills.

To inform this report and our operations we gather a wide range of input across our day-to-day activities. Specific report feedback is undertaken annually and focuses on identifying the topics of most importance to value creation. Stakeholders interviewed include members of the Board, our CEO and executive team, and a selection of members from across geographies and industries. Members interviewed were approached due to their knowledge of, and interest in, <IR>. We have used this feedback to make changes to this year's report including considering new material issues.

Two new issues have been added in 2020, supporting public practitioners and social responsibility. These issues have been considered in previous materiality processes but are now of growing importance in terms of our impact on value creation and the views of our members and other stakeholders.

The contents of this report have been defined by removing issues that do not: have a significant value creation impact; rate highly for stakeholders; or routinely appear as a top three issue for any stakeholder group. One material issue has been removed in 2020, communicating effectively with members. While this is still of importance, it has lessened to some degree as we make improvements in our communication processes.

We continue to review these issues each year to ensure they best reflect our value creation story.

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

More information on our materiality process is available on our <IR> microsite.

Table 4: Material issues

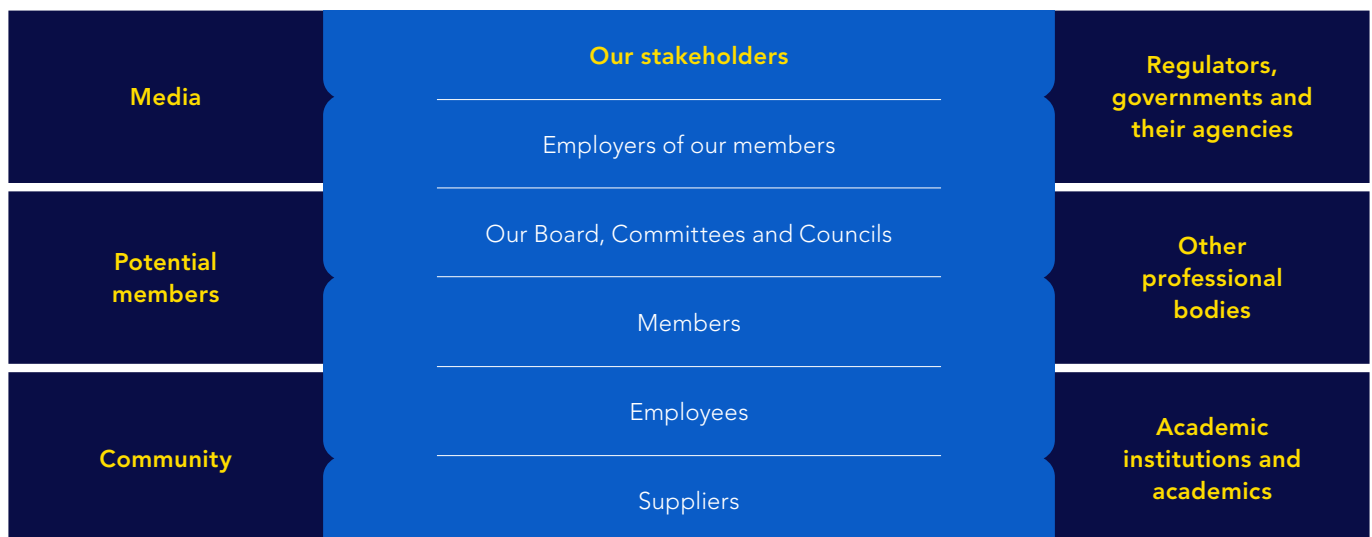
| Material issue | Definition | Impact on value creation* | Extent of control |
|--|---|---------------------------|-------------------|
| M1 Member experience and satisfaction | Members expect a tailored, personalised approach that allows them to interact with CPA Australia in the manner of their choosing. Delivering on this is important to provide member value and satisfaction. | Short to long-term | High |
| M2 Leading the future of the accounting profession | For members to have sustainable careers, the designation must meet the changing expectations of the business community. CPA Australia needs to provide strategies, training and tools to support members through these changes. | Medium to long-term | Moderate |
| M3 Reputation and promotion of the brand and designation | The success of members and thus CPA Australia is predicated on the reputation of the CPA designation and brand in the accounting industry, the wider business community and with the general public. | Medium to long-term | Moderate |
| M4 High-quality professional development and knowledge for members | A commitment to ongoing learning is at the heart of being a professional. As their professional body, members expect that CPA Australia will provide high quality, accessible CPD that is relevant to them. | Medium to long-term | High |
| M5 Attract and develop the next generation of CPAs | Attracting high-calibre ASAs globally through a compelling content offer and experience, and supporting them through their journey to become a CPA. | Short to long-term | Moderate |
| M6 Member trust in CPA Australia | As their professional body, members need to know that CPA Australia acts in their best interests, and that they can trust the organisation is operating with integrity. | Short to long-term | High |
| M7 Advocacy and thought leadership on behalf of members | Advocating for members and providing thought leadership into the future of the profession are key areas of importance for members. | Short to long-term | Moderate |

| Material issue | Definition | Impact on value creation* | Extent of control |
|--|---|---------------------------|-------------------|
| M8 High-quality CPA Program | A high quality and relevant CPA Program is vital to making sure the designation meets the changing expectations of the business community. | Medium to long-term | High |
| M9 Social responsibility | Ensuring that CPA Australia’s operations meet our obligations to society including our impact on the natural environment and the impact we, and our members, have on broader society. | Short to long-term | High |
| M10 Quality of governance processes | Good governance is at the heart of any sustainable organisation, members expect that CPA Australia’s governance processes are transparent and represent leading practice. | Medium to long-term | High |
| M11 Support for public practitioners | Public practitioners are often the face of CPA Australia through their dealings with the public. They protect the public interest and as their industry changes they require support from CPA Australia in dealing with the specific challenges of being in practice. | Short to long-term | Moderate |
| M12 Advocating for the public interest | Protection of the public interest is a key tenet of any professional body. CPA Australia and its members must ensure that protection of the public interest is at the heart of what they do. | Short to long-term | Moderate |
| M13 Supporting members, career development | Members have confirmed that being provided guidance on next career steps was a critical aspect of career progression and an area where CPA Australia could provide support. | Medium to long-term | Moderate |
| M14 Professional standards | As a professional body CPA Australia must send a strong message to members, their clients, the professional community and the public, that CPA Australia is committed to upholding high standards and ensuring consumer protection. | Short to long-term | Moderate |

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

Figure 7: Stakeholders

Our stakeholders are shown in the figure below with the key issues raised by stakeholders shown in Table 5.



■ Stakeholders who provide the most inputs into our business model
 ■ Stakeholders in our external environment who can impact on our ability to create value

Materiality and stakeholders

Table 5: Stakeholder concerns

| Stakeholder group | Key issues raised | Quality of our relationships and how we are responding |
|---|---|--|
| Members | <ul style="list-style-type: none"> • Value of membership • Future outlook for the profession • The reputation of the CPA designation • Quality of the CPA Program and our CPD offer • Acting in members' best interests • Protecting the public interest • Supporting public practitioners | <p>We track the quality of our member relationships through our annual member engagement survey (pages 11 and 48 to 49).</p> <p>Information on our response is on pages 36 to 74.</p> |
| Employees | <ul style="list-style-type: none"> • Investment in capability development • Greater empowerment • Consistency of behaviours and values • Greater collaboration and integration • Social responsibility | <p>We track the quality of our employee relationships through attrition measures, exit surveys, and our culture survey (page 57).</p> <p>Information on our response is on pages 57 to 59.</p> |
| Our Board, Councils and Committees | <ul style="list-style-type: none"> • Acting in the best interests of the organisation • Acting in members' best interests • Protecting the public interest • The reputation of the CPA designation • Social responsibility | <p>We track the quality of our relationships through regular feedback from engagement and in the respective bodies' assessments at the end of each year.</p> <p>Independent review of Board performance.</p> <p>Information on our response is on pages 30 to 35.</p> |
| Employers of our members | <ul style="list-style-type: none"> • Professional standards of our members • Quality of the CPA Program and our CPD offer | <p>We track the quality of our employer relationships through regular brand perception surveys. This survey was not run in 2020.</p> <p>Information on our response is on page 66.</p> |
| Regulators, governments and their agencies | <ul style="list-style-type: none"> • Professional standards of our members • Protecting the public interest • Advocating for and advancing effective solutions • Social responsibility | <p>Governments and their agencies regularly seek the views and advice of CPA Australia on public policy and regulatory matters.</p> <p>Information on our response is on pages 70 to 74.</p> |
| Academic institutions and academics | <ul style="list-style-type: none"> • Enrolment rates in accounting degrees • Ongoing relevance of the content of accounting degrees to the profession • Support from CPA Australia | <p>We track the quality of our relationships with academic institutions through our ability to work across the sector to promote the work of the profession to students and our partnerships with academics to produce research of benefit to members.</p> <p>Information on our response is on pages 44 and 67.</p> |

| Stakeholder group | Key issues raised | Quality of our relationships and how we are responding |
|----------------------------------|--|--|
| Suppliers | <ul style="list-style-type: none"> Operational issues Timelines for delivery Future products and processes to deliver member value Social responsibility | <p>A good relationship with suppliers is a vital part of our organisation's success. When partnering with key suppliers, CPA Australia adopts a strategic approach as we are aware that this ensures many short and long-term benefits including the delivery of higher-quality member services and overall value for money.</p> <p>Information on our response is available on our website.</p> |
| Other professional bodies | <ul style="list-style-type: none"> Protecting the public interest Implementing government laws and regulations Professional standards Social responsibility | <p>The quality of our relationships with other professional bodies is reflected by our joint working arrangements to mutually benefit our members through recognition of skills and advocacy on matters of importance to the profession (page 73).</p> <p>Information on our response is on pages 73 to 74.</p> |
| Wider community | <ul style="list-style-type: none"> Protecting the public interest Professional standards of our members Social responsibility | <p>Maintained levels of community trust in the profession depends on our role as a co-regulator ensuring our members are held to the highest standards. Levels of complaints against our members remain historically low and are detailed on pages 40 to 41.</p> <p>Information on our response is on pages 38 to 41.</p> |
| Potential members | <ul style="list-style-type: none"> The reputation of the CPA designation Value of membership | <p>We track the quality of our potential member relationships through regular brand perception surveys. This survey was not run in 2020.</p> <p>Information on our response is on pages 64 to 69.</p> |
| Media | <ul style="list-style-type: none"> Communicating critical tax, financial and business information on COVID-19 economic measures Influencing policy decisions and outcomes by making our positions and views public | <p>We track external media coverage and have our media impact independently assessed (page 72).</p> <p>Information on our response is on page 72.</p> |

We engage with our stakeholders through multiple channels ranging from our own publications and communication channels, external media, meetings, task forces, roundtables and throughout our day-to-day activities.

Our focus on delivering outcomes throughout 2020 was naturally concentrated on our members (including our Board, Councils and Committees), employees and the wider business community who needed support during the pandemic. The details of this support are contained throughout this report. While outcomes for our other stakeholders in 2020 were not our main area of focus, we continued to deliver several key initiatives, including:

- Potential members – providing better support to assist potential members to join CPA Australia
- Regulators, governments and their agencies – providing submissions, comment and support on issues of importance
- Academic institutions and academics – support of and participation in academic conferences and round tables to support those working in accounting education
- Suppliers – reviewing our procurement policies
- Employers of our members – renewing our approach to ensure a better understanding of employer needs
- Media – providing content and comment on matters of interest to the profession and wider community
- Other professional bodies – working together to provide a united voice for the profession.

Social responsibility

CPA Australia, like other organisations, has a responsibility to understand our impacts, not just on our members, but also on both society and the environment. This includes behaving in a way that is transparent, ethical and ensures an approach that helps protect the long-term success of society and the environment.

Wellbeing of our members

The wellbeing of our members and our people is of great importance; this is particularly the case during a global pandemic. We offered practical tools and tips for our members to deal with the various regulations and restrictions introduced by governments around the world, but also focused on how we could support the mental and physical wellbeing of our members. We engaged public practice committees specifically on mental health to ensure we developed content of high relevance.

Activities included:

- Articles in the April and May editions of INPRACTICE on “Staying close to clients while social distancing” and practical guidance and tips from Mental Health First Aid Australia and Beyond Blue
- A webinar on “Managing mental health for you and your clients in times of crisis.” This was a joint presentation with Mental Health First Aid Australia and Beyond Blue
- A session on “Engendering hope in a time of a crisis” at the Virtual Public Practice Conference
- Reprioritising the development of eLearning content within the My Firm. My Future. framework and delivered modules on wellbeing, managing and leading change, motivation, environment and delegation.

In October, we released a special issue of INTHEBLACK, which featured a curated collection of articles and resources that offered our members tools to deal with uncertainty, burnout and stress. The role of the special edition was not to provide mental health advice or a diagnosis, but to help drive conversations about mental health in order to reduce the stigma and point our members in the right direction if they wanted to seek help.

The issue covered a variety of content for both individuals and businesses, including advice on how to encourage employees to make healthy choices at work, guidance on supporting clients in tough times, and features on topics like coming back from mental burnout or managing mental health in a remote workforce. Within 30 days of the release of the magazine it had achieved more than 18,000 views.

The Greater China division developed a wellness series consisting of exercise and pandemic parenting videos and the Malaysia division delivered a range of webinars on wellbeing, including one on mental and physical wellbeing.

Support of First Nation’s People

CPA Australia’s Reflect Reconciliation Action Plan (RAP) reflects the organisation’s commitment to reconciliation and social change between Australia’s First People and the broader Australian community. The RAP was originally due to run from August 2019 to August 2020 but has been extended to run until February 2021 to account for the impacts of COVID-19. The aim of the Reflect RAP has been to build internal capability and community relationships.

During 2020, activities included:

- Acknowledgement of Country and Welcome to Country protocols were introduced at internal formal employee and member events
- The introduction of a member profile self-identification tool enabling new and existing members to identify as Aboriginal or Torres Strait Islander people
- Employee learning offerings on reconciliation and Indigenous culture
- CPA Australia joined Supply Nation, Australia’s leading database of verified Indigenous businesses, to help diversify the organisation’s supply chain
- Sponsored and participated in the National Indigenous Business Summer School program to encourage high school students to explore accounting and finance careers.

Bushfire support

In January 2020, as part of our response to the bushfires in Australia, CPA Australia updated our Disaster Recovery toolkit. The toolkit provides guidance to businesses impacted by disaster and can assist members and their clients with the steps to recovery. It includes information and useful links for members to access support from Australian government agencies. This toolkit was used and referenced by a number of government agencies, industry associations, and other stakeholders. CPA Australia made submissions to and maintained ongoing engagement with the National Bushfire Recovery Agency and other relevant agencies to support small business and members through the recovery process.

CPA Australia, as an organisation, donated AUD\$100,000 to bushfire recovery efforts. Our Greater China Divisional Council also decided that they would like to make a contribution, and through personal donations from the Council and committee members a further AUD\$30,000 was donated.



Climate change

In February 2020, CPA Australia was one of 14 of the world’s largest accounting organisations, together representing 2.5 million accountants worldwide, to jointly call for action on climate change. The call to action acknowledged the significant role the accountancy profession can play in achieving climate change mitigation and helping businesses and industries adapt as economies transition to renewable energy and sustainable practices.

In 2021, to further support this goal the Advanced Audit and Assurance subject of the CPA Program will enable candidates to upskill so that they can apply to become “Registered Greenhouse and Energy Auditors” for the Clean Energy Regulator.

COVID-19

Board response

The outbreak of the pandemic in 2020 had a devastating impact on communities and economies where CPAs live and work. It also affected many of the Board's activities and influenced changes to the Board's strategic plans. The Board monitored the changing situation closely and heeded the advice of governments and health authorities in each region where CPA Australia operates. As the pandemic evolved and took hold in different countries and regions, the Board's priority was to ensure that appropriate action was taken to protect the safety and wellbeing of members and employees. A key focus for the Board throughout 2020 was to continue to deliver services to support members and help them navigate the pandemic.

One of the main initiatives steered by the Board to ensure ongoing support to members was to approve upgrades to our technology and systems capability to enable all employees to work remotely, and to improve the delivery of online services to members, including webinars and the ability for ASA members to sit exams online. Together with the improved governance arrangements and internal controls that were embedded into business-as-usual practices during 2019 and 2020, adapting our systems contributed to the strengthening of our risk management.

CPA Australia and the Board ordinarily encourage members to attend the AGM and vote in person. However, in view of the government restrictions on travel, the size of public gatherings and the management of public health and safety surrounding the outbreak of COVID-19, and in line with the Statement from the Board of CPA Australia dated 20 April 2020, members (and their representatives) were not able to attend the physical venue of the AGM in person in 2020, other than members who were CPA Australia employees and working at the AGM. All employees present at the AGM were required to adhere to strict safety and social distancing requirements. The Board conducted a hybrid AGM in April using technology to enable members to participate. As members were not able to attend the physical venue of the AGM in person they were encouraged to submit their proxies online.

Members were also able to view, listen to, and ask questions at the AGM in real time with the assistance of live webcasting. Questions were posed in text format online, and in 2020, for the first time, members were able to dial in and ask questions by voice or online.

The Board also maintained a strong focus on continuing to implement the goals and objectives under the strategic plan in order to continue to create value for members.

In light of COVID-19, the Board was conscious of the need to manage costs responsibly to help offset a reduction in some revenue sources and ensure appropriate management of our financial capital. Accordingly, all expenditure was reviewed and a range of measures were adopted, including a significant reduction in domestic and international travel by the Board and employees, a halt on discretionary spending and deferring operational and capital expenditure on some planned projects.

In addition, CPA Australia applied for government business support programs in relevant jurisdictions where eligible, and where such support could be used to keep people in employment and able to continue to provide services to members.

We received support from governments in the regions we operate that enabled us to continue to support our members and employee our people. Details of support received is disclosed on page 104 of the financial report.

Supporting members and the community

During the pandemic, accountants have played a vital role during each phase of the economic response. To assist members and their clients in dealing with the economic repercussions of COVID-19, CPA Australia established a dedicated resources hub on the website. The hub was updated regularly with the latest information and featured a range of material for our members across the globe, including:

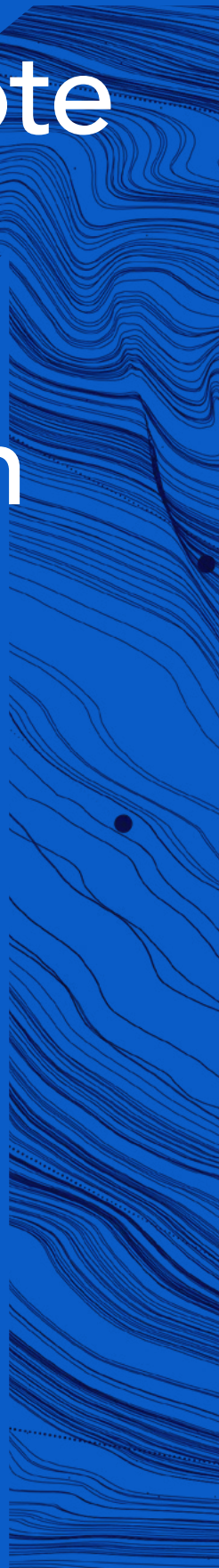
- Business advice and tips
- Financial reporting and auditing resources
- Factsheets, FAQs, INTHEBLACK content, webinars, podcasts, analysis of government stimulus packages and other guidance materials
- Information about relevant regulatory responses
- CPA Australia's submissions to government and media engagement.

One key example of CPA Australia's advocacy on behalf of members during the pandemic resulted in ASIC announcing measures to ensure that it was easier for Australians to get the advice and assistance they needed during this period by granting registered tax agents the ability to advise clients on early access to superannuation. In response, CPA Australia in conjunction with CA ANZ, the IPA, the SMSF (self-managed superannuation fund) Association and the Financial Planning Association (FPA) developed a standardised record of advice template for use by members providing advice to clients on the early release of super.

Supporting our people

With offices around the globe, the pandemic impacted our people at different times and in different ways. We have focused on supporting our people's emotional and physical wellbeing and implementing technology and solutions so that our people could continue to support members from their homes (page 57).

Protect, promote and enhance the integrity of the designation



Legend: Performance metrics

- ▲ Improved performance from previous year
- ▼ Decreased performance from previous year
- ▶ No change/new metric



“Today’s professionals must have a comprehensive understanding of business developments and performance, which requires a strong network. At CPA Australia, I always feel supported by a community with true professionalism, expertise and integrity.”

Yifan Li ASA,
Accountant, Southern Sustainable Electric

Objectives

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

Performance

A trustworthy brand ▲ 7.27/10

Board communications ▲ 6.49/10

Public practitioner satisfaction ▲ 6.73/10

Governance

Board focus in 2020

The Board met on 13 occasions in 2020 and wrote regularly to members with a summary of the topics discussed.

During 2020, the impacts of COVID-19 were at the forefront of the Board's discussions and more information on the Board's response to the pandemic can be found on page 27.

The Board and its Committees were active throughout 2020 and considered a number of issues across all areas of the business, including:

- Long-term strategic planning including oversight of the education, IT and brand strategies
- Oversight of financial performance of the organisation ensuring long-term sustainability
- Ensuring compliance with government regulators and industry standard setters
- Oversight of priorities arising from member research
- Approval of CPA Program education initiatives, including the digital finance micro-credential offer
- Review and sign-off of CPA Australia's 2019 Integrated Report and financial statements
- Approval of online system upgrades to enable employees to work remotely
- Approval and oversight of the online exam model for ASA members
- Approval of investment in, and the model for, the online member engagement platform, CPA Member Connect
- Oversight of the move of INTHEBLACK to a digital format
- Approval of contracts with external partners and suppliers
- Oversight of engagement with Divisional Councils, including Board outreach, development of member engagement plans and Council elections
- Approval of appointments to IFAC, Centres of Excellence, Advisory and Compliance Committees
- Approval of investment for major projects; website and the member management and finance systems
- Assessment and refreshment of the quality review program for public practitioners with the design of the CPA Best Practice Program
- Oversight of the activities of the internal auditors.

Director skills and experience

The Appointments Council comprises a representative from each of the 13 Divisional Councils and is responsible for appointing the Board.

This year the Board skills and experience mix was also reviewed by independent third parties.

The Appointments Council works with the Board and the Nomination Committee to ensure that Directors possess the right mix of experience and complementary skills. Council members also identify any potential gaps in the collective skill set of the existing Board members as well as specialist knowledge of any Directors who are leaving the Board. We aim to have a mix of skills and experience on the Board that reflects the different skills and experience of our diverse membership and informs our approach to value creation. We also appoint non-member Directors that bring alternative perspectives that can help enhance decision making.

In electing Board members in 2020, a call for nominations was made via CPA Update, INTHEBLACK, CPA Australia's website and the *Australian Financial Review* in May. Applications were submitted to external executive search firm, Egon Zehnder, who conducted interviews in conjunction with the Nomination Committee. The Appointments Council was consulted at each stage of the process. A short-list of candidates was submitted to the Appointments Council, who also had input into the candidates to be shortlisted for the second round of interviews by the Nomination Committee.

The Appointments Council met on 19 August and appointed four Directors. Merran Kelsall FCPA, Rosemary Sinclair FCPA and Helen Lorigan were reappointed as Directors and commenced their three-year terms on 1 October. Michaela Browning was also appointed to the Board and commenced her term on 31 December. As, and while, an Australian public servant, Michaela has asked to perform the role on a pro bono basis. All four Directors were appointed to serve on the Board until October 2023.

The Board elected its office bearers at a meeting in September. In accordance with the governance arrangements voted for by members at the 2018 AGM and in line with CPA Australia's Constitution, Peter Wilson AM FCPA completed the maximum term of three consecutive years as President and Chairman of CPA Australia. He is continuing as a Director. Merran Kelsall FCPA was elected by the Board as the President and Chairman, effective 1 October 2020. Enrico De Santi and Professor Dale Pinto were elected by the Board as Deputy Presidents. Former Deputy President Chin Aik Wong FCPA retired as a Director as of 30 September 2020.

The skills mix of the Board is set out in the table on page 31.

Table 6: Board skills and experience mix as at 31 December 2020

| Experience matrix (Self-assessed) | Full Board* | Audit, Risk and Compliance | Finance and Policy | Member Engagement | Nomination** | People, Remuneration and Culture |
|---|----------------|----------------------------------|--------------------------|----------------------|--------------|--|
| Location | | | | | | |
| Metro Australia | 9 | 4 | 3 | 5 | 2 | 4 |
| Regional Australia | 9 | 4 | 3 | 5 | 2 | 4 |
| International | 9 | 4 | 4 | 4 | 2 | 4 |
| Sector | | | | | | |
| Academia | 7 | 4 | 2 | 4 | 2 | 2 |
| Public practice | 5 | 2 | 2 | 3 | 1 | 3 |
| Government | 8 | 4 | 3 | 4 | 2 | 3 |
| Large firm | 7 | 3 | 4 | 4 | 1 | 4 |
| Large listed | 5 | 1 | 3 | 2 | 1 | 2 |
| Not-for-profit | 10 | 4 | 4 | 5 | 2 | 5 |
| Industry | | | | | | |
| Financial services | 6 | 2 | 3 | 3 | 2 | 2 |
| Consumer | 6 | 2 | 3 | 2 | 1 | 3 |
| Industrial | 5 | 2 | 1 | 3 | 2 | 1 |
| Services | 10 | 4 | 4 | 5 | 2 | 5 |
| Telecommunications/technology | 6 | 3 | 2 | 1 | 1 | 3 |
| Executive/non-executive | | | | | | |
| Current executive | 10 | 4 | 4 | 5 | 2 | 5 |
| Practising accountant | 4 | 2 | 1 | 3 | 1 | 2 |
| Non-executive Director | 10 | 4 | 4 | 5 | 2 | 5 |
| Board Chair | 8 | 4 | 3 | 5 | 2 | 4 |
| Committee Chair | 10 | 4 | 4 | 5 | 2 | 5 |
| General experience | | | | | | |
| Financial/commercial acumen | 10 | 4 | 4 | 5 | 2 | 5 |
| Leadership | 10 | 4 | 4 | 5 | 2 | 5 |
| Public relations/media | 8 | 4 | 3 | 3 | 2 | 3 |
| Marketing/communications | 7 | 3 | 3 | 2 | 2 | 3 |
| Human resources | 8 | 4 | 3 | 3 | 2 | 3 |
| Legal/regulatory | 8 | 4 | 3 | 4 | 2 | 3 |
| Organisational management | 10 | 4 | 4 | 5 | 2 | 5 |
| Business development | 9 | 3 | 4 | 4 | 2 | 5 |
| Project management | 10 | 4 | 4 | 5 | 2 | 5 |
| Change management | 10 | 4 | 4 | 5 | 2 | 5 |
| Risk management | 10 | 4 | 4 | 5 | 2 | 5 |
| Stakeholder management | 10 | 4 | 4 | 5 | 2 | 5 |
| Policy development | 8 | 4 | 3 | 4 | 2 | 3 |
| Advocacy | 9 | 4 | 3 | 5 | 2 | 4 |
| Member-based organisation governance | 10 | 4 | 4 | 5 | 2 | 5 |
| Government relations | 8 | 4 | 3 | 4 | 2 | 3 |
| Corporate governance | 9 | 4 | 3 | 5 | 2 | 4 |
| Sustainability/Integrated Reporting | 8 | 4 | 3 | 4 | 2 | 3 |

* Michaela Browning joined the Board on 31 December 2020; however, was not appointed to any committees until 1 January 2021 and is therefore not included in the Committee numbers, but is included in the Full Board.

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

Governance

Supporting Divisional Councils

Divisional Councils play a vital role in member engagement and local support for CPA Australia and in helping to maintain the integrity of the designation. Divisional Councils are an important conduit between the members and CPA Australia's Board and the organisation more broadly. Depending on the size and complexity of the division, regional committee branches, special interest and sector committees or networks may support the work of Divisional Councils in member engagement and advocacy activities.

Members in each division elect their Divisional Council. A call for nominations for election to Council is made in August of each year via CPA Update and our website. Where the number of nominations for Council exceeds the number of positions vacant, an election is held in that division.

In 2020, a total of 103 members nominated for 62 vacancies across the 13 Divisional Councils and elections were held in 10 of CPA Australia's divisions. Newly elected councillors commenced their terms on 1 January 2021.

Councillors act as representatives of the broader membership as well as ambassadors and advisers on divisional issues. They connect with members locally by facilitating a variety of industry sector and professional networking events.

Each Council elects a President and Deputy President, with the Presidents of the respective Councils forming the Council of Presidents. The Council of Presidents engages regularly with the Board, providing a collective divisional voice while drawing on the views of members. In 2020, CPA Australia continued to refine the process for Divisional Councils to prepare member engagement plans based on a framework that incorporates the drivers of member satisfaction and value.

Connecting with members and stakeholders

Board communications ▲ 6.49/10
(2019: 6.34/10, 2018: 5.92/10, 2017: 5.13/10)

The Board outreach program continued in 2020 despite COVID-19 restrictions on travel and attending face-to-face events. Directors attended divisional meetings via a virtual online environment and participated in webinars and teleconferences.

The Board communicates directly with members and in 2020, the President and Chairman wrote to members on behalf of the Board on 11 occasions. A higher rating in the results of the member engagement survey for Board communications shows that this communication resonates with members.

Board remuneration

The total remuneration made to the Board in 2020 was within the pooled amount set out in the Constitution. Detailed disclosures of all Director and key management personnel are reported on pages 120 to 121 of the financial report.

Under the Constitution, the pooled amount is increased each year and is calculated using the CPI rate measured from the prior September quarter to the current September quarter expressed as a percentage.

All independent reports are that Director remuneration is well below the amounts that are payable, with the Godfrey Remuneration Group noting Director remuneration is approximately 25 per cent below market amounts payable.

Value created

- A strong governance framework demonstrating a commitment to meeting the organisation's obligations and best practice
- Overseeing the strategic direction of the organisation over the short, medium and long-term
- Appointing new Directors with the requisite skill sets and electing a new President and two Deputy Presidents
- Supporting Divisional Councils who play a role in supporting our members at the local level and promoting the integrity of the CPA designation by strengthening relationships with community stakeholders

Moving forward

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

- Education strategy
- Brand strategy
- Culture
- Member outreach.

Risks and risk management

CPA Australia has a Board-approved risk appetite statement that is reviewed and updated annually or when significant events occur. The statement articulates the amount of risk we are prepared to accept or avoid in pursuit of strategy.

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

This includes:

- Making decisions that reflect the taking of appropriate risk for appropriate reward, leveraging the right controls
- Providing timely monitoring and reporting on risks to all stakeholders
- Creating a sound risk culture that is embedded throughout the organisation
- Continually improving and maturing the management of risk
- Satisfying corporate governance and regulatory requirements at all times.

Throughout 2020, CPA Australia has continued to further enhance and consolidate its risk management strategy and practices including:

- Further embedding a risk management culture across the organisation
- Reviewing and updating the risk appetite statement and risk management policy
- Improved alignment of business continuity planning to strategic objectives
- Reviewing risk management activities via quarterly reporting to the Audit, Risk and Compliance Committee and conducting an annual workshop for the formal assessment of existing, new and emerging risks.

CPA Australia follows the three lines of defence model in its approach to risk management:

- Management and internal controls
- Risk management and compliance monitoring and reporting
- Internal audit.

CPA Australia's internal auditors are RSM. A yearly internal audit plan is approved by the Audit, Risk and Compliance Committee and the internal auditor reports to the Committee five times per year. Internal audit has access to the Audit, Risk and Compliance Committee at any time.

Areas selected for internal audit in 2021 amongst others included our member feedback and complaints handling process, whistleblower policy review and IT controls.

Enterprise risks

The table on pages 34 to 35 shows the key internal risks most relevant to strategy in order of priority. Priority order has been determined by consideration of the residual likelihood of the risk occurring and the consequences of that risk on our ability to create value for the organisation and its members. We have in place cyclical and strategic planning and evaluation processes that form part of our response to managing risks. We also engage external advisers with specific expertise, as and when required, and have an enterprise project management office that provides oversight and reporting over our strategic projects and their associated risks.

The table on pages 34 to 35 shows the key specific responses to each individual risk. For our external risks and opportunities please refer to pages 14 to 15.

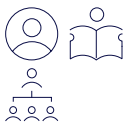

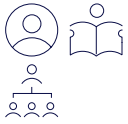



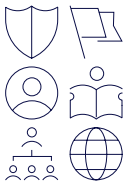

Value created





















- Our risk management framework and approach ensures consideration of risks across our activities including those risks most likely to impact our strategy, business model and ability to create value over time
- Three lines of defence model to ensure appropriate oversight

Moving forward

- Progressively embed and consolidate risk monitoring and reporting processes across CPA Australia including:
 - Regular discussion and review of business unit risk registers
 - Continuous improvement of risk management reporting including the implementation of an automated governance, risk and compliance system
 - Enhanced assessment and validation of key controls and development of formal risk treatment plans
 - Improved communication and awareness of CPA Australia's risk exposure
- Improved monitoring and reporting of CPA Australia's compliance obligations through continued implementation of the Board approved compliance management framework
- Enhanced business continuity planning and awareness and the actioning of any weaknesses identified
- Development of an expanded incident management framework, incorporating related incident management policies, ensuring all incidents meeting the prescribed thresholds are managed and reported consistently
- Review and enhancement of emergency and crisis management capability

Table 7: Risks and opportunities

| Risk | Timeframe | Response | Likelihood | Impact | Strategic goals impacted | Material issues** |
|---|---------------------|---|------------|---------|---|---|
| <p>Education and professional development – Failure to produce education and professional development that is relevant and meets members’ needs and value expectations</p> | Medium to long-term | <p>Benchmarking of CPA Australia’s competitive landscape and our offer.</p> <p>Annual review of CPA Program content by specialist subject advisory panel.</p> <p>Maintenance of CPA Program integrity.</p> <p>Quality review of content in line with approved policy and procedures.</p> | Moderate | Extreme |  |  |
| <p>Education strategy – Failure to effectively transition and implement CPA Australia’s education strategy</p> | Medium to long-term | <p>Dedicated steering committee oversight and reporting.</p> <p>Staged project implementation and review.</p> <p>Dedicated program manager oversight.</p> | Moderate | Extreme |  |  |
| <p>IT strategy – Failure to effectively transition and implement CPA Australia’s IT strategy</p> | Medium to long-term | <p>IT governance framework including quarterly reporting to the Finance and Policy Committee.</p> <p>Board/executive management monitoring of performance and trends.</p> <p>Steering committee oversight and reporting.</p> | Possible | Extreme |  |  |
| <p>People and culture – Failure to effectively manage and support CPA Australia’s workforce</p> | Short-term | <p>Board-approved remuneration policy.</p> <p>Recruitment policy and procedures.</p> <p>Formal employee performance monitoring, development and training.</p> <p>Annual employee culture survey.</p> <p>Employee health and wellbeing programs.</p> <p>WHS policy and inspections.</p> <p>Dedicated management committee oversight.</p> | Likely | Major |  |  |

| Risk | Timeframe | Response | Likelihood | Impact | Strategic goals impacted | Material issues** |
|--|-------------------------|--|------------|--------|---|--|
| Data and systems – Loss of data/ systems availability | Short to medium-term | Physical access and security controls operating at all office locations. Daily monitoring of IT system performance with escalation of system downtime. Network penetration test conducted annually with findings actioned and reported to the Audit, Risk and Compliance Committee. Disaster recovery procedure in place, tested annually. User access controls. IT system back ups. Information security controls. Daily monitoring of external cyber attacks and network penetration attempts. Cyber security updates provided to Audit, Risk and Compliance Committee quarterly. IT change management process and related controls. Dedicated IT security team. | Likely | Major |    |   |
| Brand and reputation – Failure to maintain CPA Australia’s brand health, perception and reputation | Short to medium-term | Continued investment in activities that capitalise on our strong brand perception in key markets. Continued investment in key areas of governance such as risk, audit and compliance. Media communications policy. Regular monitoring and reporting of mainstream and social media. Research with members and other stakeholders to monitor perceptions and attitudes. | Possible | Major |    |        |
| Compliance – Ineffective management of CPA Australia’s compliance regulations | Short to medium-term | Enterprise-wide risk and compliance team and dedicated compliance resources in specific areas of high risk. Director training and updates. Mandatory compliance training. Board-approved risk appetite statement. | Possible | Major |  |     |

* 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.

** Key to material issues is on pages 22 to 23.

Brand and reputation

A trustworthy brand ▲ 7.27/10
(2019: 6.88/10, 2018: 6.34/10, 2017: 5.53/10)

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

Community campaign

In April 2020, we launched a community campaign to encourage small businesses impacted by COVID-19 restrictions to contact a professional accountant. The TV commercial aired across metropolitan and regional news programming in Australia and online in Australia and New Zealand. The campaign drove a spike in visits to our website with businesses using our "Find a CPA" tool and public practitioners accessing our COVID-19 resources.

Qualitative research with members and businesses after the campaign found that:

- They needed relevant and timely information to help them understand how to deal with challenges resulting from COVID-19
- The most relevant issues were highlighted by the campaign; cashflow, business planning and government support
- In terms of actions, businesses were more likely to seek out financial advice after viewing the campaign and members were more likely to visit the CPA Australia website for information.

Partnering to benefit our members

In 2020, we entered a partnership agreement with Bendigo Bank to support our members and equip them for the rapidly changing environment. The partnership enables members to access information and insights through monthly economic updates, short research pieces and bespoke content relating to the evolving changes in the economy.

As we continued to work with our existing partnerships and identify new partners to support our members, we conducted research to better understand how the broader benefits program can deliver greater value for our members.

The research focused on establishing:

- What members expect from a benefits program
- How this translates to their expectations of CPA Australia
- Member needs from a benefits program.

The research insights are helping us to redesign the benefits program for 2021 to support members in areas that are important to them.

Supporting the employers of our members

In 2020, we moved to an account-based marketing approach to drive focus and alignment to deliver member value today and into the future. Through focusing on accounts that employ a large number of our members, we can identify key decision-makers, their challenges and build a plan that takes them on a journey with CPA Australia and supports the ongoing education and professional development of their employees.

Value created

- Support for small businesses and public practitioners through our community campaign
- Promotion of the designation that benefits our members in their careers

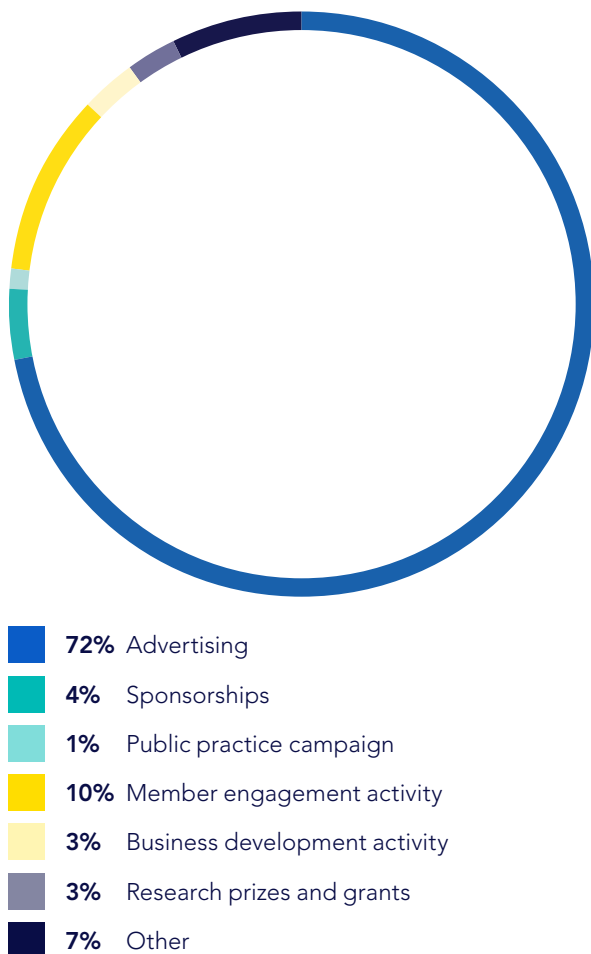
Moving forward

- Launch the evolution of the brand strategy and identity via the CPA Australia website, demonstrating further progress with a digitally durable identity across the member experience
- Deliver the visual and verbal identity to support the strategy, and enable us to compete more effectively for the next generation of talent
- Protect our reputation by showing we are leading through change and ready for the future, with the launch of a new benefit offer for our members

Marketing investment

CPA Australia's marketing investment for 2020 was \$5.3m (2019: \$9.8m) (refer Note 6 on page 105.) Our investment in marketing (Figure 8) includes advertising to attract and develop the next generation of CPAs, the community campaign, sponsorship and other activities.

Figure 8: Advertising and promotion expense



Anthony Lau FCPA



Partner, Tax and
Business Advisory Services,
International Tax, Deloitte

Anthony embarked on a career in accounting because he saw it as a continuously evolving profession. "There are always new opportunities and challenges ahead, which drives me to keep on learning and to excel in my current role. I love the feeling of being able to keep progressing and growing, rather than standing still."

His current role has energised Anthony to make a positive and enduring impact to the profession every day.

"It gives me joy to lead and contribute to the transformation of businesses. I believe accountants are not confined by numbers, we should also foster innovation, create communities and embrace diversity."

Anthony has found INTHEBLACK to be valuable by equipping him with key information on business, finance and accounting, which he found useful when offering advice to clients. The move to digital has increased the value of INTHEBLACK as a professional resource for Anthony.

"There are many stories of expert analysis, commentary and opinion, which I found very beneficial. Now that it is in a digital flipbook, it is much easier to access the stories and the content is very up to date. I have also noticed that INTHEBLACK has incorporated articles with videos and podcasts and I think that is a great integration of different mediums."

Timely access to vital information offered by INTHEBLACK is congruent with Anthony's view of the future of the accounting profession where "digitisation will liberate accountants from long hours of repetitive jobs. We should aim to be pioneers, steering market developments, rather than sticking to old paths and getting carried away by the tide."

Public interest and professional standards

Public practitioner satisfaction ▲ 6.73
(2019: 6.31/10, 2018: 5.85/10, 2017: 5.27/10)

Unique members accessing public practice tools 17%*
(2019: N/A, 2018: N/A, 2017: N/A)

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

We help to develop international and national standards relevant to the profession, and promote their adoption and implementation, through engagement, advocacy and consultation with regulators and industry bodies in all regions where our members 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.

The satisfaction rating of our public practitioners continues to trend up and is becoming closer to that of other members.

A modern public practice pathway

Keeps me up to date with industry standards ▲ 7.35/10
(2019: 7.08/10, 2018: 6.77/10, 2017: 6.24/10)

In January, we launched the new public practice program focused on delivering more flexible, practical and tailored outcomes for members. The new public practice program has two core components:

- On demand eLearning focusing on the technical and ethical obligations of a public practice certificate holder
- An outcome-orientated workshop with tailored content to provide members with the knowledge and skills needed to establish and run a successful practice.

The Value of Advice report

The provision of professional advisory services is governed by a complex and ever-changing regulatory framework. This is resulting in a rising compliance burden for accountants and advisers and, in turn, seeking professional advice has become more challenging for consumers.

The Value of Advice research report follows on from CPA Australia's Regulatory Burden report. It demonstrates the value of advice, including both tangible and intangible benefits, and continues to advocate for reform to ensure advice remains affordable and accessible. A common theme of this commentary is the need for a client-centric model of advice.

The research found that if more people accessed professional advice, we will be better off as individuals, businesses and, importantly, as a society.

In an Australian first, CPA Australia modelled the macro-economic impact of making professional advice available to the entire population. "Professional advice" includes accounting, taxation, financial, superannuation, business, and mortgage broking advice, among others. The modelling found that if properly implemented professional advice was available to all Australians, the total economic uplift could be up to \$630.3 billion a year.

The research also found that consumers and small-to-medium enterprises (SMEs) see financial advice very differently to lawmakers and supported the need to move to a client centric approach. The four principle recommendations of a client-centric model include:

- Reflect client goals, not product
- One regulatory regime, one regulator
- A single code of conduct
- Individual registration of advisers.

* As this is a new metric the number of public practitioners is calculated as at 3rd June 2020.

Professional indemnity insurance portal

In April, we launched a new PII portal that allows members to record their professional indemnity insurance and claim details via a self-service tool. The tool provides the following benefits for our members:

- Education on insurance obligations ensuring they are able to participate in the Professional Standards Scheme
- Ability to provide insurance and claims data more efficiently
- Identifying occupational risk allowing us to assist members to develop robust risk mitigation strategies.

The CPA Best Practice Program

In 2020, we reviewed our long-standing quality review program and are pleased to announce that we will launch the new CPA Best Practice Program in 2021. The program has been designed with a member support model at its core, ensuring that it is fit for purpose, protects the public interest, and provides value to members by focusing on continual improvement.

Based on best practice insights from a scan of the international accounting environment and extensive member and reviewer feedback, we have designed a program that will:

- Educate members on their professional and ethical obligations ensuring they understand how to uphold a high level of professional integrity in their role as a professional accountant
- Assess their business and compliance needs so they can build a sustainable practice
- Connect them to our tools and resources so they can make ongoing business improvements
- Increase collaboration between members and assessors.

Our assessments will continue to assist members with meeting their compliance obligations, but we'll also be addressing a broader range of business risks such as marketing, technology and practice management.

The new program will utilise data and technology to improve member experience, transforming the way CPA Australia supports its members by ensuring an engagement manager is available to assist every member during their assessment.

Value created

- New public practice program – a more flexible pathway for members to achieve their Public Practice Certificate (PPC) including moving the traditional face-to-face workshop to a webinar series allowing members to continue on their pathway to a PPC without interruption
- The Value of Advice research report – demonstrated the value of advice and provides a further platform to continue to advocate for reform to ensure advice remains affordable and accessible
- PII portal – delivered an intuitive and easy to use product, allowing members to provide their insurance and claims data more efficiently

Moving forward

- Launch of the CPA Best Practice Program and development of learning tools and resources aligned to CPA Best Practice Program outcomes
- Launch of peer consultation, a two-hour virtual consultation offering for new public practitioners, setting them and their business up for success
- Launch of a self-assessment diagnostic tool that allows members to assess their business needs and connects them to tailored tools and resources
- Launch of a new technical queries escalation model that ensures our inhouse team of technical employees are responding to queries from members within an agreed timeframe, and adopting a consistent approach to responding

Professional conduct

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

To ensure all members uphold these standards, CPA Australia has a formal process that enables complaints about its members to be heard, evaluated and, where appropriate, disciplinary action taken. Investigations and disciplinary processes are guided by the principles of procedural fairness, confidentiality, independence and the right to appeal. CPA Australia has undertaken to act in the public interest and has an obligation to ensure that complaints about members are investigated thoroughly in an impartial, timely manner; striving to preserve the rights of members while acknowledging the public interest concern of complainants.

The tables below provide a summary of the complaints received and their outcomes:

| Table 8: Complaints against members | 2018 | 2019 | 2020 |
|--|-------------|-------------|-------------|
| Total complaints received | 571 | 623 | 348 |
| Relevant complaints received | 212 | 300 | 197 |
| Complaints received and resolved | 461 | 471 | 260 |
| Total complaints resolved in 2020 (including complaints open from previous years) | 567 | 578 | 351 |

Notes:

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

Relevant 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 relevant complaints investigated and either closed or referred to a disciplinary tribunal for hearing, plus those resolved without a formal investigation.

The breakdown of relevant complaints received in 2020 compared with previous years is as follows:

| Table 9: Source of relevant complaints investigated | 2018 | 2019 | 2020 |
|--|-------------|-------------|-------------|
| Internal complaints – referred from other CPA Australia business units | 79 | 134 | 72 |
| External complaints – referred from the public | 122 | 106 | 81 |
| Complaints received from statutory/regulatory authorities* | N/A | 44 | 23 |
| Complaints received and initiated due to external media reports or self-disclosure | 11 | 16 | 21 |
| Total | 212 | 300 | 197 |

Notes:

Complaints from regulatory authorities introduced in 2019.

The outcomes of relevant complaints, including those initiated in 2020 and those unresolved from previous years:

| Table 10: Resolution of relevant complaints | 2018 | 2019 | 2020 |
|---|-------------|-------------|-------------|
| Complaints formally investigated and closed with no case to answer | 135 | 274 | 141 |
| Complaints determined by disciplinary tribunal (18 still in appeal phase at end of 31 December) | 29 | 27 | 54 |
| Internal reprimands/cautions issued to members | 5 | 30 | 30 |
| Total closed (excluding 18 dealt with, but in appeal phase at end of December) | 169 | 331 | 207 |

Matters which proceed to a disciplinary tribunal for hearing consist of one or more complaints (charges), which constitute the allegations made against the member. Of the 54 complaints heard at disciplinary tribunal hearings in 2020, the breakdown of the complaints is as follows:

| Table 11: Complaints heard at a disciplinary tribunal | 2018 | 2019 | 2020 |
|---|-------------|-------------|-------------|
| Breaches of Constitution, By-Laws, Code of Professional Conduct, applicable regulations | 9 | 4 | 14 |
| Standard of professional care | 4 | 4 | 10 |
| Conduct dishonourable/derogatory or not in the best interests of CPA Australia or its members | 8 | 1 | 19 |
| Become insolvent/bankrupt | 3 | 1 | 3 |
| Adverse finding by any statutory body, civil or criminal court | 11 | 23 | 24 |
| Failure to comply with request/determination from CPA Australia | 9 | 6 | 23 |
| Total | 44 | 39 | 93 |

The penalties imposed for the complaints heard at disciplinary tribunal hearings are summarised as follows:

| Table 12: Sanctions ordered by disciplinary tribunals | 2018 | 2019 | 2020 |
|--|-------------|-------------|-------------|
| Forfeiture of membership | 13 | 10 | 39 |
| Suspension of membership | - | 2 | 3 |
| Severe reprimand | 20 | 13 | 35 |
| Admonishment | 2 | 5 | 7 |
| Complete a quality review | - | 7 | 3 |
| Training and development | 1 | 12 | 15 |
| Fine | 11 | 8 | 35 |
| Undertaking | 5 | 3 | 10 |

Notes:

In addition to the penalties imposed, members are often required to meet certain criteria prior to any application for readmission. This may include such as conditions as providing evidence of having repaid monies, producing a medical certificate etc.

Lead the future of the accounting profession

Legend: Performance metrics

- ▲ Improved performance from previous year
- ▼ Decreased performance from previous year
- ▶ No change/new metric



“Our industry focus is moving from information generation to what you can do with that information, and how it’s relevant and valuable for your business.”

Victor Oyugi CPA,
Accountant, Sacred Heart Mission

Objectives

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

Performance

Thought leadership ▲ 7.00/10

Lead the future of the accounting profession

Thought leadership ▲ 7.00/10
(2019: 6.69/10, 2018: 6.29/10, 2017: 5.71/10)

A key to the sustainability of our members and CPA Australia lies in meeting the changing expectations of the community and the landscape organisations operate in. We look to do this by conducting research into issues facing the profession, supporting the development of the profession in under-represented areas and partnering with other professional accounting bodies to advance the future of the profession. We continue to increase our thought leadership activity, with members rating our activity higher than in previous years.

Digital finance

In order to address the future demands for data and digital skills required by employers, CPA Australia launched the digital finance micro-credential, which attracted more than 7000 enrolments in the courses.

The courses explore the skills and knowledge necessary to deal with finance and accounting in a digital world, equipping members with the tools to apply emerging technologies in a real-world context.

Segmented into six key topic areas, the digital finance offer provides members with dedicated learning in:

- The digital finance ecosystem
- The future of money
- Data analytics
- Data interpretation and visualisation
- Technology and its use in finance
- Risk management, governance and regulation.

My Firm. My Future.

The My Firm. My Future. report was released in 2019, and in 2020, we continued to release resources to support members based on the findings of the research. The report explored the key forces reshaping the public accounting profession and proposed four themes; leverage technology, incorporate advisory, look to specialise and do better business that will enable members to build a sustainable practice for the future.

Activity in 2020 included:

- A series of workshops to help practitioners build a sustainable business and effectively advise clients
- Webinars attended globally that enabled members to develop a tailored business plan
- Four practical guides to support the key themes from the report
- A suite of 10 eLearning modules aligned to the My Firm. My Future. themes.

Accounting innovation challenge

The Singapore division collaborated with the Singapore Accountancy Commission for the third accounting innovation challenge. The hackathon challenged participants to design solutions that would future-proof the accountancy sector. More than 80 submissions were received, double that of the previous year. Participants comprised students, accounting and finance professionals, start-ups, and tech professionals. Of the five shortlisted teams who presented their solutions in the finals, three winning solutions were identified by the judging panel.

Research into the future of the profession

The Global Research Perspectives Program is CPA Australia's annual research grants program. The program's aim is to encourage and support quality applied research worldwide that is relevant to CPA Australia, instructive to our members, the wider accounting profession, the global business community, governments, regulators, and policy setters.

We are currently reviewing the cycle for the Global Research Perspectives Program and how best to manage the next steps in light of the impacts of COVID-19 on existing projects and on the capacity of researchers to prepare properly for new submissions and subsequent research.

The application process has been delayed until early 2021 while we evaluate the program and look to improve service to the academic community.

We also conducted our 11th Asia-Pacific Small Business survey, covering the views of more than 4100 participants from Australia, New Zealand, Mainland China, Hong Kong SAR, India, Indonesia, Malaysia, the Philippines, Singapore, Taiwan and Vietnam. The survey report covered topics including small business conditions and confidence, technology uptake, innovation and access to finance.

17 PARTNERSHIPS FOR THE 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 accounting bodies, educational institutions and other bodies representing the interests of the broader business community.

In 2020, we announced a number of collaborations, recognition and pathway agreements with the following professional organisations:

- Renewal of our Mutual Recognition Agreement with the Hong Kong Institute of Certified Public Accountants for another five-years
- Memorandum of Understanding (MOU) with the Tax Practitioners Board and the Financial Reporting Council, both of which promote information sharing
- Renewal of Member Pathway Agreement (MPA) with the Chartered Institute of Management Accountants
- Renewal of MPA with the Institute of Indonesia Chartered Accountants
- Renewal of MOU with the Malaysian Institute of Accountants.

We also partnered with the profession in various countries by collaborating in events or having members or employees represent CPA Australia in events hosted by other bodies, for example:

- Co-hosting a webinar with the Institute of Indonesia Chartered Accountants, and the ASEAN Federation of Accountants (AFA) to guide small businesses in navigating COVID-19
- Multiple panel discussions at the Institute of Chartered Accountants of India events
- Panel discussion at the Institute of Chartered Accountants of Nepal global webinar on the role of professional accountants post COVID-19
- Panel discussion at the Institute of Certified Management Accountants of Sri Lanka on repositioning higher and professional education in the next economy.

Value created

- The digital finance offer provides verifiable evidence of specific skill and knowledge acquisition. Being digital in form, the micro-credentials can easily be added to social media, email signatures, electronic CVs and shared via messaging and data transfer apps
- Agreements with other professional bodies benefit members through the sharing of common and strong interests in the advancement of the profession
- My Firm. My Future. suite – provided tools and resources supporting members running their own business, as well as providing business advisory services to their clients

Moving forward

- The new professional development subject of digital finance will be offered to ASA members on the CPA Program as a complete elective subject from Semester 2 onwards. The course will be assessed at the post-graduate level equivalent to all other certification courses. In addition, members will be able to take a capstone exam (upon completion of all six micro-credentials) at the same post-graduate level and receive a digital certificate at the mastery level in digital finance
- Continued rollout of the My Firm. My Future. resources suite to support members including complimentary eLearning modules, practical resources, webinars and workshops

KEREN TINDLEY FCPA



COO, DGtek

Keren, a member for 20 years, commenced her career in finance and accounting as an IBM finance graduate and continued to work across a variety of corporate finance roles in this sector.

She reflects that going from a theoretical environment at university to undertaking the CPA Program provided immediate support for her professional career.

“It gave me that additional context and current way of learning concepts and tools, not just the accounting function but the broader landscape. Once I learned about the available resources, the CPA Program allowed me to get access to a broad network of people.”

Her passion for developing high-performing teams, mentoring and coaching led Keren to mentor other members over the years.

“I loved the opportunity to mentor other aspiring CPAs. It was a great way to connect in what has changed over time with younger members.”

In 2020, Keren completed the digital finance micro-credentials and found the course provided a lot more depth than what she expected.

“The course was surprisingly very in depth and useful. The content and the way it was structured was interactive and engaging. It was self-paced so I could do it in my own time and break it up into sections.”

“The digital landscape is changing rapidly so it’s hard to be across it all at any one given point – the micro-credential course gave me a lot of awareness from my point of view and also others to have that digital mindset. It’s really about upskilling to current knowledge.”

Keren would like to see more micro-credential courses tackling digital topics and where technology is headed from CPA Australia in the future.

“It’s something that other organisations are starting to do, and CPA Australia is leading the way in this area.”

Provide members with personalised and engaging experiences

Legend: Performance metrics

- ▲ Improved performance from previous year
- ▼ Decreased performance from previous year
- ▶ No change/new metric



“CPA Australia supports professionals at every stage of their career and is a constant partner on their journey.”

Jessica Newton CPA,
Finance Systems Analyst

Objectives

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

Performance

Members ▲ 168,736 members

Member satisfaction ▲ 6.89/10

Member retention ▲ 98.3%

Member engagement and satisfaction

Member engagement research is a key way in which we track the quality of the relationships we have with our members. The current study has been undertaken in all years since 2017 through a third-party provider (Forethought). In 2020, this consisted of a 20-minute online survey which received a 10.7 per cent (n=10,208) response rate (of those who have opted in to receive research).

Performance on value and satisfaction by country, age and designation for 2017 to 2020 is shown below.

Key themes from the research included:

- Members acknowledged that there had been efforts by CPA Australia over the past year to improve. This was reflected in ratings of key metrics which continued to trend up in 2020
- Reputation and future career development were still the most important drivers for member satisfaction. Members continue to want to see more work done on products and services that will help them in their careers.

Figure 9: Satisfaction by designation



Figure 10: Value by designation

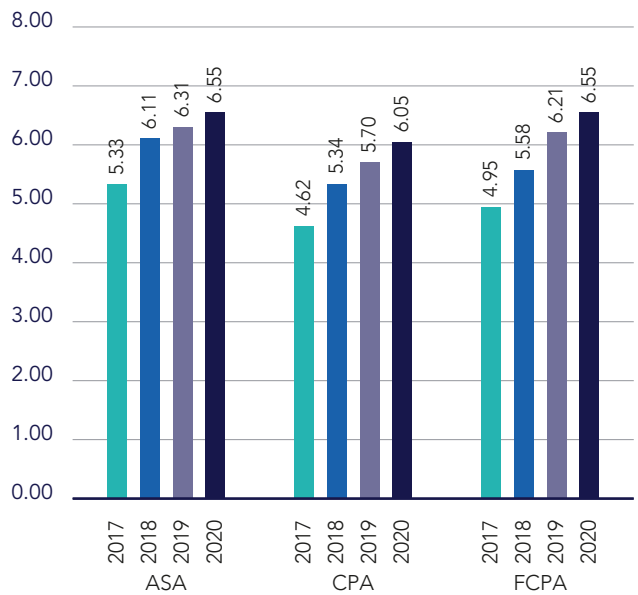


Figure 11: Satisfaction by age



Figure 12: Value by age



Figure 13: Satisfaction by country/region

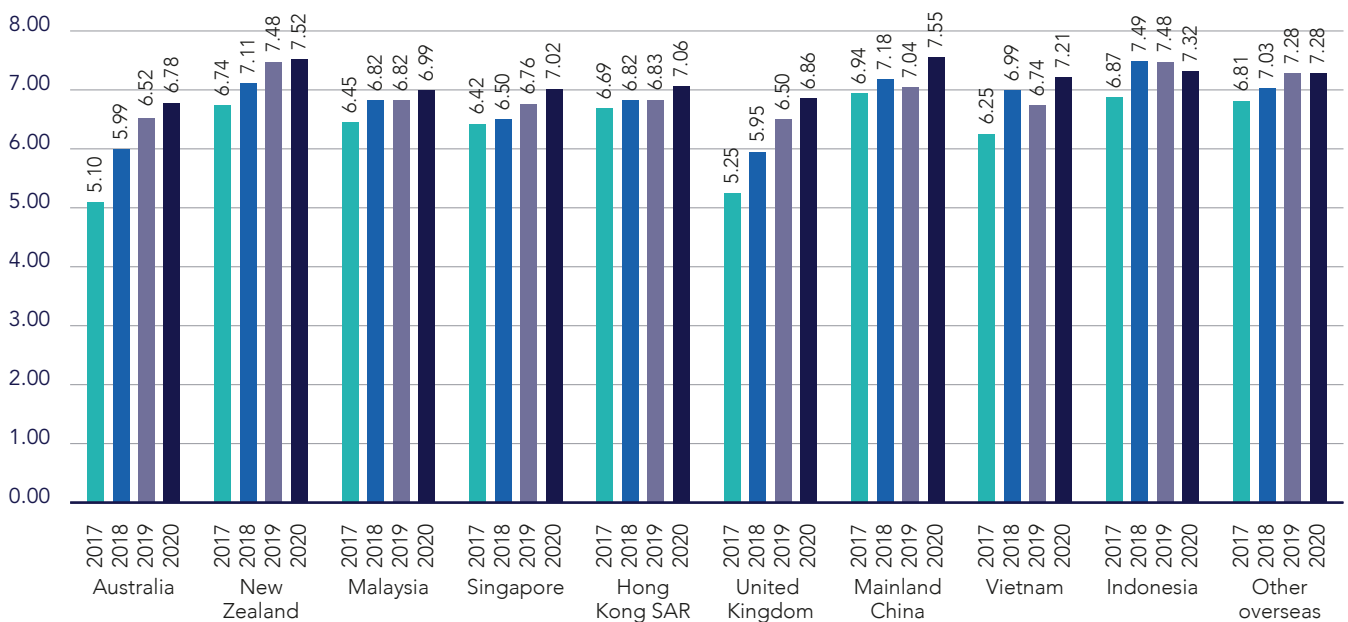
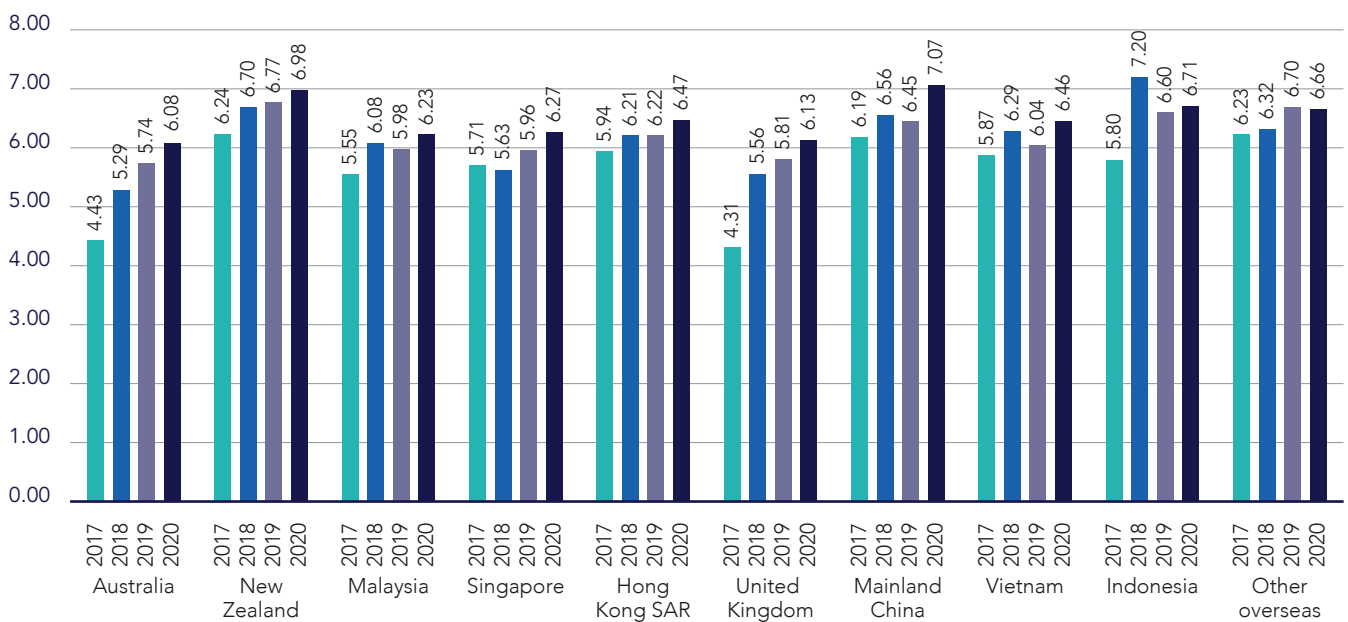
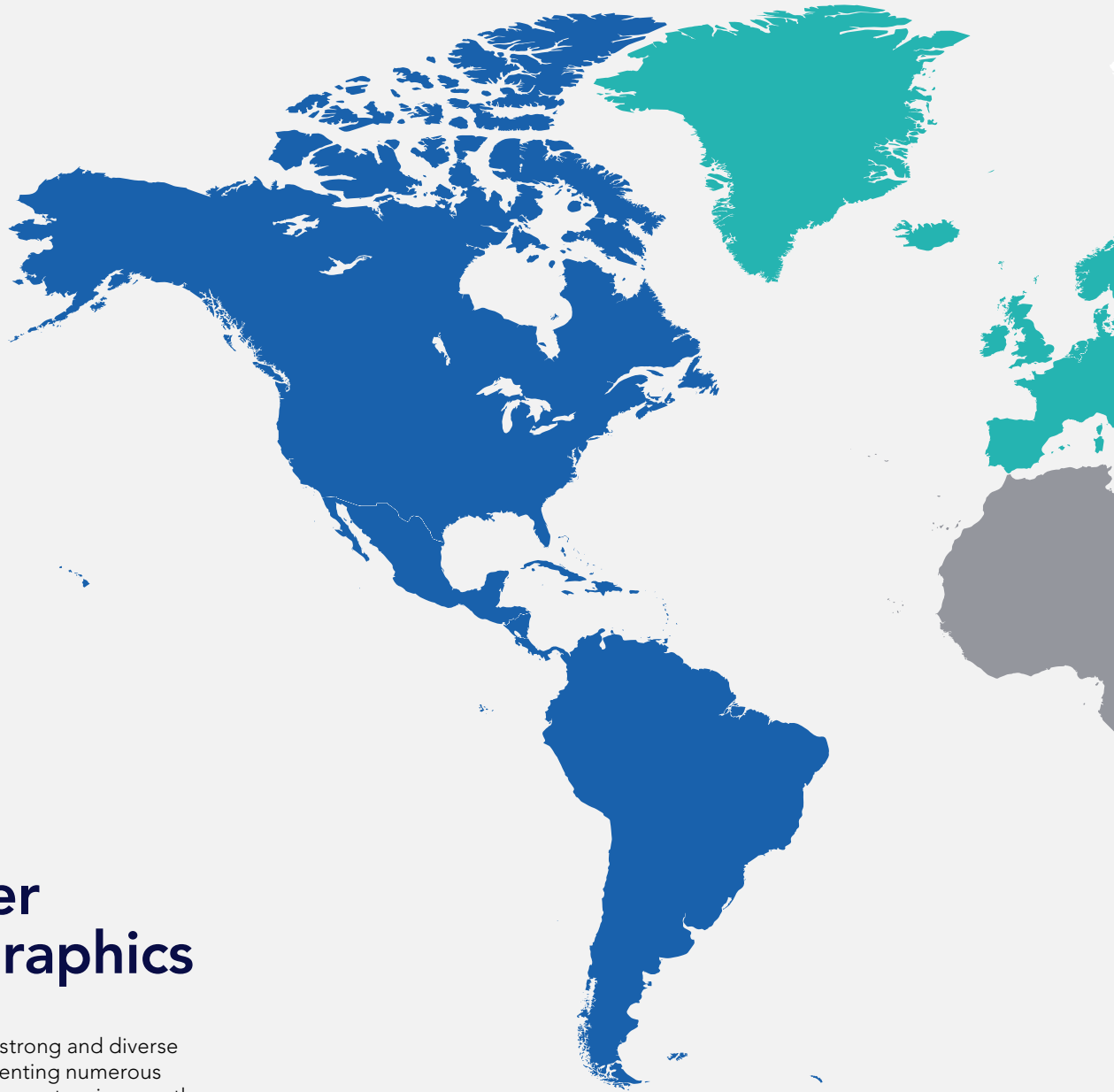


Figure 14: Value by country/region





Member demographics

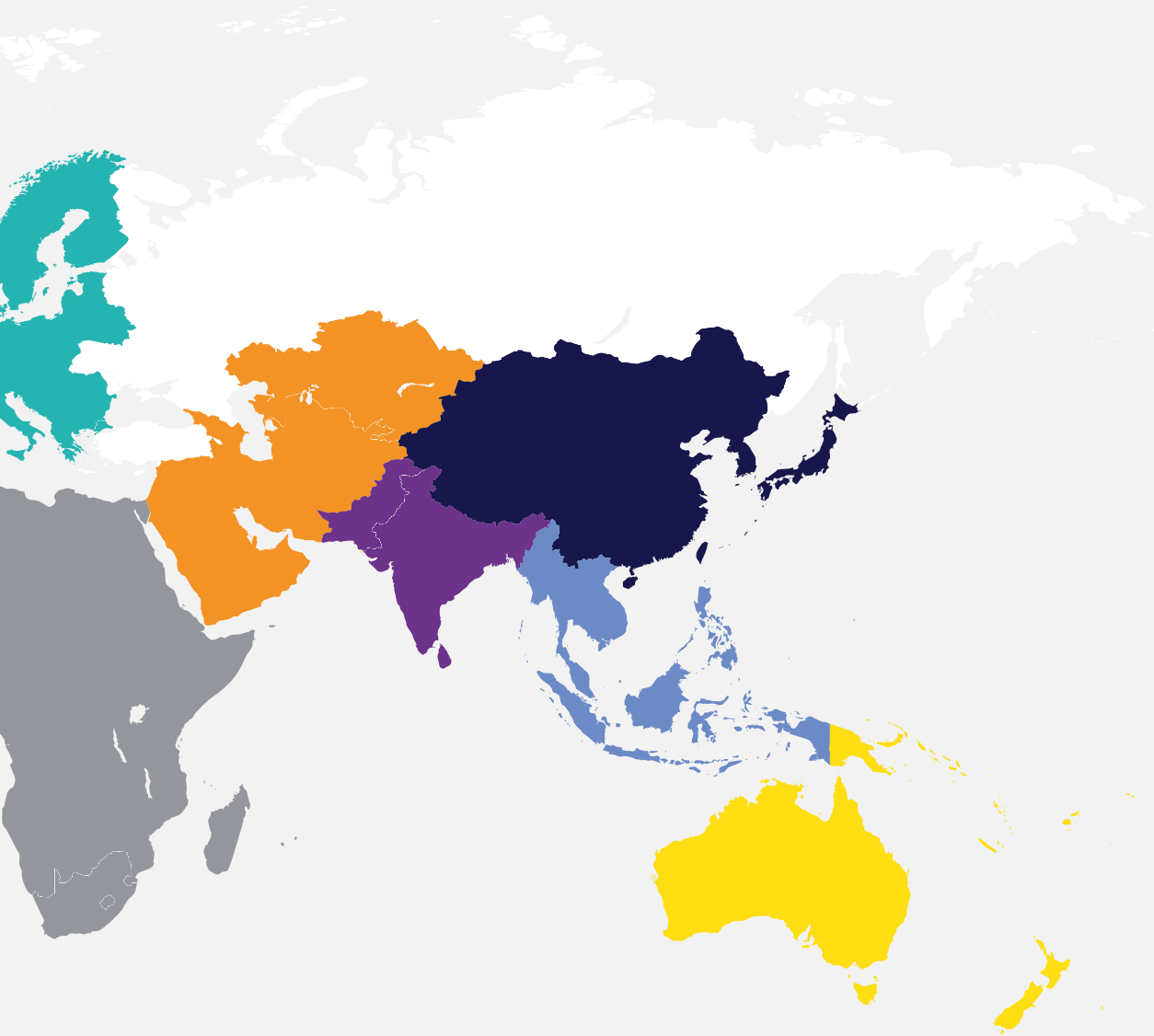
CPA Australia has a strong and diverse membership representing numerous business and industry sectors in more than 100 countries and regions around the world.

Our members occupy a broad spectrum of the accounting and finance profession, from public practitioners working with clients, accountants working in small business, members working in not-for-profit organisations and large corporate entities.

This strength and diversity allows CPA Australia, through its members, to make a positive contribution to business, organisations, the accounting profession and the broader community. The retention of our existing members and attraction of new members reflects member and community trust in CPA Australia and those who hold the CPA designation.

168,736 members
in more than
100 countries

| | | | |
|----------------|----------------|------------------------------|----------------|
| Oceania | 121,370 | Australia | 118,001 |
| Australia | 118,001 | New South Wales | 42,762 |
| New Zealand | 2586 | Victoria | 37,603 |
| Other | 783 | Queensland | 16,399 |
| +1245 | ▲ | Western Australia | 10,181 |
| | | South Australia | 5421 |
| | | Australian Capital Territory | 3359 |
| | | Tasmania | 1616 |
| | | Northern Territory | 660 |
| | | +1031 | ▲ |



| | |
|---------------|-------------|
| Europe | 1652 |
| UK | 1222 |
| Other | 430 |
| -23 | ▼ |

| | |
|----------------------|-------------|
| Southern Asia | 1532 |
| India | 970 |
| Other | 562 |
| +165 | ▲ |

| | |
|---------------------|------------|
| Western Asia | 550 |
| UAE | 338 |
| Other | 212 |
| +2 | ▲ |

| | |
|------------------------|---------------|
| South East Asia | 21,058 |
| Malaysia | 10,484 |
| Singapore | 8603 |
| Vietnam | 1170 |
| Indonesia | 453 |
| Other | 348 |
| +226 | ▲ |

| | |
|-----------------|-------------|
| Americas | 1243 |
| US | 712 |
| Canada | 469 |
| Other | 62 |
| +12 | ▲ |

| | |
|---------------------|---------------|
| Eastern Asia | 21,165 |
| Hong Kong SAR | 13,550 |
| Mainland China | 6434 |
| Other | 1181 |
| +891 | ▲ |

| | |
|---------------|------------|
| Africa | 166 |
| +12 | ▲ |

Member demographics

Figure 15: Member designation*

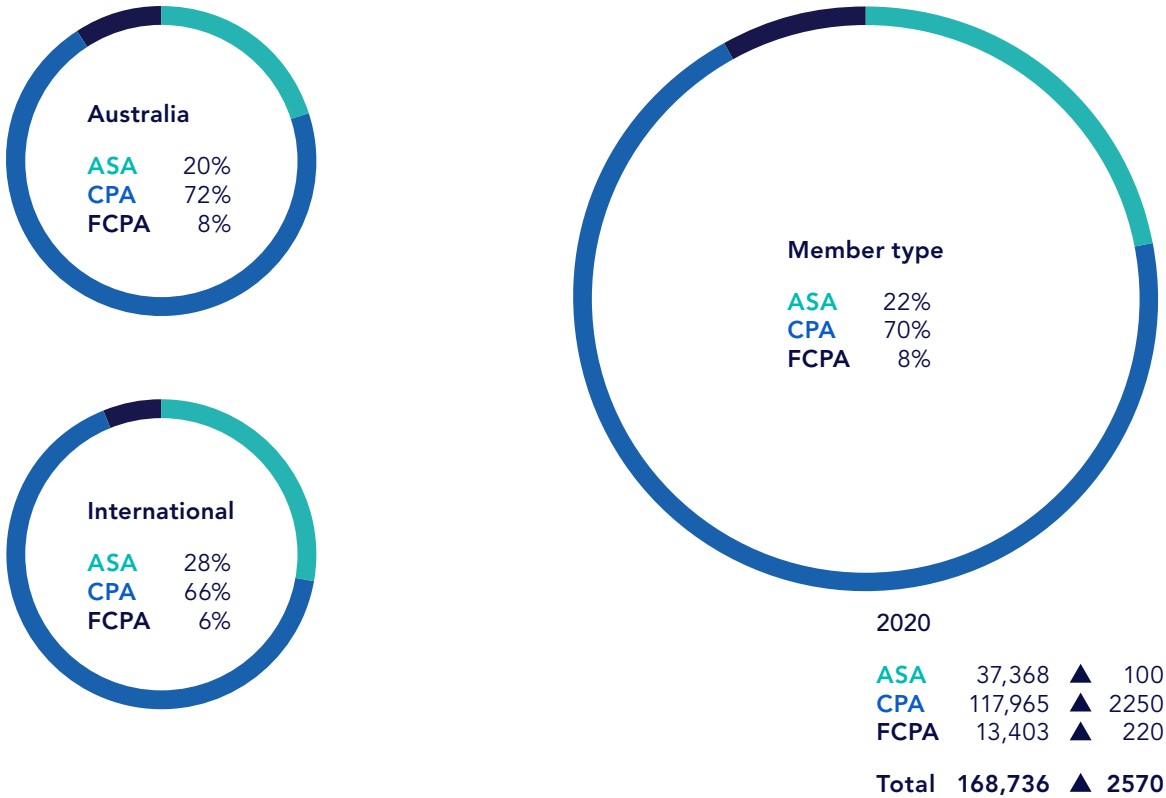
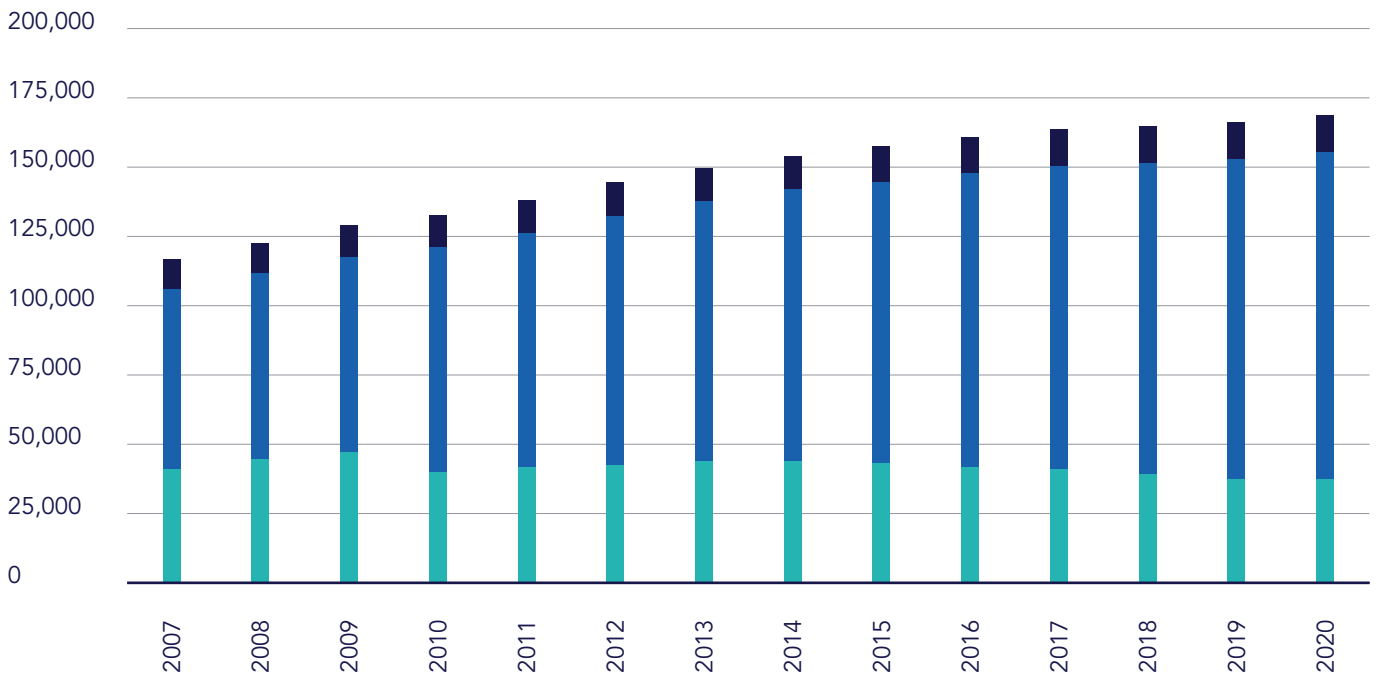


Figure 16: Membership growth



Note: Our total membership includes 56 records that do not have an accurate birth date and 39 records of gender other or unspecified.

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

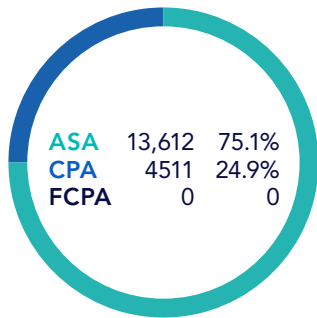


Figure 17: Membership by age group*

| Age | |
|-------|-----|
| 20–29 | 11% |
| 30–39 | 32% |
| 40–49 | 27% |
| 50–59 | 16% |
| 60–69 | 8% |
| +70 | 5% |

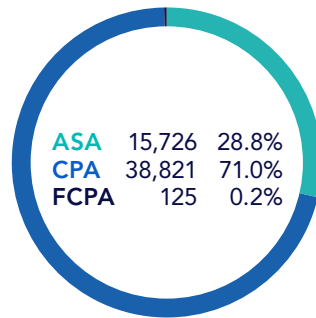
Female 49.8%
Male 50.2%

Age 20–29



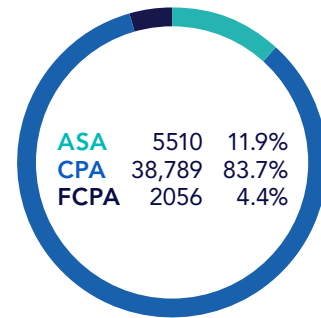
| | | |
|--------------|---------------|-------|
| Female | 11,039 | 61.0% |
| Male | 7,084 | 39.0% |
| Total | 18,123 | |

Age 30–39



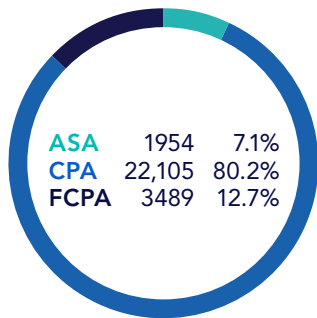
| | | |
|--------------|---------------|-------|
| Female | 32,212 | 58.6% |
| Male | 22,460 | 41.4% |
| Total | 54,672 | |

Age 40–49



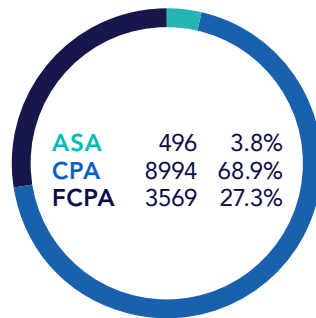
| | | |
|--------------|---------------|-------|
| Female | 25,347 | 53.8% |
| Male | 21,008 | 46.2% |
| Total | 46,355 | |

Age 50–59



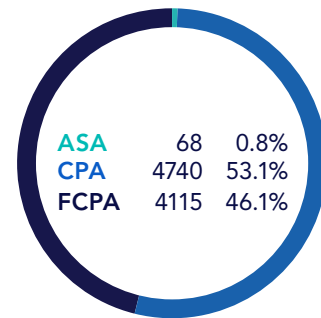
| | | |
|--------------|---------------|-------|
| Female | 11,724 | 42.6% |
| Male | 15,824 | 57.4% |
| Total | 27,548 | |

Age 60–69



| | | |
|--------------|---------------|-------|
| Female | 3,036 | 23.2% |
| Male | 10,023 | 76.8% |
| Total | 13,059 | |

Age 70+



| | | |
|--------------|--------------|-------|
| Female | 713 | 8.0% |
| Male | 8,210 | 92.0% |
| Total | 8,923 | |

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

Member trust and engagement

Member satisfaction ▲ 6.89/10

(2019: 6.63/10, 2018: 6.23/10, 2017: 5.52/10)

Member retention ▲ 98.3%

(2019: 98.1%, 2018: 97.5%, 2017: 98.1%)

Member trust and engagement

One of the key goals in CPA Australia's strategy is to provide members with personalised and engaging experiences that add value to their membership and bolster career opportunities. Our member experience team works across the organisation to ensure that we offer members efficient and professional service, be it via direct service through our contact centre or local offices, providing easy access to information and resources on the website or by hosting a range of engaging member events.

We understand that COVID-19 had a severe impact on communities and economies alike and that our members are operating in complex and rapidly changing environments. We have focused our efforts in 2020 on continuing to support our members through these challenges.

In recognition of the impacts of COVID-19 and as part of our commitment to provide value, membership fees remained at the same level in 2021 for the fifth consecutive year.

Likewise, the cost of the public practice certificate did not increase. Despite the challenges of this year, member retention remained high in 2020, surpassing the target set at the beginning of the year, indicating that members continue to see value in coming together as a professional community.

Providing advice and support to members

As part of our commitment to invest in technology to improve the service we deliver, in August 2020, we introduced a new cloud-based system to manage all of our contacts with members. The system features software to more efficiently manage the queue of incoming calls and emails, while also incorporating a live webchat service and delivering clearer data insights to help us measure our performance. The new system will lead to increased efficiencies and service flexibility, allowing us to provide a more seamless and personalised service.

The system includes a live webchat service option which complements the service we provide via phone and email and can be accessed through the home page of the website.

In 2020, CPA Australia's member support team handled more than 99,000 phone enquiries and just under 47,000 emails. In addition, in the three months from October to December we responded to more than 2200 web chats. We exceeded our KPI for the contact centre, answering 81.5 per cent of calls within 20 seconds (KPI: 80 per cent within 20 seconds).

Divisional activity

CPA Australia has 13 divisions around the world, including one in each state and territory of Australia as well as in Europe, Greater China, Malaysia, New Zealand and Singapore. Members elect representatives from among their division to form a Divisional Council. Divisional Councils play a key role in connecting with members at a local level and provide an important channel of communication between members and the Board.

Divisional Councils ensure that member engagement activities are relevant for members in the respective divisions. CPA Australia works with each division to support direct communication with members via emails and social media content. As part of their local member engagement activities, Divisional Councils establish committees and discussion groups centred around different regional areas, member cohorts or specific aspects of the accounting and finance profession.

In 2020, the Northern Territory division established four new Committees (Central Australia Committee, Not-for-Profit Committee, Public Sector Committee and Young Accounting and Professionals Committee), while the Western Australia division established five new Committees (Resources and Energy Committee, Gender and Career Progression Committee, Public Sector Committee, Third Age Network and Young Professionals Committee), Queensland established a Committee for Women and New Zealand established a Young Professional Committee.

Divisional Councils play a key role in initiating networking opportunities and bringing members together for industry discussions and activities. Overall, there are more than 180 discussion groups and special interest groups around the world connecting thousands of members with each other and the organisation.

Member engagement events

As a professional body, CPA Australia convenes member events around the world, including forums, roundtables, discussion groups, information sessions, Divisional Council engagement evenings, networking events, industry tours, workshops, and certificate presentations and member milestone awards.

The outbreak of COVID-19 had a significant impact on CPA Australia's ability to host face-to-face member events. The health and wellbeing of members and our people was paramount in all our decision-making and CPA Australia closely monitored the evolving and ongoing impact of COVID-19 in each jurisdiction in which we operate. Face-to-face events were cancelled at various stages of the year, with CPA Australia acting in accordance with advice from local government and health authorities in every locality.

The majority of events moved to an online environment, including livestreams, webinars and hybrid events held in the office and simultaneously livestreamed for members who couldn't attend in person or where attendance was restricted.

In 2020, CPA Australia convened more than 1400 events around the world, including more than 990 virtual events on a range of industry topics. The virtual events have garnered more than 173,000 registrations, which shows us that members are responding positively to online events, particularly where travel might be an impediment to attending in person. This demonstrated that a hybrid mix of face-to-face and livestream events, as well as recording the event for members to access at a later date is a model that we may adopt on a more regular basis going forward.

Some of the highlight events held in 2020 included:

- Inaugural NZ Integrated Reporting Awards
- WA Our Congress Business Luncheon
- JobKeeper extension update webinars
- COVID-19 update webinars
- SMP Connect 2020, a virtual dialogue between a group of small-to-medium practitioners (SMPs) from Malaysia and Singapore
- The first visit of a Board Chairman to the UAE with an award and recognition ceremony
- Equity incentive plans webinar in China
- Analysis of enterprise capital management webinar in China
- Fintech and Greater Bay opportunity webinar in Hong Kong.

CPA Australia certificate presentation ceremonies acknowledge and celebrate the achievements of members advancing from ASA to CPA status, CPA to FCPA status, and those achieving a significant membership milestone. Due to COVID-19 restrictions, all certificate ceremonies scheduled for Semester 1 were cancelled, with members being mailed their certificates and advised that they will be invited to a future ceremony when circumstances permit.

For Semester 2, the nature of the certificate ceremonies reflected the COVID-19 restrictions in each particular division and included our first virtual recognition ceremonies for members.

John Gill FCPA



Former CFO, Datacom
New Zealand (retired)

A member of the New Zealand Divisional Council, John worked in the public sector for 30 years, including senior roles in the Ministry of Education, Department of Maori Affairs, Ministry of Energy and Ministry of Transport.

John reflects that CPA Australia supported his professional career through networking and the opportunities that events provided to connect with other members.

John notes that the newly launched CPA Member Connect platform mirrors the offline networking experience but also provides newfound value for professionals in accounting.

"Being an accountant can be lonely and accountants can be out of touch due to their location geographically. With CPA Member Connect you can potentially reach many more members."

While the platform was only launched recently, John sees CPA Member Connect becoming an increasingly valuable tool in the future for members to share knowledge in a dynamic online environment.

"It's already proving to be a good investment due to the collaboration and high engagement where members are supporting each other with their individual wealth of knowledge."

Member trust and engagement

CPA Member Connect

In September, CPA Australia launched a new member engagement platform, CPA Member Connect, an online communication channel that provides members with a way to engage with each other in a professional network.

CPA Member Connect complements our existing social media channels and enables members to connect online with their peers and other members in their local division or industry sector, and to exchange ideas and benefit from each other's experiences.

The platform was developed with input from the Council of Presidents and Divisional Councils before the full launch to members.

At the end of December, there were more than 6800 registered users and 460 unique contributors. There are more than 340 threads with an average of more than 290 posts per month so far. "Your Journey" is the most popular thread with members sharing stories of their careers.

Enhancing our technology to connect with members

CPA Australia's website is a critical touchpoint for members, and we are working to deliver a new CPA Australia website that will provide a more personalised experience for users. In 2020, we completed the website strategy, which included initial design and testing with a range of stakeholders from around the world, including different member groups. We are adopting a user-led approach that prioritises the member and enables advanced functionality with personalised portals.

Following a competitive tender process, Isobar has been selected as our partner and we have commenced work with them on detailed design and site architecture. Member testing will be key to the project throughout this phase of the website build with the first release scheduled for the end of April 2021.

Creating contemporary member spaces

In 2020, work continued on relocating our offices in Auckland and the Northern Territory. Both offices were ready for employees and members as the respective cities emerged from lockdown and official opening ceremonies were held in late 2020, with local members in attendance and President Merran Kelsall speaking via video link from Melbourne.

The offices are fitted out with new design features that will strengthen connections between members and create a welcoming experience for people who visit. There is a more spacious lounge where members can relax or work. More flexible meeting spaces, both physical and virtual, with the capability for events and seminars to be hosted face-to-face, as well as live-streamed to members to promote member engagement and help build a strong local presence.

We continued with the refurbishment of our Melbourne office throughout 2020 which includes larger work areas and meeting spaces for members. The office will be ready for members to visit in 2021 in line with government restrictions and health protocols.

Value created

- CPA Member Connect enables our members to form valuable networks and share information no matter where they are located
- Continued service to members during the pandemic
- Increased manufactured capital through the upgrades to our offices

Moving forward

- Delivering an enhanced website
- Updating and enhancing our core systems to enable us to provide greater service to members over the longer term
- Providing members with more choice and flexibility through a mix of face-to-face and online training and events
- Launching our SME strategy to support members working in this sector

Our people



Regretted turnover of leaders ▲ 0%
(2019: 11%, 2018: 14%, 2017: 14%)

Employees outside Australasia ► 20%
(2019: 20%, 2018: 21%, 2017: 19%)

Roles filled internally ▼ 24%
(2019: 30%, 2018: 28%, 2017: 25%)

CPA Australia aims to foster an engaged and motivated workforce that is empowered to deliver on our strategy and organisational objectives. To achieve this, we have contemporary policies and workplace practices that are centred around attracting, developing and retaining talent. Naturally, our people have been a focus throughout 2020 as we transitioned many of them to work from home.

Culture and engagement

In 2020, we again undertook a culture survey with our people, with 96 per cent (2019: 90 per cent) of our employees responding, indicating a willingness from our team to speak up and share their views.

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

Results of the survey showed improvement from 2019. Increases were seen across all culture indices, indicating that we have demonstrated commitment to developing behaviours and ways of working necessary to support our strategy and enable a capable and engaged workforce.

There are also areas that require our ongoing focus, including defining organisational values and aligned behaviours, further investing in development of our people, and identifying the specific mindset, behaviours and actions that unlocked positive change this year.

New ways of working

The outbreak of COVID-19 led to the closure of many of our offices, including Melbourne, where the majority of our employees are located, and presented a major challenge.

We implemented technology and infrastructure changes that enabled our people to set up home offices, including our contact centre agents who continued to provide service to members.

Based on the results of a survey with our employees, we implemented a range of wellbeing initiatives during this time, including limiting the length of meetings, and webinars that included topics such as maintaining resilience, life after lockdown and managing virtual teams.

We also introduced the Families @ CPA Australia network. This network is not exclusive to parents or guardians, it's open to all employees with caring responsibilities, whether that be caring for children, ageing parents or other family members. The network provides new ways to engage and connect and provides advocacy, support and a sense of community to enable our employees with caring responsibilities to be successful both at work and at home.

Results of our culture survey also supported the flexible work arrangements put in place through the year and the organisation's adaptability with regards to our response to COVID-19.

Our people



Inclusion and diversity

Gender composition of workforce ►

67% female/33% male

(2019: 67% female/33% male, 2018: 68% female/32% male, 2017: 66% female/34% male)

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

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

We value a workforce that reflects the diversity of our membership and the general population so that different perspectives, views and ideas add strength to our ability to deliver value.

In 2020, we continued to celebrate diversity and a culture of inclusion through continued support of our LGBTQIA+ employee network, PRISM. We responded to the impacts of COVID-19 by producing both employee and member events focusing on supporting the LGBTQIA+ community with mental health and wellbeing challenges being experienced by the community during the pandemic.

CPA Australia employs 567 people (full-time – 88 per cent, part time – nine per cent, casual – one per cent and maternity/paternity leave – two per cent) and we are committed to attracting and retaining employees whose composition reflects a diversity of backgrounds, knowledge, experience and abilities. The executive management team currently has a 50/50 gender balance. The gender balance across our locations is shown below.

Table 13: CPA Australia employees (including casuals) by region*

| | 2018 | | | 2019 | | | 2020 | | |
|--------------|------------|------------|-------------|------------|------------|-------------|------------|------------|-------------|
| | Female | Male | Total | Female | Male | Total | Female | Male | Total |
| Australia | 65% | 35% | 79% | 64% | 36% | 79% | 64% | 36% | 79% |
| China | 89% | 11% | 9% | 86% | 14% | 9% | 86% | 14% | 9% |
| Malaysia | 86% | 14% | 4% | 88% | 13% | 4% | 91% | 9% | 4% |
| Singapore | 47% | 53% | 4% | 60% | 40% | 4% | 57% | 43% | 4% |
| Other | 76% | 24% | 5% | 79% | 21% | 4% | 80% | 20% | 4% |
| Total | 68% | 32% | 100% | 67% | 33% | 100% | 67% | 33% | 100% |

* Figures are rounded and may not equal 100%.



Remuneration

We have in place a remuneration framework that outlines the principles and approach to remuneration components (fixed and variable) and a process for applying these remuneration components for all employees.

The framework links remuneration with KPIs (page 11) enabling CPA Australia to focus employees on key member experience and service outcomes and to reward employee commitment to the achievement of the organisational strategy through an at-risk incentive component. To support the organisation's response to COVID-19 the CEO and the executive management team have voluntarily forgone their entitlement to an incentive payment in 2020.

The current pay equity position is 0.88 to 1.02, the competition for talent for key strategic projects and a male-dominated candidate pool in a number of technical specialist roles, primarily in our technology and digital solutions business unit, does impact this ratio. We have set a 2021 target for a ratio of between 0.92 to 1.02 across all remuneration grade levels.

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

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

| | 2016 | 2017 | 2018 | 2019 | 2020 |
|----------------------------|------|------|------|------|------|
| Administration and support | 0.96 | 0.96 | 0.98 | 1.04 | 1.02 |
| Supervisor/Technical | 0.94 | 0.95 | 0.96 | 0.94 | 0.88 |
| Professional Specialist | 0.94 | 0.95 | 0.94 | 0.96 | 0.95 |
| Senior Management (L6) | 0.92 | 0.88 | 0.90 | 0.98 | - |
| Senior Management (L7) | - | - | 0.91 | 0.97 | 0.99 |

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

Table 15: Total remuneration of highest 20 paid employees 2020**

| | 2019 | 2020 |
|-----------------------------------|-----------|-----------|
| \$200,000–\$300,000 | 11 | 11 |
| \$300,001–\$400,000 | 3 | 6 |
| \$400,001–\$500,000 | 5 | 2 |
| \$500,001–\$600,000 | - | - |
| \$600,001–\$700,000 | - | - |
| \$700,001–\$800,000 | - | 1 |
| \$800,001–\$900,000 | - | - |
| \$900,001–\$1,000,000 | 1 | - |
| \$1,700,001–\$1,800,000 | - | - |
| Total number of executives | 20 | 20 |

** This table does not include termination payments or accrued leave so will vary from key management personnel shown on pages 120 to 121.

The above bands are based on fixed salary which includes total gross remuneration plus employer superannuation contributions. Fringe benefits and fringe benefits tax have also been included where applicable. Further information on remuneration of the Board and other key management personnel can be found in Note 20 to the statements on pages 118 to 121 and in the schedule of Directors' remuneration on pages 137 to 140.

Value created

- Supporting our people to deliver continued service to members during the pandemic
- Increasing social and relationship capital through strengthening our culture

Moving forward

- Welcoming our people back to our offices in a safe manner, in a way that works for them and retains member focus
- Transitioning employees to a permanent hybrid workplace model, with the ability to work from home as appropriate
- Maintaining a focus on wellbeing
- Continuing focus on development of collaboration and engagement tools
- Developing clear organisational values and behaviours that support our people and our members

Provide relevant learning and development content, resources and tools

Legend: Performance metrics

- ▲ Improved performance from previous year
- ▼ Decreased performance from previous year
- ▶ No change/new metric



“CPA Australia has equipped me with the professional tools and techniques in financial management and leadership to sustain an interesting and worthwhile career.”

Nick Peachey CPA,
Group Finance Manager,
Energy at Department of Environment,
Land, Water and Planning

Objectives

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

Performance

Value for money CPD ▲ 5.77/10

Participation of eligible members in CPD ▲ 31.6%

Provide relevant learning and development content, resources and tools



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

Evolving our CPD offer

Value for money CPD* ▲ 5.77/10
(2019: 5.34/10, 2018: N/A, 2017: N/A)

Participation of eligible members in CPA Australia CPD ▲ 31.6%
(2019: 27.3%, 2018: 20.7%, 2017: 17.1%)

Throughout 2020, we have focused on maintaining our core CPD offering as well as developing innovative new products for our members.

The Careers Suite launched in 2020 and comprises a growing collection of complimentary online courses designed to support the career development of members.

CPA Australia partnered with Women on Boards to pilot the Women in Leadership – Finance Program exclusively to members. Consisting of 11 webinars and webcasts the program provides insights from senior female leaders in business and peer networking opportunities.

Conferences

The majority of our conferences were cancelled during the pandemic with the annual Public Practitioner Conference held as an online experience with more than 600 practitioners logging in during the conference. To support public practitioners, the conference offered our members the opportunity to personalise their experience by selecting carefully curated sessions that they felt were most relevant to them, with sessions dedicated to health and wellbeing, insolvency and bankruptcy, business exit strategies and connecting with their fellow practitioners.

Virtual congress

With a focus on providing insights into strategy and change leadership, innovation and finance transformation, CPA Congress this year focused on navigating the complexities of a COVID-19 impacted world and exploring how to leverage digital connectivity to achieve success. More than 8300 attendees participated in the virtual event.

High-profile speakers included:

- Amal Clooney, barrister and international human rights lawyer
- Dr Ben Bernanke, former Chairman, US Federal Reserve Bank
- Seth Godin, founder, altMBA, blogger, entrepreneur and author.

Alongside favourable feedback from members on the quality of speakers and the easy-to-use platform, delegates called out the usefulness of the “Resource Hub” with more than 5000 participating in that part of the experience.

Popular sessions included:

- Opening session keynotes, “Leadership during unprecedented times” – Carla Harris and “The great rewrite – why the pandemic isn’t as unprecedented as we think” – Leonard Brody, President, Clarity Digital Group had more than 6000 unique views
- “Leading with emotional integrity” – Dr Susan David, Harvard Medical School with more than 5900 unique views
- “Courage to act” – Dr Ben Bernanke with more than 5400 unique views
- “The power of humanity in business” – Amal Clooney with more than 5300 unique views
- “Tech for good” – John Lo FCPA, CFO, Tencent with more than 5000 views.

INTHEBLACK

In July 2020, INTHEBLACK transitioned to an interactive flipbook version, an acceleration of our long-term strategy, to deliver greater value to our members and partners.

Importantly the digital INTHEBLACK solution is more sustainable, reducing the environmental impact from consumption of paper, printing materials and transportation.

For readers, INTHEBLACK now delivers the latest information and more topical content without the traditional limitations of a print production process. It provides more ways to profile members using digital formats such as videos, podcasts and webinars, to share insights and experiences.

* Due to a change in measurement method in 2019, results for 2017 and 2018 are not comparable with 2019 and 2020. In 2019, we changed the measurement method for the KPI, ‘Value for money CPD.’ This now reports on those who have experienced our CPD offer in the last 12 months. Previously this metric reported on both those who had experienced CPD in the last 12 months and those who hadn’t.

Members can download INTHEBLACK and choose to access on a desktop, tablet or mobile device, with the magazine also able to be printed.

The digital format also allows us to track engagement so that we can continue to optimise the magazine content as we learn more about members' interests.

Since the launch of the first fully digital edition in August, more than 77,000 views have been recorded with the most viewed articles being:

- "Back from the Edge" profile on Erin Quinane in the Mental Health issue
- "Embarking on transformation" a My Boss and Me profile on Stephannie Jonovska FCPA and Dionne Jones CPA of BlueScope in the August issue
- "Tracking well" My CPA business profile on Jason Shum CPA in the September issue
- "Mindset for growth" Profile on Sanchi Kariyawasam CPA in the October issue
- "How to be happy" feature in the Mental Health issue.

Value created

- Without the traditional limitations of a print production process INTHEBLACK allows us more ways to profile members to share insights and experiences and reduces our impact on natural capital
- Continuing to deliver professional development to our members to increase their skills and knowledge

Moving forward

- Further micro-credentials will be developed in the areas of leadership, strategic management accounting, financial reporting and integrity
- The Finance and Accounting Capability Framework and Competency Matrix will underpin a new My Capability Plan providing members with a self-assessment tool that identifies skill gaps and professional development opportunities
- The full suite of public practice self-paced courses will be micro-credentialed, beginning with a credential for practice management
- Continued development of a business advisory credential for public practitioners with a digital certificate for successful completion of the course
- INTHEBLACK will continue to focus on content that builds brand reputation and supports members, future career development

Surin Segar FCPA



Group Head of Tax,
Maybank/Chief Financial
Officer, Maybank Foundation

Being an accountant was something Surin wanted to do from a young age. Surin's interest in finance led to a 24-year career specialising in tax for financial services, starting with a role as a tax consultant at PwC, EY, and now at Maybank working as the Group Head of Tax.

For Surin, a benefit of being associated with a professional body like CPA Australia is that it "helps you be more ethical and professional; because I have this professional body behind me, I have to upkeep its reputation along with my reputation." Surin notes that CPA Australia sets itself apart by "being an accounting body that doesn't only purely focus on technical elements."

Surin speaks fondly of his experience at the 2020 virtual CPA Congress which saw the global event go online. For Surin, the highlight was the access to speakers enabled through the online format.

"It was amazing, we had world renowned speakers that we couldn't have otherwise gotten if we did not have the event held online and on demand. I would say this is the way forward."

The knowledge from the speakers provided the greatest impact and value for Surin as a member of CPA Australia.

"The event focused on broader issues that members can truly benefit from."

Attract and develop the next generation of CPAs

Legend: Performance metrics

- ▲ Improved performance from previous year
- ▼ Decreased performance from previous year
- ▶ No change/new metric



“What sets CPA Australia apart is their engagement with members. If I need to reach out, I know they’ll always be there to assist, offer advice or guide me towards new opportunities.”

Sashika Abeyratne CPA,
Cost Controller, Metro Trains Melbourne

Objectives

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

Performance

ASA satisfaction ▲ 7.13/10

Exams delivered ▼ >42,000

New members ▲ 10,052

Attract and develop the next generation of CPAs

Attracting new members is key to the sustainability of the organisation as older members retire and leave the profession. Our expectations had been that new member growth would remain at a decline from previous years as competition from local and global bodies increases and the changing higher education landscape leads to lower numbers of accounting graduates. However, in 2020, we saw an increase and attracted 10,052 new members. Previous global crises (such as the 2008 global financial crisis) have often resulted in an increase in those seeking further professional qualifications to enhance employability and career prospects.

Attracting new members

New members ▲ 10,052
(2019: 9891, 2018: 10,350, 2017: >11,000)

In response to economic uncertainty in 2020, CPA Australia adapted new member activity to reflect changing market sentiment. Key campaign themes and creative were updated including a new core message of "Be Ready." The campaign messaging was designed to provide reassurance for new members to start their study in 2020 and prepare for the future.

As the impact of COVID-19 intensified the disruption to media consumption habits, we accelerated our strategic shift away from traditional media and towards relevant digital media. To reach prospective member audiences in key markets, we focused media investment into content partnerships with reputable industry publications, enhanced social media activity and targeted digital advertising placements. We developed new and engaging member videos and stories to share the success of our members, concentrating on topics of leadership as well as practical member testimonials that showcase the benefits of online study and examination.

Our activities generated more than 800,000 individuals to visit the CPA Australia website (a two per cent increase from 2019) to consume more than 2.2 million pages of content on the "Become a CPA" section of our website which resulted in more than 17,000 prospective members completing a new member application to receive a provisional assessment outcome.

Supporting employers

Employers remain a driving influence over the choice of designation for a prospective new member. CPA Australia has developed an account-based strategy for the Oceania market to drive focus and alignment with key employers in the corporate, government and tertiary sectors. Early results from pilot activity conducted in late 2020, demonstrated that an account-based approach significantly increased CPA Australia's understanding of employer needs, and consequently employers broaden their understanding of CPA Australia and the value a professional body can provide their organisation.

In 2020, we collaborated with PwC, Deloitte and the Hospital Authority in Hong Kong on an internship and graduate program, whereby CPA Australia's student members would receive the opportunity to work in PwC as an intern with the prospect of being offered a permanent role. This is the fourth year of this internship program and over time the majority of graduates who were ready to begin work were given a full-time offer and proceeded onto studying the CPA Program.

Value created

- Enrolment campaigns supported by *Become a CPA* webinars to attract high-calibre associates to the designation
- *How to Apply* support video resource to help prospective members with their applications
- New member stories content hub to continue building the CPA Australia brand, so that the designation continues to inspire trust, confidence and respect

Moving forward

- In 2021, CPA Australia will launch the first iteration of an account-based marketing and employer engagement model, allowing us to deliver personalised content and experiences to employers that solve their specific business problems

CPA Program and certification



>42,000 exams delivered ▼
(2019: >44,000, 2018: 46,000,
2017: >51,000)

4588 ASAs progressed to CPA status ▼
(2019: 5653, 2018: 5901, 2017: 5693)

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

The impacts of COVID-19 have further reduced the already declining amount of students choosing to study an accounting degree.

CPA Australia is looking to address both the direct impacts of the pandemic and the systemic changes in members' and potential members' career aspirations. We will continue to evolve the CPA Program to ensure that it addresses the future needs of members and their employers.

We maintain strong relationships across the higher education sector to ensure our programs are meeting the needs of the profession. This is primarily done through annual roundtables with Heads of Accounting Departments and Schools; membership of Department Advisory boards; and the Professional Education Advisory Council constituted largely of university accounting professors to share information and receive advice and guidance.

In addition, CPA Australia engages collaboratively with research academics via sponsorship and participation in the annual conference of the Accounting and Finance Association for Australia and New Zealand and engages with academic leaders through the Chairs of Accounting and Finance Forum.

Online exams

As part of our response to COVID-19 the organisation moved to delivering online exams. As a result, CPA Australia was able to deliver more than 17,900 exams in the first semester of 2020 providing continuity for our members through their certification journey. Members were further supported through this difficult time by being able to defer their exam in Semester 1 at no cost to them right up until the day before the exam.

In Semester 2, we moved to a hybrid model where associates could choose to take their exam online or at an exam centre, depending on restrictions in their region. Almost 25,000 candidates sat an exam in Semester 2 which was a combination of those who deferred from Semester 1 and a higher number of enrolments in Semester 2.

Although we were pleased to be able to provide a varied offering in Semester 2, it was not without its challenges.

We needed to offer an identical exam (and comparable experience) to students across two different modalities: in-person at a test centre and online using a remote supervisor. For technical reasons, we were unable to offer the online option in some countries such as Mainland China, and in others we experienced continuous uncertainty around the availability of physical test centres. Regardless of availability, almost 45 per cent of candidates elected to take their exams for the very first time using the newly implemented online proctoring system. This enabled live monitoring of candidates throughout their exam.

For the vast majority of students, Semester 2 went smoothly and successfully. We have received positive feedback from ASAs who appreciated the ability to choose an option which suited their changing needs and enabled increased flexibility throughout the exam period.

CPA Program and certification

Support through the CPA Program

CPA Australia partners with KnowledgeEquity to provide guided learning and online tuition options that best support self-study.

Support provided includes:

- Module quizzes: multiple-choice quizzes to test candidates, understanding of each module
- Mid-semester test: a multiple-choice test to check comprehension after the first five weeks of the semester
- PDF downloads: webinar slides and subject specific flowcharts, tables or articles
- Exam preparation advice
- Two practice exams
- Ask the Expert forums that are moderated by subject matter experts and allow candidates to raise any technical queries.

Candidates who engage with the guided learning offer continued to perform better in their exams.

Mentoring early and mid-career accountants

After a successful pilot program in 2019, we expanded the mentoring program in 2020 to take in members across Australia and New Zealand in two streams: early career and mid-career. This year 414 pairs were matched with all meetings taking place online.

At the half-way point of the program we checked in with mentors and mentees to gauge their satisfaction with the program.

The surveys completed show 95 per cent of mentors and 98 per cent of mentees would recommend the program to a fellow member. Feedback further shows that the major impacts from participating in the program were in the areas of personal learning and growth, acquisition of new skills and attitude to their role for both mentees and mentors.

More than 390 pairs concluded the program with 20 pairs terminating their partnership early due to changes in their personal circumstances preventing them from continuing.

The program will run again in 2021 and 88 per cent of mentors from this year's program who responded to the survey have already indicated their willingness to participate again in 2021.

Value created

- Moving to online exams allowed our ASA members to continue their studies without interruption during the pandemic
- Implementing a new and sustainable online exam from Semester 2 2020, which is equivalent to those offered at test centres globally, enabled ASA members to choose an exam modality that best suited their situation

Moving forward

- We will enhance our online delivery of exams following the feedback received from ASAs. A particular focus will be on providing more support for technical issues and improving member experience with the new technology
- Embedding the micro-credential framework across the CPA Program
- The Digital Finance CPA Program elective subject will be launched in Semester 2 2021, and will provide a deep understanding of the technological changes and digital aptitude that members will need to possess
- The mentoring program will be extended to our international members in 2021

Sharon Ventura ASA



Accountant,
Diocese of Sale Catholic
Education Limited

In her role as School Finance Accountant, Sharon enjoys working with principals and other staff by providing accounting and finance training to help team members grow and develop in this area.

The highlight of the CPA Program for Sharon has been the opportunity to open up more doors in her career by being supported to progress professionally.

"I have been able to better myself to become a CPA and to step up and do higher level roles when I am ready to take that step."

Sharon has found the program conducive in her learning experience: "The CPA Program itself has been structured well and has been intuitive to work my way through."

In particular, the online learning provided by CPA Australia has been beneficial for Sharon: "You have the support and resources that CPA Australia provide, and how they have moved their CPD courses online has made it easier for me to access."

Sharon reflects on her experience with online exams in 2020 as a positive one.

"The instructions were really clear to follow. Completing exams online from home was valuable and convenient for me as I didn't have to fight with traffic. I also have young children, so it was a massive benefit for me."

Access to online resources is something Sharon would like to see more of from CPA Australia.

"I hope CPA Australia continues to offer an online exam option, especially those who live at a distance from testing centres. Also having more CPD learning and webinars online will make it a lot easier."

Impact policy globally and be active in community advocacy

Legend: Performance metrics

- ▲ Improved performance from previous year
- ▼ Decreased performance from previous year
- ▶ No change/new metric



“CPAs are no longer bookkeepers, we’re decision-makers who improve businesses today and strategically plan for tomorrow.”

Vincent Nguyen CPA,
Finance Business Partner, CBRE

Objectives

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

Performance

Media impact score ▲ 2.9

Policy and advocacy
member rating ▲ 6.80/10

Policy and advocacy

Media impact score in Australian media ▲ 2.9 (2019: 2.7, 2018: 1.4, 2017: -0.7)

CPA Australia looks to impact policy globally and be active in community advocacy on issues that matter to members, advance the profession and are in the public interest.

We actively engage with governments, regulators, government agencies and standard setters to promote public policies that stimulate sustainable economic growth and have positive business and social outcomes. Our broad membership base allows us to seek a variety of views and provide an array of industry perspectives.

We represent the views of members across the spectrum of accounting, finance and business disciplines, including:

- Audit and assurance
- Environmental, social and governance
- Ethics
- Financial planning
- Financial reporting
- Not-For-Profit
- Superannuation
- Taxation.

CPA Australia also seeks to influence policy by maintaining a strong and active voice in the media. Engaging with media helps us generate support for our positions and can shape legislative and regulatory outcomes, on behalf of members and for the public interest. We use a range of data analytics to assess the effectiveness of our media engagement. One such measure is the Media Impact Score (MIS), calculated by an independent media monitor. The MIS is a comparative benchmark which ranks more than 400 Australian organisations across 18 sectors based on audience reach, key messages and tone.

CPA Australia's media coverage was previously measured with a favourability rating. In 2020, the provider changed how it measures media coverage to use MIS. In 2021, we plan to reassess the way we measure our media coverage to ensure it aligns with our organisational objectives.

In 2020, CPA Australia's MIS was 2.9. This score positions us in the highest range of industries monitored and ahead of the finance and business services (1.8) and universities/education (2.5) sectors, both of which we have characteristics in common with.

We are also active in the media in international markets. The topics that attracted the greatest media impact internationally in 2020 were:

- Coverage of the Hong Kong SAR, Singapore and Malaysia budgets
- Growing increase in gender diversity in Malaysian banks
- Fintech usage across the Asia-Pacific region.

A major focus of CPA Australia's advocacy work centres on achieving meaningful outcomes for members and stakeholders. Both individually and in conjunction with other professional organisations, CPA Australia's active stakeholder engagement in 2020 led to important policy changes on key issues, including:

- Regulatory relief, with respect to accountants without a financial services licence being able to provide advice to clients on accessing superannuation early as part of the response to COVID-19
- Reporting deferrals being granted by national and state regulators with respect to annual financial reporting by organisations
- Extension of compliance requirements for standard setters, such as FASEA CPD obligations.

Engaging with members

CPA Australia places great emphasis on the views of members in developing policy positions. We convene six Centres of Excellence that draw on the knowledge of experienced members from major areas of the profession across our global membership – Environmental, Social and Governance, External Reporting, Retirement Savings, Taxation, Digital Transformation and Ethics and Professional Standards.

In 2020, we also produced 22 podcast episodes relating to business, finance and tax issues.

Support for members

Policy and advocacy member rating ▲ 6.8/10 (2019: 6.46/10, 2018: 6.03/10, 2017: 5.31/10)

CPA Australia produces a wide range of advisory and guidance material for members across a variety of periodic publications including Tax News, CPA Update, international policy and business updates and INTHEBLACK. In addition, our podcast series features interviews and discussions with leading figures and key players on the major issues affecting the profession.

With COVID-19 preventing the continuation of face-to-face policy roadshows during 2020, we transitioned to delivering livestream webinars on a range of topics, with members from across all jurisdictions having the opportunity to join. In total we hosted 20 webinars and received more than 13,700 member registrations.

The most popular topics included:

- COVID-19 updates and advice
- Climate change risk and sustainability
- Technology and digital transformation
- Federal budget.

We also work closely with key stakeholders in business and academia to produce specialist industry guides on major topics impacting the profession.

In 2020, we released the following publications:

- *The Value of Advice* – detailing how more Australians accessing professional advice could boost the economy, incomes and health
- *Impacts of COVID-19 on annual report disclosures: a guide for directors and preparers* – in conjunction with The Australian Institute of Company Directors and CA ANZ, sets out the challenges posed when describing the impact of COVID-19 in annual reports
- *Banking on Governance, Insuring Sustainability* – in conjunction with the National University of Singapore Business School – discusses how organisations can be ready for risks that may impact their operations and their risk management regimes
- *Australia's international climate change commitments* – Associated accounting assumptions and auditing of climate risk disclosures
- *AASB 16 Leases: Investor Perspectives* – One of three research projects being presented at 2020 AASB Research Forum. The research showcases some of the reactions from investors in response to the new leasing information presented in financial statements
- *Annual reports of unlisted Australian for-profit entities* – Are they used when making decisions?

In addition, the COVID-19 hub (see page 27) was developed to provide information, updates and support materials to assist members and businesses. The suite of business recovery resources was launched by the Minister for Employment, Skills, Small and Family Business, Senator the Hon. Michaelia Cash at a joint event with the Australian Chamber of Commerce and Industry.

Regulatory burden advocacy

In 2020, we continued to work with CA ANZ, the IPA, the FPA and the SMSF Association through the regulatory burden working group which is tasked to:

- Develop a regulatory framework that enables consumers and SMEs access to affordable and quality advice that is in their best interests
- Advocate for reform that reduces complexity, improves efficiency and drives harmonisation to better enable the provision of advisory services
- Improve the community's financial wellbeing and deliver macro benefits such as increased productivity and addresses future challenges such as funding of the aged pension.

Representing the profession

As one of the largest professional accounting bodies in the world, CPA Australia has a responsibility to represent the views of members to government and industry stakeholders. One of the main ways we do this is by inviting members to provide input into submissions being prepared in response to calls for comment by government policy makers, standard setters and regulators.

In 2020, CPA Australia made 149 public submissions and 16 confidential submissions on a wide range of topics. This included a number of joint submissions in conjunction with CA ANZ and other professional associations, especially in the taxation area, providing a unified voice for the profession.

Major submissions in 2020 included:

- Public consultation on proposed amendments to the *Australian Companies Act*
- IASB Exposure Draft ED/2019/7: General Presentation and Disclosures
- IPSASB public sector revenue and expenses – ED 70, ED 71 and ED 72
- IASB Request for Information – Comprehensive Review of the IFRS for SMEs Standard
- Proposed guidelines for management of environmental risks by banks, insurers and asset managers from the Monetary Authority of Singapore
- Post COVID-19 economic recovery submission to the Senate Select Committee
- Bank Negara Malaysia (Central Bank of Malaysia) discussion paper on the Climate Change and Principle-based Taxonomy.

Policy and advocacy

CPA Australia has a respected and credible voice in the profession. As a result, we are consulted by governments and regulators and are invited to contribute to government forums and roundtables. In Victoria, CPA Australia was invited to participate in the Small Business Recovery Group and the Professional Services Forum to assist in the COVID-19 recovery effort. Also, CPA Australia was cited specifically in the Senate's Economics Legislation Committee's report recommendations on the Australian Federal Government's proposal to limit cash transactions.

In Malaysia, the Government Accounting Standards Advisory Committee was re-established and CPA Australia was invited back as a member of this committee.

Coverage of government budgets

CPA Australia provided pre-budget submissions to the governments of Australia, Hong Kong SAR and Malaysia. Our submissions highlighted the challenges posed by the COVID-19 pandemic and included recommendations to benefit the different local economies in the short, medium and long-term. CPA Australia undertook detailed analysis of these budgets for members and provided media commentary on the budget papers.

For the Australian federal budget, CPA Australia provided widespread coverage of the budget, which was augmented by in-depth analysis across CPA Australia publications. Our policy experts also participated in a webinar discussion and podcast about key aspects of the budget. The Malaysian budget was covered by the publication of articles in *intheblack.com*, a webinar and an infographic published in CPA Update and sent to members. We also provided analysis of the Singapore Budget.

Moving forward

In 2021, governments and regulators will begin to return to matters that were on the agenda previous to COVID-19 and will also need to continue to deal with the economic and other impacts of the pandemic.

CPA Australia will continue to engage with a range of key stakeholders and advance its policy and advocacy activities to address these matters in the public interest, and in the interest of the profession and our members.

We expect our major policy and advocacy activities in 2021 will focus around:

- Superannuation systems and the need for professional accounting services and advice
- Guidance and tools for the profession on economic recovery, assisting business, dealing with increased bankruptcies and insolvencies, and lowering unemployment
- Issues such as advancing broader corporate reporting reforms, climate change and sustainability risks.

Value created

CPA Australia reviews and shapes policy, legislation and regulation on behalf of members and in the public interest.

In 2020, our thought leadership influenced key decisions by government and standard setting bodies, including:

- The decision not to ban cash transactions of more than \$10,000
- Allowing registered tax agents to advise clients on early access to superannuation
- The design of the decline in turnover certificate for COVID-19 affected businesses
- Amendments to JobKeeper eligibility rules and tests.



Independent Limited Assurance Report to the Directors of CPA Australia Limited

Conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the CPA Australia Integrated Report 2020 ending on page 74 for the year ended 31 December 2020 is not prepared, in all material respects, in accordance with the International Integrated Reporting Council's International Integrated Reporting <IR> Framework.

Information Subject to Assurance

Information subject to assurance comprises the CPA Australia Integrated Report 2020 ending on page 74 for the year ended 31 December 2020 (the 2020 Report).

Criteria Used as the Basis of Reporting

The criteria used as the basis of reporting is the International Integrated Reporting Council's Integrating Reporting <IR> Framework (<IR Framework>) as disclosed in the 2020 Report.

Basis for Conclusion

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

- used our professional judgement to plan and perform the engagement to obtain limited assurance that we are not aware of any material misstatements in the 2020 Report, whether due to fraud or error;
- considered relevant internal controls when designing our assurance procedures, however we do not express a conclusion on their effectiveness; and
- ensured that the engagement team possess the appropriate knowledge, skills and professional competencies.

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

Summary of Procedures Performed

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

- Interviews with executives, senior management and staff to understand the internal controls, governance structure and reporting process relevant to the 2020 Report.
- Reviewing the description of the CPA Australia strategy and how CPA Australia creates value in the 2020 Report and enquiring of management as to whether the description accurately reflects their understanding.
- Assessment of the suitability and application of the <IR> Framework in respect of the 2020 Report.
- Reviewing CPA Australia's processes underlying the identification of material issues and considering CPA Australia's own materiality assessment with reference to multiple sources of information including internal assurance findings, print and social media, external framework requirements and peer and industry reporting trends.
- Assessment of the alignment between the CPA Australia strategy and the disclosures on how CPA Australia creates value and what matters most to CPA Australia stakeholders.
- Reviewing Board minutes to check consistency with the 2020 Report.
- Agreeing the 2020 Report to relevant underlying documentation on a sample basis.
- Analytical procedures over the key metrics in the 2020 Report.
- Review of the 2020 Report in its entirety to ensure it is consistent with our overall knowledge obtained during the assurance engagement.
- Obtaining a letter of representation from management on the content of the 2020 Report dated 9 March 2021.



How the Standard Defines Limited Assurance and Material Misstatement

The procedures performed in a limited assurance engagement vary in nature and timing from and are less in extent than for a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Misstatements, including omissions, are considered material if, individually or in the aggregate, they could reasonably be expected to influence relevant decisions of the Directors of CPA Australia.

The Limitations of our Review

The 2020 Report includes prospective information. Inherent to prospective information, the actual future results are uncertain. We do not provide any assurance on the assumptions and achievability of prospective information in the 2020 Report.

Use of this Assurance Report

This report has been prepared for the Directors of CPA Australia for the purpose of providing an assurance conclusion on the 2020 Report and may not be suitable for another purpose. We disclaim any assumption of responsibility for any reliance on this report, to any person other than the Directors of CPA Australia, or for any other purpose than that for which it was prepared.

Management's responsibility

Management are responsible for:

- determining that the <IR> Framework is appropriate to meet their needs and the needs of other intended users;
- preparing and presenting the 2020 Report in accordance with the <IR> Framework,
- ensuring the CPA Australia strategy is well-presented in the 2020 Report and reflects how CPA Australia creates value as they operate in practice
- identifying stakeholders and stakeholder requirements;
- identifying material issues and reflecting those in the 2020 Report; and
- establishing internal controls that enable the preparation and presentation of the 2020 Report that is free from material misstatement, whether due to fraud or error.

Our Responsibility

Our responsibility is to perform a limited assurance engagement in relation to the CPA Australia Integrated Report 2020 ending on page 74 for the year ended 31 December 2020, and to issue an assurance report that includes our conclusion.

Our Independence and Quality Control

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

KPMG
KPMG

Julia Bilyanska

Julia Bilyanska

Director

Melbourne

12 March 2021



Governance and Financial Report

Board of Directors

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

Information on our approach to this area including our governance framework and structures can be found in the Corporate Governance Statement on our website and in the governance section on pages 30 to 32 of this report.

Board diversity

The Nomination Committee recommends to the Board the skills and competencies required on the Board and assesses the extent to which those skills are represented on the Board. The Nomination Committee regularly considers diversity issues and advises on the diversity of the Board and its committees. The Board recommends that a minimum of 50 per cent of directors on the Board should be female. The diversity of the current Board is shown in Table 16 below with the skills represented on the Board and its committees in Table 6, on page 31.

Table 16: Board diversity as at 31 December* 2020

| Age groups | Total | | Female | | Male | |
|--------------|-----------|-------------|----------|------------|----------|------------|
| | number | % | Number | % | Number | % |
| Under 30 | 0 | 0% | 0 | 0% | 0 | 0% |
| 30–50 | 1 | 10% | 1 | 10% | 0 | 0% |
| Over 50 | 9 | 90% | 6 | 60% | 3 | 30% |
| Total | 10 | 100% | 7 | 70% | 3 | 30% |

2019

| Age groups | Total | | Female | | Male | |
|--------------|-----------|-------------|-----------|------------|-----------|------------|
| | Directors | % | Directors | % | Directors | % |
| Under 30 | 0 | 0% | 0 | 0% | 0 | 0% |
| 30–50 | 1 | 10% | 1 | 10% | 0 | 0% |
| Over 50 | 9 | 90% | 5 | 50% | 4 | 40% |
| Total | 10 | 100% | 6 | 60% | 4 | 40% |

2018

| Age groups | Total | | Female | | Male | |
|--------------|-----------|-------------|----------|------------|----------|------------|
| | Number | % | Number | % | Number | % |
| 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% |

* Figures are rounded and may not equal 100%.

Board of Directors



As at 31 December 2020

Merran Kelsall FCPA
President and Chairman of the Board
 BCom (Hons) FCA MBA FAICD F Fin

Merran served as Deputy President of CPA Australia for three years from October 2017. She has a portfolio of independent directorships, with more than 20 years' experience on numerous boards and committees in the private and public sectors.

Merran has considerable expertise in corporate governance, finance, audit, risk and compliance. She is particularly focused on aligning performance management with strategy, and in financial and non-financial external reporting to include strategy and risk management. Her main interest is organisations with a strong focus on outcomes for members, stakeholders and the public interest.

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

Her current appointments include Deputy Chair of Melbourne Water Corporation, Director of CareSuper and TarraWarra Museum of Art. Merran is also a Professor of Practice in the School of Accounting at the UNSW Business School. Her former appointments include Chairman and CEO, Australian Auditing and Assurance Standards Board, Member International Auditing and Assurance Standards Board, Director of National Gallery of Victoria, Director of RACV Ltd and Council of RMIT University.



Professor Dale Pinto FCPA
Deputy President

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 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 and is the Editor-in-Chief of several refereed journals.

He is a Fellow of CPA Australia and was a member of the WA Divisional Council, including serving as President of the WA division in 2018 until his appointment to the Board on 1 October 2018.

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

Dale has been a registered tax agent for more than 25 years and was appointed by the Assistant Treasurer as one of the inaugural members of the National Tax Practitioners Board. He is a current member of the Board of Taxation's Special Advisory Panel and the ATO's Public Advice Guidance 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 (TEQSA) Register of Experts.



Enrico De Santi FCPA
Deputy President
 BBus GAICD

Enrico has broad expertise in audit and assurance, financial reporting, risk management, governance and executive management spanning the public and not-for-profit sectors. He has been a registered company auditor since 1982.

Enrico is presently the Deputy Auditor-General and Chief Operating Officer of the Tasmanian Audit Office. He has been a member of various Australasian Council of Auditors-General's groups. He is currently a member of the Financial Reporting and Accounting Committee and Chair of the Heads of Financial Audit Group.

Enrico served on CPA Australia's Tasmanian Divisional Council from 2005 to 2014 and returned to Council in 2017. He was President of the division in 2009. He was previously a member of CPA Australia's External Reporting Centre of Excellence, Representative Council and the Public Sector Network.

Since 2015, Enrico has been a Commissioner on the Tasmanian Catholic Education Commission and Chair of the Resources and Sustainability Standing Committee. Prior to this, he was on a number of school boards, chairing the St Aloysius Catholic College Board from 2010 to 2013, as well as serving on other Catholic education committees.



Michaela Browning

Director

Bec (Hons), Masters FADT, GAICD

Ms Browning is a senior career diplomat and is the CEO of the National Foundation for Australia-China Relations. She was previously Consul General for Hong Kong and Macau, and prior to that the Head of Investment, Australian Trade and Investment Commission (Austrade). Michaela possesses a deep understanding of international and economic policy and has a proven track record of leadership in economic development, risk management and governance.

She has held a range of senior positions in the Australian Commonwealth Government including Head of Investment Promotion for Austrade and Head of all Established Markets (North America, Europe, Japan, Korea, Turkey, Israel, NZ and the Pacific) and Special Adviser to the CEO on Strategy and China. She ran the official development program for Afghanistan and Pakistan. She was Senior Adviser to the then Defence and Foreign Ministers. Ms Browning was also Director of Agriculture Negotiations for the Doha Development Round, and a negotiator on the free trade agreements Australia negotiated with the USA and Singapore. She has previously served on diplomatic missions overseas in Thailand and Singapore.

Ms Browning is a Graduate of the Australian Institute of Company Directors, holds a Masters in Foreign Affairs and Trade and a Bachelor of Economics with Honours, both from Monash University.

Michaela's term as a Director is effective from 31 December 2020 until October 2023. As and while an Australian public servant, Michaela has asked to perform the role on a pro bono basis.



Louise Cox FCPA

Director

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

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

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

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

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



Robyn Erskine FCPA

Director

BBus CA RITF

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

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

From January 2015 through to December 2020, Robyn served on the International Federation of Accountants (IFAC) Small and Medium Practices Advisory Group (SMPAG) on the nomination of CPA Australia and CA ANZ, where she held the positions as Deputy Chair and also Chair of its Ethics Task Force.

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

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

Robyn resigned from her position as Director effective 4 March 2021.

Board of Directors



Helen Lorigan

Director

BCom GAICD SF Fin

Helen Lorigan commenced as an Executive-in-Residence at Sapien Ventures, a venture capital company with partners based in Sydney, Silicon Valley, Melbourne and Shanghai, in February 2016 and became a Venture Partner in April 2017 which also led to her subsequent appointment to a number of fintech and investment advisory boards. Helen is leading a number of key initiatives across superannuation, self-directed advice and funds management which involves the identification, sourcing and curating of high-quality fintech, digital platforms and online marketplace start-ups for potential investment.

Helen has previously held the position of CEO of Elders Financial Planning, formed as a joint venture between ANZ and Elders, an Australian global agricultural corporation, in 2009 after initially commencing with Elders as General Manager, Wealth Management in 2006. Helen has also held senior executive leadership roles in wealth management and banking with the ANZ Group, CBA and MLC.

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



Rosemary Sinclair AM FCPA

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, inaugural CEO of Energy Consumers Australia, and currently CEO of .au Domain Administration.

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 board experience in telecommunications and internet policy development committees.

Rosemary was a member (part-time) of the Australian Communications and Media Authority from 2013 to 2018 and was a Director of the Board and Chair of the Risk and Audit Committee of the Wests Tigers Rugby League Football Club from 2014 to 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.



Peter Wilson AM FCPA
Director and Immediate Past
President

BCom (Hons) MA (Melb) FCPHR
FAICD FCIPD (UK)

Peter Wilson is a Director and also Immediate Past President and Chairman of CPA Australia. He is also the Independent Member and Chairman of the Australian Retail Credit Association and the Reciprocity and Data Exchange Association. Peter was Chair of the Australian HR Institute from 2006 to 2020, and now chairs its National Certification Council.

He is a non-executive Director of Vision Super.

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

He has honorary roles as the 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 Ltd, Kimberly-Clark Australia, 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.



Su-Yen Wong
Director
BA MBA MAICD FSID

Su-Yen Wong is an experienced independent Director who currently serves on the boards of several public, private, membership, and not-for-profit organisations in Australia, Asia, and the United States. Recognised as a board and C-Suite adviser 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 across more than 25 years in Asia and North America.

Su-Yen 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).

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, South-East Asia at Mercer. Earlier, she was Asia Managing Partner for the Communications, Information and Entertainment Practice at Oliver Wyman.

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

Councils and Committees

Divisional Councils

Council members during 2020

Australian Capital Territory

Rodney Miller FCPA,
President
Annie Ryan FCPA,
Deputy President
Karen Williams FCPA,
Deputy President
Emily Canning FCPA
Greg Field FCPA
Matthew Geysen CPA
Lawrence Hosking FCPA
Cha Jordanoski FCPA
Habib Khan FCPA
Phillipa Leggo CPA
Kym Partington FCPA
Marvin Wee CPA

New South Wales

Erica Blythe FCPA,
President
Vittoria Anderson FCPA,
Deputy President
Lisa Gill FCPA,
Deputy President
Maria Balatbat FCPA
Jennifer Dalitz FCPA
Rosalie Degabriele FCPA
David Ferri FCPA
John Hutchenson FCPA,
(Deceased August 2020)
Ruyi Jin FCPA
Mark Jones FCPA
Sarah Lawrance FCPA
Richard Morton FCPA
Stephanie Perkiss CPA,
(Resigned November 2020)
Lynette Pinder FCPA
Karen Pitt CPA
Bernadette Smyth CPA
Shan WU CPA
Ying Zhang FCPA

Northern Territory

Donna Moore CPA,
President
Michelle Bain CPA,
Deputy President
Lisa Blakeley FCPA,
Deputy President
Indra Abeysekera CPA
Anil Basnet CPA
Ashley Challis CPA
Benjamin Inglis FCPA
Steven Lawrence FCPA
Derek Mayger FCPA
Tricia Richardson CPA
Suyana Shrestha CPA
Ross Springolo FCPA

Queensland

Kerry Phillips FCPA,
President
Deborah Nisbet FCPA,
Deputy President
Robert McDowall CPA,
Deputy President
Steven Austen FCPA
Douglas Dunstan FCPA
Tanya Feekings FCPA
Melissa Georgiou FCPA
David Hardidge FCPA
Sofia Keryk CPA
Cissy Ma FCPA
Theresa O'Connor FCPA
Grant Tanham-Kelly FCPA,
(Resigned June 2020)
Doug Typer CPA

South Australia

Chau Chiem FCPA,
President
Andrew McInerney FCPA,
Deputy President
Karen Conlon FCPA,
Deputy President
Glenn Bain CPA
Hanne Damgaard CPA
Andrew Dow FCPA
Judy Horsfall CPA
Philip Mann FCPA
Stephen Warren FCPA
Nicolle Rantanen FCPA,
(Resigned September 2020)
Scott Williams FCPA
Jodi Wright CPA

Tasmania

Fiona Stagg FCPA,
President
Gary O'Donovan FCPA,
Deputy President
Enrico De Santi FCPA,
Deputy President
Paul Gimpl FCPA
Carolyn Harris FCPA
James Hipwood CPA
Roger Lu CPA
Lisa McManus FCPA,
(Resigned February 2020)
Eleanor Patterson FCPA
Donna Powell CPA
Meg Richards FCPA
Claire Smith CPA
David Strong FCPA

Victoria

Piotr Jakubicki FCPA,
President
Jacquetta Griggs FCPA,
Deputy President
Brent Szalay FCPA,
Deputy President
Richard Blakeman FCPA
Devini Goonetilleke FCPA
Justin Gordon FCPA
Kerry Harris FCPA
Anne La Fontaine FCPA
Andrea Moody CPA
Edward Turner CPA
Michelle Tyquin-Frey CPA
Katrina Watt CPA
Melville Yates FCPA

Western Australia

Andrew Seinor FCPA,
President
John Dawson FCPA,
Deputy President
Thomas Griebel FCPA,
Deputy President
Erica Haddon FCPA
Tanvi Haria FCPA
Quentin Hooper FCPA
Tracy Jones CPA
Mark Narustrang FCPA
Tim Roach FCPA
Byron Savage CPA
Timothy Spencer CPA
Kerri Warner CPA

Greater China

Anthony Lau FCPA,
President

Janssen Chan FCPA,
Deputy President

Eden Wong FCPA,
Deputy President

Yiu Bong Chan FCPA,
(Resigned May 2020)

Vickie Fan FCPA

Paul Ho FCPA,
(Resigned May 2020)

Johnny Lam CPA

Roy Lo FCPA

John Lo FCPA

Grace Ng CPA

Wilson Pang FCPA

Raymond Tam FCPA,
(Resigned May 2020)

Karina Wong CPA

Ryan Wu FCPA

Angus Yiu CPA

Europe

Warren McRae FCPA,
President

Catherine Riney FCPA,
Deputy President

Warwick Syphers FCPA,
Deputy President

Garth Britton CPA

Christopher Burke FCPA

Christopher Crellin FCPA

Nigel Garrow FCPA

Kerry Huggler CPA

Matthew Tilling CPA

Malaysia

Sharman Arumugam FCPA,
President

Chee Jin Gark FCPA,
Deputy President

Jimmy Lai FCPA,
Deputy President

Alan Chung FCPA

Bryan Chung FCPA

Surin Segar FCPA

Zulkiflee Mohamed FCPA

Jagdev Singh FCPA

Lay Keng Tan FCPA

Beng Siew Toh FCPA

Ree Nie Koh FCPA

Mohammad Azlan Abdullah FCPA

New Zealand

Matthew Needham FCPA,
President

Paul Shallard CPA,
Deputy President

Liz Plowman CPA,
Deputy President

Gillian Craig FCPA

Mat Croad FCPA

John Gill FCPA

Brad Golchin FCPA

Darby Healey CPA

Emily Hewat CPA

Tracy Hickman FCPA

Angus Ogilvie FCPA

Julia Wu CPA

Singapore

Lay Chew Chng FCPA,
President

Max Loh FCPA,
Deputy President

Tony Alizzi FCPA

Pui Yuen Cheung FCPA

Huey Min Chia-Tern FCPA

Kah Sek Koh FCPA

Yew Kee Ho FCPA

Wei Min Lo FCPA

Pang Thye Ong FCPA

Li Anne Ooi CPA

Stanley Sia FCPA

Oon Jin Yeoh FCPA

Board Committees**As at 31 December 2020****Audit, Risk and Compliance Committee**

Enrico De Santi FCPA, Chair

Robyn Erskine FCPA

Dale Pinto FCPA

Rosemary Sinclair AM FCPA

Finance and Policy Committee

Merran Kelsall FCPA, Chair

Helen Lorigan

Peter Wilson AM FCPA

Su-Yen Wong

Member Engagement Committee

Peter Wilson AM FCPA, Chair

Louise Cox FCPA

Enrico De Santi FCPA

Robyn Erskine FCPA

Merran Kelsall FCPA

Nomination Committee

Peter Wilson AM FCPA, Chair

Andrew Dow FCPA

Richard Morton FCPA

Dale Pinto FCPA

Geoff Rees

Leanne Rowe

People, Remuneration and Culture Committee

Merran Kelsall FCPA, Chair

Louise Cox FCPA

Helen Lorigan

Rosemary Sinclair AM FCPA

Su-Yen Wong

Councils and Committees

Advisory Committees

As at 31 December 2020

Appointments Council

Merran Kelsall FCPA, Chair (non-voting)
 Andrew Dow FCPA, Deputy Chair
 Richard Morton FCPA, Appointor
 Chia-Tern Huey Min FCPA
 Mat Croad FCPA
 Vickie Fan FCPA
 Melissa Georgiou FCPA
 Paul Gimpl FCPA
 Cha Jordanoski FCPA
 Anne La Fontaine FCPA
 Ross Springolo FCPA
 Warwick Syphers FCPA
 Timothy Spencer CPA
 Tan Lay Keng FCPA

Council of Presidents

Kerry Phillips FCPA, Chair
 Piotr Jakubicki FCPA, Deputy Chair
 Sharman Arumugam FCPA
 Erica Blythe FCPA
 Chau Chiem FCPA
 Chng Lay Chew FCPA
 Anthony Lau FCPA
 Warren McRae FCPA
 Rodney Miller FCPA
 Donna Moore CPA
 Matthew Needham FCPA
 Andrew Seinor FCPA
 Fiona Stagg FCPA

Professional Qualifications Advisory Committee

Mary Dunkley FCPA, Chair
 Gary O'Donovan FCPA
 Weina Ang FCPA
 Peter Best FCPA
 Ka Fai (Jeffrey) Chan FCPA
 Mandy Cheng FCPA
 Chun Gabriel Teo FCPA
 Anthony Hayes FCPA
 Jason Kotkin CPA
 Carla Wilkin CPA

Public Practice Advisory Committee

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

Quality Review Advisory Committee

Craig Slater, Chair
 Dona Alahakoone CPA
 Phil McCann FCPA
 Julie Norris CPA
 Leanne Oliver CPA
 Margot Thompson CPA

Disciplinary Panel

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

Life members

Elizabeth Alexander AO FCPA
 Patrick Barrett AO FCPA
 David Baulch FCPA
 Brian Blood FCPA
 David Boymal AM FCPA
 John Cahill FCPA
 Denis Cortese FCPA
 Mark Coughlin FCPA
 Clyde Dickens AM FCPA
 Kenneth Eastwood AM FCPA
 Scott Henderson AM FCPA
 Robert Jeffery FCPA
 Jim Kropp FCPA
 Robert Shiu-Hung Lee FCPA
 Loh Hoon Sun FCPA
 Low Weng Keong FCPA
 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
 Brian Waldron OAM FCPA
 Bernard Wright AM FCPA

Other Boards and Committees

ASEAN Federation of Accountants (AFA)

Chin Aik Wong FCPA

Confederation of Asian and Pacific Accountants (CAPA)

Priya Terumalay FCPA

International Federation of Accountants (IFAC) Board*

Taryn Rulton

Peter Wilson AM FCPA (observer representing CPA Australia)

IFAC Nominating Committee*

Michael Codling FCPA

IFAC Small and Medium Practices Committee (SMP)*

Robyn Erskine FCPA

International Public Sector Accounting Standards Board (IPSASB)*

Mike Blake FCPA

International Ethics Standards Board for Accountants (IESBA)*

Ian McPhee FCPA

IFAC Professional Accountants in Business (PAIB)*

Paul Urquhart FCPA

IFAC Public Policy and Regulation Advisory Group*

Dr Gary Pflugrath CPA

IFAC Technology Advisory Group

Dr Jana Schmitz

International Integrated Reporting Council (IIRC)

Nicholas Diss CPA

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

Report of the Board of Directors

Directors

The Directors submit the annual financial report of CPA Australia Ltd ("CPA Australia") and its controlled entities ("the Group") for the financial year ended 31 December 2020. In order to comply with the *Corporations Act 2001* and Australian Accounting Standards, the Directors present the report as follows. The Directors in office at the end of the financial year are set out on pages 80 to 83 of this report, together with their qualifications, experience and special responsibilities. Details of meeting attendance are set out on pages 88 to 89 and their remuneration is included in Note 20 on pages 118 to 121.

Company secretary

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

Principal activities

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

Consolidated results

The consolidated surplus before income tax for the year was \$6,347,000 (2019: \$4,419,000). The consolidated surplus after tax for the year was \$5,991,000 (2019: \$5,025,000).

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 93 to 95.

Corporate governance

The Board met on 13 occasions in 2020 with four Directors elected in August, three Directors commencing their three-year term on 1 October 2020 and one Director on 31 December 2020. During 2020, the Board maintained a strong focus on consolidating the governance changes that had been implemented during the previous year, continuing to focus on providing services and resources to support members, and managing the impact of the COVID-19 outbreak.

In 2020, five Board Committees of Directors operated: Audit, Risk and Compliance; Finance and Policy; Nomination; Member Engagement, and People, Remuneration and Culture.

Further information on the governance of the Company is included in the Corporate Governance Statement on our website and on pages 30 to 32 of this report.

Directors' meetings

The tables on pages 88 to 89 set out the number of Board and Board Committee meetings held and the number of meetings attended by each Director during 2020.

Changes in state of affairs

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

Subsequent events

In February 2021 a transaction between CPA Australia and Brooke Bird to the value of \$10,000 (excl GST) was identified. Robyn Erskine a Director of CPA Australia Ltd is also a partner of Brooke Bird and has a controlling interest in Brooke Bird. The transaction was on arm's length commercial terms to develop education manuals and materials. As this transaction was in the 2021 financial year it will be brought to account in 2021 and disclosed as a 2021-related party transaction in the Group's 2021 financial statements.

Robyn Erskine resigned from her position as Director effective 4 March 2021.

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 strategy.

Indemnification of officers and auditors

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

Auditor independence

The auditor's independence declaration is included on page 90 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.

Report of the Board of Directors

Board of Directors' meetings 2020

| Directors | Scheduled meetings | | Ad hoc meetings | | Total 2020 meetings | |
|---|--------------------|----------|-----------------|----------|---------------------|----------|
| | Eligible | Attended | Eligible | Attended | Eligible | Attended |
| Merran Kelsall, Chair ⁽⁴⁾ | 8 | 8 | 5 | 5 | 13 | 13 |
| Peter Wilson, Former Chair ⁽²⁾ | 8 | 8 | 5 | 5 | 13 | 13 |
| Chin Aik Wong ⁽¹⁾ | 6 | 6 | 4 | 3 | 10 | 9 |
| Enrico De Santi | 8 | 8 | 5 | 5 | 13 | 13 |
| Robyn Erskine ⁽⁹⁾ | 8 | 8 | 5 | 5 | 13 | 13 |
| Helen Lorigan | 8 | 8 | 5 | 5 | 13 | 13 |
| Dale Pinto | 8 | 8 | 5 | 5 | 13 | 13 |
| Louise Cox | 8 | 8 | 5 | 5 | 13 | 13 |
| Rosemary Sinclair | 8 | 8 | 5 | 5 | 13 | 13 |
| Su-Yen Wong | 8 | 8 | 5 | 5 | 13 | 13 |
| Michaela Browning ⁽⁸⁾ | 0 | 0 | 0 | 0 | 0 | 0 |

Audit, Risk and Compliance Committee meetings 2020

| Directors | Scheduled meetings | | Ad hoc meetings | | Total 2020 meetings | |
|---|--------------------|----------|-----------------|----------|---------------------|----------|
| | Eligible | Attended | Eligible | Attended | Eligible | Attended |
| Enrico De Santi, Chair ⁽⁴⁾ | 6 | 6 | 1 | 1 | 7 | 7 |
| Chin Aik Wong, Former Chair ⁽²⁾⁽³⁾ | 5 | 5 | 1 | 1 | 6 | 6 |
| Robyn Erskine ⁽⁹⁾ | 6 | 6 | 1 | 1 | 7 | 7 |
| Dale Pinto | 6 | 5 | 1 | 1 | 7 | 6 |
| Rosemary Sinclair | 6 | 6 | 1 | 1 | 7 | 7 |

Finance and Policy Committee meetings 2020

| Directors | Scheduled meetings | | Ad hoc meetings | | Total 2020 meetings | |
|------------------------------|--------------------|----------|-----------------|----------|---------------------|----------|
| | Eligible | Attended | Eligible | Attended | Eligible | Attended |
| Merran Kelsall, Chair | 5 | 5 | 1 | 1 | 6 | 6 |
| Helen Lorigan | 5 | 5 | 1 | 1 | 6 | 6 |
| Peter Wilson | 5 | 5 | 1 | 1 | 6 | 6 |
| Chin Aik Wong ⁽³⁾ | 4 | 4 | 1 | 1 | 5 | 5 |
| Su-Yen Wong | 5 | 4 | 1 | 1 | 6 | 5 |

Nomination Committee meetings 2020

| | Scheduled meetings | | Ad hoc meetings | | Total 2020 meetings | |
|--------------------------------|--------------------|----------|-----------------|----------|---------------------|----------|
| | Eligible | Attended | Eligible | Attended | Eligible | Attended |
| Directors | | | | | | |
| Peter Wilson, Chair | 6 | 6 | 0 | 0 | 6 | 6 |
| Dale Pinto | 6 | 6 | 0 | 0 | 6 | 6 |
| Geoff Rees ⁽⁵⁾ | 6 | 6 | 0 | 0 | 6 | 6 |
| Leanne Rowe ^{(5) (7)} | 6 | 4 | 0 | 0 | 6 | 4 |
| Andrew Dow ⁽⁶⁾ | 6 | 6 | 0 | 0 | 6 | 6 |
| Richard Morton ⁽⁶⁾ | 6 | 6 | 0 | 0 | 6 | 6 |

Member Engagement Committee meetings 2020

| | Scheduled meetings | | Ad hoc meetings | | Total 2020 meetings | |
|------------------------------|--------------------|----------|-----------------|----------|---------------------|----------|
| | Eligible | Attended | Eligible | Attended | Eligible | Attended |
| Directors | | | | | | |
| Peter Wilson, Chair | 6 | 6 | 0 | 0 | 6 | 6 |
| Louise Cox | 6 | 6 | 0 | 0 | 6 | 6 |
| Enrico De Santi | 6 | 6 | 0 | 0 | 6 | 6 |
| Robyn Erskine ⁽⁹⁾ | 6 | 6 | 0 | 0 | 6 | 6 |
| Merran Kelsall | 6 | 4 | 0 | 0 | 6 | 4 |

People, Remuneration and Culture Committee meetings 2020

| | Scheduled meetings | | Ad hoc meetings | | Total 2020 meetings | |
|-----------------------|--------------------|----------|-----------------|----------|---------------------|----------|
| | Eligible | Attended | Eligible | Attended | Eligible | Attended |
| Directors | | | | | | |
| Merran Kelsall, Chair | 5 | 5 | 0 | 0 | 5 | 5 |
| Louise Cox | 5 | 5 | 0 | 0 | 5 | 5 |
| Helen Lorigan | 5 | 5 | 0 | 0 | 5 | 5 |
| Rosemary Sinclair | 5 | 5 | 0 | 0 | 5 | 5 |
| Su-Yen Wong | 5 | 5 | 0 | 0 | 5 | 5 |

Notes:

- (1) Term as a Director concluded 30 September 2020.
(2) Term as Chair ended on 30 September 2020.
(3) Term on Committee ended on 30 September 2020.
(4) Term as Chair commenced on 1 October 2020.
(5) Independent non-Director Committee member.

- (6) Appointments Council representative on the Nomination Committee.
(7) Leave of absence approved by the Nomination Committee from 30 March 2020 to 31 July 2020.
(8) Term as a Director commenced on 31 December 2020 – no meetings scheduled for attendance.
(9) Resigned as Director effective 4 March 2021.

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



Merran Kelsall FCPA
Director



Enrico De Santi FCPA
Director

12 March 2021



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 2020 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.

A handwritten version of the KPMG logo, with the letters 'KPMG' in a cursive, black ink style.

KPMG

A handwritten signature in black ink, appearing to read 'Chris Sargent'.

Chris Sargent
Partner

Melbourne
12 March 2021

Overview of financial results

For the year ended 31 December 2020

| | | 2020 | 2019 |
|--|----------------------|-----------------|-----------------|
| | | \$'000s | \$'000s |
| Strategic pillars | | | |
| Protect, promote and enhance the integrity of the profession | Revenue | 1,676 | 940 |
| | Cost | (13,923) | (19,248) |
| | Result | (12,247) | (18,308) |
| Lead the future of the accounting profession | Revenue | 2,074 | 3,444 |
| | Cost | (1,242) | (1,779) |
| | Result | 832 | 1,665 |
| Provide members with personalised and engaging experiences | Revenue | 88,096 | 84,904 |
| | Cost | (20,802) | (21,792) |
| | Result | 67,294 | 63,112 |
| Provide relevant learning and development content, resources and tools | Revenue | 7,357 | 13,386 |
| | Cost | (26,870) | (31,296) |
| | Result | (19,513) | (17,910) |
| Attract and develop the next generation of CPAs | Revenue | 61,730 | 65,227 |
| | Cost | (29,441) | (34,609) |
| | Result | 32,289 | 30,618 |
| Impact policy globally and be active in community advocacy | Revenue | 371 | - |
| | Cost | (5,560) | (5,171) |
| | Result | (5,189) | (5,171) |
| Member support services and governance | Revenue | 6,283 | 4,995 |
| | Cost | (55,618) | (45,199) |
| | Result | (49,335) | (40,204) |
| CPA Australia Advice | Revenue | - | - |
| | Cost | (37) | (1,865) |
| | Result | (37) | (1,865) |
| Total CPA Australia excluding strategic projects | Revenue | 167,587 | 172,896 |
| | Cost | (153,493) | (160,959) |
| | Tax credit/(expense) | (356) | 606 |
| | Result | 13,738 | 12,543 |
| Strategic projects | Revenue | 164 | - |
| | Cost | (7,911) | (7,518) |
| | Result | (7,747) | (7,518) |
| Total CPA Australia including strategic projects | Revenue | 167,751 | 172,896 |
| | Cost | (161,404) | (168,477) |
| | Tax credit/(expense) | (356) | 606 |
| | Result | 5,991 | 5,025 |
| Other comprehensive income/(expense) for the year, net of tax | | (335) | 2,043 |
| Total comprehensive income for the year | | 5,656 | 7,068 |

In 2020, CPA Australia continued to invest in key initiatives that support the strategy put in place in 2018, and on initiatives that would support members through COVID-19. This included: the introduction of the first micro-credential course in digital finance, further investment in guided learning and online tuition options to support candidates through the CPA Program, a community campaign to support public practitioners, the introduction of a virtual CPA Congress and investment in our website, member management and finance systems. Additionally, the Member Connect platform was launched to enable members to build networks in a secure environment. CPA Australia also continued to enhance our thought leadership in advocating for our members and the public interest.

In addition to these strategic investments, the overview of financial results has been presented to align with the six strategic pillars of the strategy along with financials for member support services and governance, CPA Australia Advice and strategic projects, which is consistent with 2019.

Protect, promote and enhance the integrity of the profession's core activities includes managing and developing the brand, professional standards and quality assurance. The increase in the net result is primarily due to lower sponsorship and acquisition advertising costs during 2020 and lower-quality assurance costs.

Lead the future of the accounting profession includes the development of strategies, training and tools to support members through the future changes to the profession and the development of membership pathways for skilled business professionals from non-accounting backgrounds. The net result has decreased on the prior year due to lower foundation-level sales and associated costs during 2020 as a result of COVID-19.

Provide members with personalised and engaging experiences is a core activity that includes the delivery of the membership offer: administration and assessment of members' admissions and advancements, member engagement including increased support at branch level, member communications, member benefits and membership retention. The net result has increased due to higher membership revenue in 2020 and government assistance received in response to COVID-19.

Provide relevant learning and development content, resources and tools includes the development and delivery of CPD products including training workshops and congress, a structured mentoring program, library services and publications such as *INTHEBLACK*, *CPA Update* and *Australian Accounting Review*. The decrease in the net result is primarily due to lower professional development revenue in 2020 as a substantial number of face-to-face events were cancelled as a result of the pandemic.

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. The increase in the net result is primarily due to lower business development costs during 2020. The decrease in revenue is due to lower CPA Program sales during the year, which is partially offset by a corresponding decrease in costs.

Impact policy globally and be active in community advocacy includes policy and research, advocacy and government relations and support for the profession locally (AASB, APESB and AuASB) and internationally (AFA, CAPA, IFAC etc.). There has been no material movement in the net result since 2019.

Member support services and governance include internal support activities such as finance, legal, procurement, property management, technology, organisational development, human resources and planning. They also include activities associated with the Board, Board Committees and Board secretariat. The decrease in the net result is primarily due to higher technology costs, higher human resources costs following the implementation of a new strategy and a decrease in the unrealised gain on the Group's investment portfolio in 2020.

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

Strategic projects include costs associated with the new website and member management and finance system, development of public practitioner tools, costs of the micro-credential course and the education ecosystem, and costs associated with the Melbourne office refurbishment which includes larger work areas and meeting spaces for members. There has been no material movement in the net result since 2019.

Discussion and analysis of the financial results 2020

Financial results

In 2020, the Group delivered an operating surplus before tax of \$6.3m (2019: \$4.4m) and an overall comprehensive income of \$5.7m (after tax, defined benefit, FX and unrealised gain on investments) (2019: \$7.1m). The surplus for 2020 was delivered during a year that was significantly impacted by COVID-19 while continuing to invest in technology and resources that enabled us to advance key strategic objectives, and support our members with access to free and low-cost online professional development, and the option to sit online CPA Program exams. The surpluses achieved over the past 11 years provide an opportunity to further invest in member services and in the strategic initiatives identified under the strategy.

Revenue

Overall revenue decreased by \$5.1m or 3 per cent over the 2020 financial year to \$167.8m (2019: \$172.9m). This was primarily due to lower professional development sales as a substantial number of face-to-face events were cancelled during the year as a result of COVID-19. Our self-paced online learning products were offered at reduced prices or for free to our members during the pandemic. Sponsorship income associated with face-to-face events was also lower during 2020.

In 2020 membership subscriptions were held constant for the fourth year and CPA Program fees were held constant with 2019. Membership revenue was not impacted by COVID-19, increasing by \$2.3m during 2020. The Group ended the year with 168,736 members (2019: 166,166) which was driven by an improved membership retention rate compared to 2019 and new member growth. CPA Program revenue decreased during 2020 due to a higher number of students deferring examinations as a result of COVID-19.

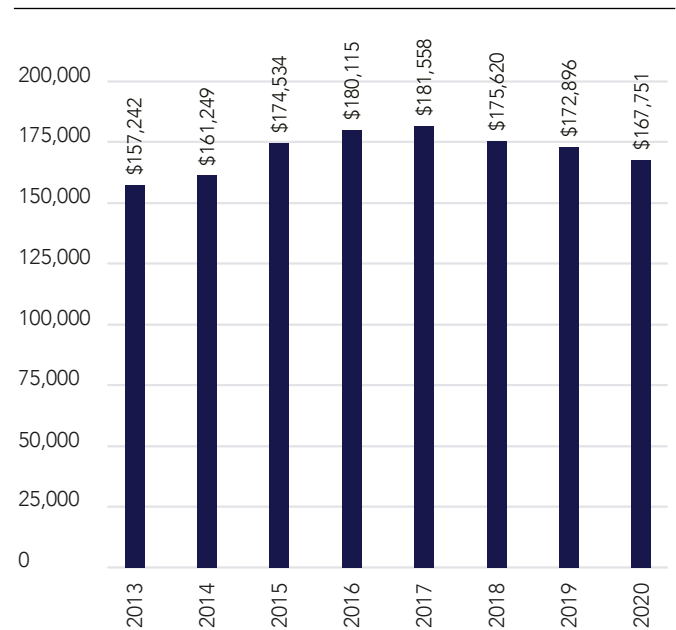
The Group was eligible for and received a number of government subsidies issued by governments globally in response to the COVID-19 pandemic (\$8.1m); this includes JobKeeper (Australia), Job Support Scheme (Singapore), Employment Support Scheme (Hong Kong) and Wage Subsidy Scheme (New Zealand). Further details are disclosed in Note 4 (d) on page 104.

Expenditure

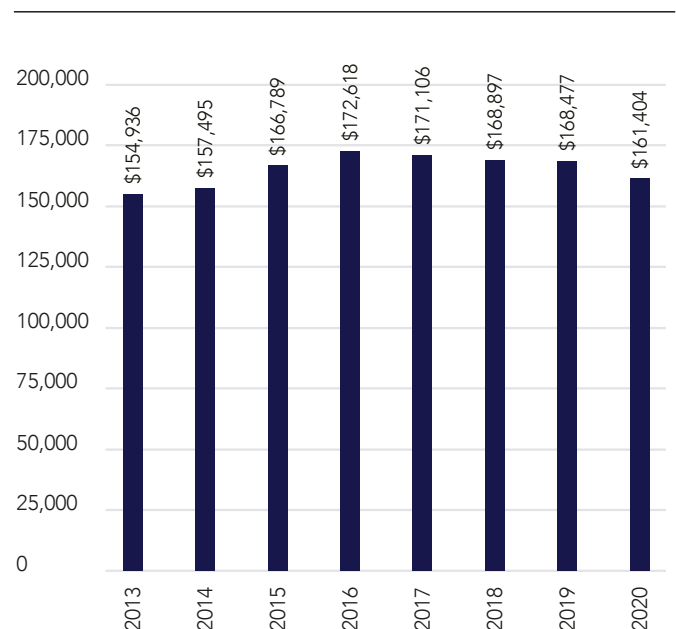
Expenditure before tax was \$7.1m or 4.2 per cent lower than 2019 at \$161.4m (2019: \$168.5m). The decrease is primarily attributable to lower event delivery expenses following the cancellation of face-to-face events during 2020, lower CPA Program costs due to the decrease in sales and lower travel and catering expenses as a result of COVID-19 restrictions in place during most of 2020. Advertising and promotion expenses also decreased due to cost saving initiatives introduced during COVID-19. Printing and communication expenses decreased following the transition of our monthly magazine INTHEBLACK to a digital-only format in August.

The decrease is partially offset by higher employee benefits expenses as a result of higher FTE's during 2020 and redundancy costs associated with a business restructure.

Total revenue (\$'000s)

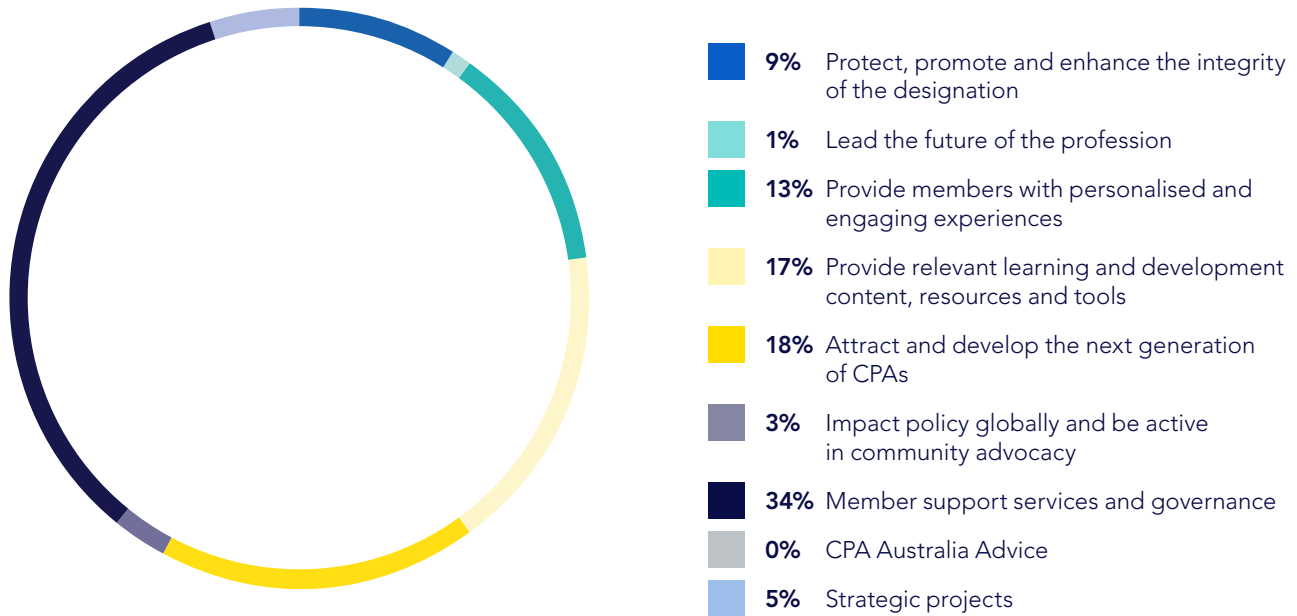


Total expenditure excluding tax (\$'000s)



Professional services and computer hardware and software licence costs were also higher due to investment in the new website and member management and finance system, the CPA Member Connect platform and the new cloud-based operating system in our contact centre which allows us to enhance services provided to members. Product development costs were also higher due to the investment in the digital finance micro-credential course.

Expenditure by strategic goals



Taxation

The income tax expense recognised in profit or loss for 2020 is \$0.4m (2019: income tax benefit \$0.6m). The total income tax benefit recognised in other comprehensive income for the year is \$0.2m (2019: income tax expense of \$1m). This is primarily attributable to the deferred tax recognised on temporary differences at balance date. Further details are contained in Note 7 on pages 106 to 110.

Foreign exchange

Foreign currency cash is held to meet the short-term working capital requirements of foreign operations. Any excess cash is returned to Australia to reduce to the Group’s exposure to fluctuations in exchange rates. Exchange rate fluctuations contributed to a foreign exchange loss on translation of cash of \$0.2m for the full year (2019: \$0.1m gain). A foreign exchange loss of \$0.2m (2019: \$0.2m) on translation of foreign operations for the year ended 31 December 2020 is recognised in other comprehensive income.

Cash flow

The net cash inflows from operating activities increased by \$3.8m during 2020 to \$17.4m (2019: \$13.6m). The net decrease in cash and cash equivalents of \$45.9m (2019: increase of \$16.4m) during the year was primarily due to increased investment in financial assets and a number of property refurbishments, including the Melbourne office, completed during 2020.

Investments

The Group’s investment portfolio returned \$3.5m (2019: \$4.9m) of revenue and an unrealised gain of \$0.6m in 2020. (2019: \$5.3m). This was despite the weakening of global investment markets in 2020 as a result of COVID-19.

Balance sheet

The Group’s balance sheet reflects net assets increasing by \$5.7m or 5.3 per cent compared to 2019, which is largely attributable to the surplus delivered in 2020.

Cash and cash equivalents decreased by \$45.9m compared to 2019 which is primarily due to increased investment in financial assets.

Trade and other receivables have decreased by \$0.3m to \$2.3m in 2020 (2019: \$2.6m); this is due to the lower payments received from member benefit partners with greater focus on core services that deliver member value.

Other current assets are \$0.1m lower than the prior year as the defined benefit plan has been reduced to \$0 at the end of 2020 (2019: \$0.4m). This is partially offset by higher prepaid expenses.

Current and non-current other financial assets are higher than 2019 by \$40.3m which is directly attributable to an increase in investments during 2020.

Property, plant and equipment has increased by \$20.1m to \$31.1m (2019: \$10.9m) which relates to property refurbishments carried out during 2020 and the addition of technology assets; this is partially offset by a disposal of assets and the depreciation charged during the year.

Intangible assets are higher than 2019 by \$1.5m, which is directly attributable to software additions offset by the amortisation charged during the year.

Other non-current assets are \$0.2m higher than 2019 due to additional security deposits resulting from new lease arrangements.

Trade and other payables are higher by \$6.9m compared to the previous year; this is due to a timing difference in payments to trade creditors.

Current and non-current provisions ended the year \$1.2m lower than 2019. This is primarily due to a decrease in the make-good provision for leased properties resulting from new lease arrangements.

Other current liabilities were \$3.7m lower than 2019 which is due to lower subscriptions and fees received in advance.

Assets



- 16% Cash and cash equivalents
- 1% Trade and other receivables
- 55% Other financial assets
- 14% Right-of-use asset
- 3% Other assets (including intangibles)
- 11% Property, plant and equipment

Liabilities



- 2% Non-current provisions
- 4% Current provisions
- 13% Trade and other payables
- 47% Subscriptions and fees in advance
- 34% Lease liabilities

Statement of profit or loss and other comprehensive income

for the year ended 31 December 2020

| | Note | Consolidated | |
|--|-------------|-----------------|-----------------|
| | | 2020 \$'000s | 2019 \$'000s |
| Revenue | 4 | 156,141 | 167,996 |
| Other income | 4 (d) | 8,079 | - |
| Finance income | 5 | 3,531 | 4,900 |
| Employee benefits expense | 6 (a) | (74,730) | (66,305) |
| Education and CPA Program expense | 6 (b) | (14,871) | (17,767) |
| Advertising and promotion expense | 6 (c) | (5,344) | (9,793) |
| Rent and outgoings expense | | (5,972) | (5,860) |
| Computer hardware and software licences expense | | (5,989) | (4,287) |
| Event delivery expense | 6 (d) | (6,610) | (12,138) |
| Professional services expense | 6 (e) | (18,396) | (16,174) |
| Printing and communication expense | 6 (f) | (4,589) | (6,834) |
| Travel and catering expense | 6 (g) | (1,315) | (6,054) |
| Other staff costs | 6 (h) | (3,692) | (4,645) |
| Depreciation and amortisation expense | 12, 13 & 14 | (12,958) | (12,235) |
| Finance costs | | (1,713) | (1,549) |
| Net foreign exchange gain/(loss) | | (199) | 105 |
| Gain/(loss) on sale of financial assets at FVTPL | | (95) | (118) |
| Changes in the fair value of financial assets at FVTPL | | 1,186 | 3,043 |
| Impairment gain/(loss) | | (479) | (42) |
| Loss allowance for trade receivables | | (440) | (58) |
| Gain/(loss) on sale of property, plant and equipment | | 15 | - |
| Other expenses | 6 (i) | (5,213) | (7,766) |
| Surplus before income tax | | 6,347 | 4,419 |
| Tax (expense)/income | 7 | (356) | 606 |
| Surplus for the year | | 5,991 | 5,025 |
| Other comprehensive income | | | |
| <i>Items that will not be reclassified subsequently to profit or loss:</i> | | | |
| Actuarial gain/(loss) on defined benefit plan | 23 | (20) | (49) |
| Changes in the fair value of equity investments at FVOCI | | (674) | 2,298 |
| Gain/(loss) on sale of financial assets at FVOCI | | 396 | (20) |
| <i>Items that may be reclassified subsequently to profit or loss:</i> | | | |
| Exchange differences on translating foreign operations | | (170) | (187) |
| Changes in the fair value of debt instruments at FVOCI | | 133 | 1 |
| Other comprehensive income for the year, net of tax | | (335) | 2,043 |
| Total comprehensive income for the year | | 5,656 | 7,068 |

CPA Australia 2020 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 100 to 130.

Statement of financial position

as at 31 December 2020

| | Note | Consolidated | |
|--------------------------------------|--------|-----------------|-----------------|
| | | 2020 \$'000s | 2019 \$'000s |
| Current assets | | | |
| Cash and cash equivalents | 8 | 42,559 | 88,486 |
| Trade and other receivables | 9 | 2,290 | 2,596 |
| Other financial assets | 11 | 54,268 | 30,270 |
| Other assets | 10 | 5,559 | 5,625 |
| Total current assets | | 104,676 | 126,977 |
| Non-current assets | | | |
| Other financial assets | 11 | 93,754 | 77,487 |
| Deferred tax assets | 7 (d) | 67 | 67 |
| Property, plant and equipment | 12 | 31,050 | 10,929 |
| Intangible assets | 13 | 2,718 | 1,229 |
| Right-of-use asset | 14 (a) | 38,087 | 38,150 |
| Other assets | 10 | 526 | 299 |
| Total non-current assets | | 166,202 | 128,161 |
| Total assets | | 270,878 | 255,138 |
| Current liabilities | | | |
| Trade and other payables | | 19,889 | 12,953 |
| Provisions | 15 | 6,173 | 6,889 |
| Lease liabilities | 14 (b) | 9,456 | 2,609 |
| Other liabilities | 16 | 75,034 | 78,730 |
| Total current liabilities | | 110,552 | 101,181 |
| Non-current liabilities | | | |
| Provisions | 15 | 3,107 | 3,612 |
| Lease liabilities | 14 (b) | 44,174 | 42,956 |
| Total non-current liabilities | | 47,281 | 46,568 |
| Total liabilities | | 157,833 | 147,749 |
| Net assets | | 113,045 | 107,389 |
| Members' funds | | | |
| Reserves | | 5,720 | 6,431 |
| Retained surplus | | 107,325 | 100,958 |
| Total members' funds | | 113,045 | 107,389 |

CPA Australia 2020 financial statements

The statement of financial position is to be read in conjunction with the notes to the financial statements set out on pages 100 to 130.

Statement of changes in members' funds

for the year ended 31 December 2020

| | Consolidated | | | Total |
|---|--------------------------------|--------------------------------------|------------------|----------------|
| | Investment revaluation reserve | Foreign currency translation reserve | Retained surplus | |
| | \$'000s | \$'000s | \$'000s | |
| Balance at 1 January 2019 | 3,689 | 630 | 102,605 | 106,924 |
| Transition to AASB 16 adjustment | - | - | (6,603) | (6,603) |
| Restated balance at 1 January 2019 | 3,689 | 630 | 96,002 | 100,321 |
| Other comprehensive income | 2,299 | (187) | (69) | 2,043 |
| Surplus for the year | - | - | 5,025 | 5,025 |
| Balance at 1 January 2020 | 5,988 | 443 | 100,958 | 107,389 |
| Other comprehensive income | (541) | (170) | 376 | (335) |
| Surplus for the year | - | - | 5,991 | 5,991 |
| Balance at 31 December 2020 | 5,447 | 273 | 107,325 | 113,045 |

CPA Australia 2020 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 100 to 130.

Statement of cash flows

for the year ended 31 December 2020

| | Note | Consolidated | |
|--|----------|-----------------|-----------------|
| | | 2020 \$'000s | 2019 \$'000s |
| Cash flows from operating activities | | | |
| Receipts from operations | | 164,786 | 182,567 |
| Receipts from government assistance | 4 (d) | 8,079 | - |
| Payments to suppliers and employees | | (153,821) | (167,465) |
| Interest on leases | 14 (b) | (1,678) | (1,507) |
| Net cash inflows from operating activities | 8 | 17,366 | 13,595 |
| Cash flows from investing activities | | | |
| Payment for property, plant and equipment and intangible assets | 12 & 13 | (18,189) | (3,115) |
| Net receipts/(payments) for deposits less than 1 year but greater than 90 days | | (23,998) | 8,291 |
| Net receipts/(payments) for deposits greater than 1 year | | - | 203 |
| Proceeds from sale of investments | | 14,980 | 5,891 |
| Purchase of investments | | (30,571) | (4,924) |
| Investment interest and dividends received | | 3,570 | 4,954 |
| Net cash (outflows)/inflows from investing activities | | (54,208) | 11,300 |
| Cash flows from financing activities | | | |
| Payment of lease liabilities | 14 (b) | (8,161) | (8,238) |
| Net cash outflows from financing activities | | (8,161) | (8,238) |
| Net increase/(decrease) in cash and cash equivalents held | | (45,003) | 16,657 |
| Cash and cash equivalents at the beginning of the financial year | | 88,486 | 72,128 |
| Effects of exchange rate changes in the balance of cash held in foreign currencies | | (924) | (299) |
| Cash and cash equivalents at the end of the financial year | 8 | 42,559 | 88,486 |

CPA Australia 2020 financial statements

The statement of cash flows is to be read in conjunction with the notes to the financial statements set out on pages 100 to 130.

Notes to the financial statements

for the year ended 31 December 2020

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 effective for accounting periods on or after 1 June 2020:

AASB 2020-4 Amendments to Australian Accounting Standards – COVID-19-Related Rent Concessions

In response to the COVID-19 coronavirus pandemic, the Australian Accounting Standards Board (AASB) issued an amendment to AASB 16 Leases which incorporates the International Accounting Standard Board's (IASB) standard *COVID-19-Related Rent Concessions (Amendment to IFRS 16)* issued in May 2020. The amendment provides practical relief for lessees in accounting for rent concessions. Under the practical expedient, lessees are not required to assess whether eligible rent concessions are lease modifications, and instead are permitted to account for them as if they were not lease modifications.

The impact of the change due to the adoption of *AASB 2020-4 Amendments to Australian Accounting Standards – COVID-19-Related Rent Concessions* is outlined in Note 3 changes in significant accounting policies.

Standards issued but not yet effective

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

2. Summary of significant accounting policies

(a) Basis of preparation

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

As at 31 December 2020 current liabilities are \$5.9m greater than current assets. This is mainly due to investments purchased during the year being classified as non-current assets based on the Group's intention to realise these assets. It is also impacted by deferred revenue, a non-cash item being classified as a current liability. The Group has sufficient liquidity to pay its debts as and when they become due and payable. Consequently the Directors have prepared the financial statements on a going concern basis.

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

(b) Statement of compliance

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

CPA Australia is limited by guarantee and domiciled in Australia.

The consolidated financial statements for the year ended 31 December 2020 were authorised by the Board of Directors on 12 March 2021.

(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) Government assistance

Government assistance is recognised in the statement of profit or loss and other comprehensive income once there is reasonable assurance the entity will comply with the conditions attaching to them and the subsidies will be received.

Government assistance received during 2020 is outlined in further detail in Note 4(d).

(g) 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.

(h) Critical judgements in applying the Group's accounting policies

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

Employee entitlements

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

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

Intangible and other assets

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

Deferred tax assets

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

3. Changes in significant accounting policies**AASB 2020-4 Amendments to Australian Accounting Standards – COVID-19-Related Rent Concessions**

The Group has early adopted AASB 2020-4 Amendments to Australian Accounting Standards – COVID-19-Related Rent Concessions and applied the practical expedient consistently to eligible rent concessions. For rent concessions in leases to which the Group chooses not to apply the practical expedient, or that do not qualify for the practical expedient, the Group assesses whether there is a lease modification. The Group has applied the amendment retrospectively. The amendment has no impact on retained earnings at 1 January 2020.

During 2020 the Group received a total of \$146,311 in rental concessions related to properties leased in Malaysia and Singapore. The amount has been treated as a credit to rent and outgoings in the statement of profit or loss and other comprehensive income.

4. Revenue

| | Consolidated | |
|--|--------------|---------|
| | 2020 | 2019 |
| | \$'000s | \$'000s |
| Revenue from contracts with customers | | |
| Member fees and subscriptions | 89,268 | 86,950 |
| Education and CPA Program | 54,835 | 58,045 |
| Professional development | 5,924 | 13,972 |
| Other services | 4,063 | 5,541 |
| Marketing, promotion and publications | 2,051 | 3,488 |
| | 156,141 | 167,996 |

(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 | |
| 2020 | \$'000s | \$'000s | \$'000s | \$'000s | \$'000s | \$'000s |
| Revenue from contracts with customers | 89,268 | 54,835 | 5,924 | 4,063 | 2,051 | 156,141 |
| Timing of revenue recognition | | | | | | |
| At a point in time | 2,231 | 4,104 | 5,924 | 4,063 | 2,051 | 18,373 |
| Over time | 87,037 | 50,731 | - | - | - | 137,768 |
| Total | 89,268 | 54,835 | 5,924 | 4,063 | 2,051 | 156,141 |
| 2019 | | | | | | |
| Revenue from contracts with customers | 86,950 | 58,045 | 13,972 | 5,541 | 3,488 | 167,996 |
| Timing of revenue recognition | | | | | | |
| At a point in time | 2,321 | 2,380 | 13,972 | 5,541 | 3,488 | 27,702 |
| Over time | 84,629 | 55,665 | - | - | - | 140,294 |
| Total | 86,950 | 58,045 | 13,972 | 5,541 | 3,488 | 167,996 |

Member fees and subscriptions

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

Education and CPA Program

Education and CPA Program revenue is recognised as 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 | |
|---|--------------|--------------|
| | 2020 | 2019 |
| | \$'000s | \$'000s |
| Receivables (included in 'trade and other receivables') | 2,375 | 2,519 |
| Loss allowance | (94) | (49) |
| Total receivables | 2,281 | 2,470 |
| Subscriptions and fees received in advance | 75,034 | 78,730 |

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 | |
|---|--------------|----------|
| | 2020 | 2019 |
| | \$'000s | \$'000s |
| Revenue recognised that was included in the subscriptions and fees received in advance balance at the beginning of the period | 78,730 | 75,792 |
| Increases due to cash received, excluding amounts recognised as revenue during the period | (75,034) | (78,730) |

(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 2020.

| | Consolidated |
|-------------------------------|---------------------|
| | 2020 |
| | \$'000s |
| Member fees and subscriptions | 59,881 |
| Education and CPA Program | 14,898 |
| Professional development | 101 |
| Other services | 154 |
| | 75,034 |

(d) Other income

| | Consolidated | |
|-----------------------|---------------------|----------------|
| | 2020 | 2019 |
| | \$'000s | \$'000s |
| Government assistance | 8,079 | - |

Government assistance includes various subsidies issued by governments globally in response to the COVID-19 pandemic. The Group was eligible for and received the following:

JobKeeper (Australia)

CPA Australia was eligible for fortnightly payments under the JobKeeper scheme for the period 30 March 2020 to 27 September 2020. The total amount received during this period was \$7,404,825. CPA Australia was not eligible for the first or second JobKeeper extensions.

Consistent with the government objectives of JobKeeper, financial support received allowed CPA Australia to maintain our relationship with our people and deliver ongoing support to members during 2020. This was through the retention of existing roles and employment of new roles for initiatives to support members into the future.

Job Support Scheme (Singapore)

Confirmation of eligibility was received in April 2020 with a total amount of \$349,526 received between April 2020 and October 2020. A further two payments are expected to be received in March 2021 (\$42,047) and June 2021 (\$31,535).

Employment Support Scheme (Hong Kong)

CPA Australia Hong Kong was eligible for the Employment Support Scheme for the period June 2020 to November 2020. The total amount received during this period was \$278,059.

Wage Subsidy Scheme (New Zealand)

CPA Australia New Zealand was eligible for the Wage Subsidy Scheme for the period 3 June 2020 to 26 August 2020. The total amount received during this period was \$46,370. CPA Australia New Zealand was not eligible for the Wage Subsidy Extension or the Resurgence Wage Subsidy.

All employee expenses related to the subsidies received are disclosed separately under employee benefits expense in the statement of profit or loss and other comprehensive income.

Other assistance

CPA Australia was eligible for a refund of Queensland payroll tax relating to January and February 2020 payroll tax paid. The refund of \$14,324 has been disclosed as a credit to employee benefits expense in the statement of profit or loss and other comprehensive income.

CPA Australia China was eligible for Social Insurance Relief amounting to \$191,730. The reduction of this expense is reflected in the employee benefits expense in the statement of profit or loss and other comprehensive income.

5. Finance income

| | Consolidated | |
|--------------------------------------|---------------------|----------------|
| | 2020 | 2019 |
| | \$'000s | \$'000s |
| Dividends and distributions | 2,466 | 2,882 |
| <i>Interest income on:</i> | | |
| Financial assets held as investments | 1,014 | 1,943 |
| Bank deposits | 51 | 75 |
| | 3,531 | 4,900 |

Dividends and distributions

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

Interest

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

6. Expenditure

| | Consolidated | |
|---|-----------------|-----------------|
| | 2020 \$'000s | 2019 \$'000s |
| a. Employee benefits | | |
| Salaries and other benefits | 68,889 | 60,860 |
| Defined contribution | 5,685 | 5,055 |
| Fringe benefits tax | 195 | 341 |
| Defined benefit plan | (39) | 49 |
| | 74,730 | 66,305 |
| b. Education and CPA Program expense | | |
| Exam delivery | 8,936 | 11,814 |
| Exam and content development | 5,935 | 5,953 |
| | 14,871 | 17,767 |
| c. Advertising and promotion expense | | |
| Acquisition advertising | 3,832 | 5,569 |
| Member engagement activity | 539 | 376 |
| Other | 352 | 374 |
| Sponsorships | 225 | 2,003 |
| Research prizes and grants | 174 | 182 |
| Business development activity | 154 | 324 |
| Media monitoring | 36 | 25 |
| Public practice program campaign | 32 | 709 |
| Brand activity | - | 231 |
| | 5,344 | 9,793 |
| d. Event delivery expense | | |
| Professional development events | 5,259 | 9,323 |
| Member engagement events | 1,291 | 2,440 |
| Recruitment events | 54 | 95 |
| Education events | 6 | 280 |
| | 6,610 | 12,138 |
| e. Professional services expense | | |
| Strategic investment | 6,873 | 5,530 |
| Corporate support | 3,506 | 3,070 |
| Technology projects | 1,598 | 2,670 |
| Publications | 1,460 | 934 |
| Governance | 1,369 | 663 |
| Product development and delivery | 1,191 | 756 |
| Business development activity | 966 | 809 |
| Legal | 607 | 730 |
| Professional conduct activity | 600 | 331 |
| AGM | 226 | 270 |
| Member journey mapping | - | 340 |
| Risk management and PSC scheme | - | 71 |
| | 18,396 | 16,174 |

6. Expenditure (continued)

| | Consolidated | |
|---|-----------------|-----------------|
| | 2020 \$'000s | 2019 \$'000s |
| f. Printing and communication expense | | |
| Publications | 1,828 | 3,701 |
| Telephone, internet and wan costs | 1,045 | 1,025 |
| Printing and stationery | 702 | 905 |
| Postage | 599 | 775 |
| Other | 415 | 428 |
| | 4,589 | 6,834 |
| g. Travel and catering expense | | |
| Member engagement activity | 238 | 1,278 |
| Corporate support | 302 | 755 |
| Business development activity | 227 | 1,372 |
| Board and internal audit | 276 | 906 |
| Education and professional development activity | 138 | 566 |
| Public practice activity | 77 | 492 |
| Advocacy | 47 | 475 |
| Professional conduct activity | 10 | 108 |
| Strategic projects | - | 102 |
| | 1,315 | 6,054 |
| h. Other staff costs | | |
| Agencies employment expense | 1,411 | 2,203 |
| Staff training and development | 1,087 | 668 |
| Staff recruitment | 795 | 1,325 |
| Other staff costs | 399 | 449 |
| | 3,692 | 4,645 |
| i. Other expenses | | |
| Memberships and contributions | 2,659 | 2,531 |
| Merchant fees and bank fees | 2,173 | 2,475 |
| Other | 191 | 355 |
| QA review | 190 | 2,405 |
| | 5,213 | 7,766 |

7. Taxation

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

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

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

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

CPA Australia reviewed the transfer pricing policy for the Group during 2020 and as a result, there is a slightly higher tax expense in some overseas jurisdictions. The transfer pricing policy is guided by the broader taxation policy of the Group and has regard to both the arm's length standard as set out in the Organisation for Economic Co-operation and Development Guidelines, and the local transfer pricing requirements in the jurisdictions in which the Group has a presence.

(a) Income tax recognised in profit or loss

| | Consolidated | |
|--|--------------|--------------|
| | 2020 | 2019 |
| | \$'000s | \$'000s |
| Current tax expense/(income) | | |
| Current year tax expense/(income) | - | - |
| | - | - |
| Deferred tax expense/(benefit) | | |
| Deferred tax expense/(benefit) (refer 7 (d)) | 232 | (665) |
| Tax expense overseas entities | 124 | 59 |
| Total income tax expense/(income) | 356 | (606) |

(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 | |
|--|--------------|--------------|
| | 2020 | 2019 |
| | \$'000s | \$'000s |
| Surplus before income tax | 6,347 | 4,419 |
| Income tax expense calculated at 30% | 1,904 | 1,326 |
| Tax effect of amounts which are not deductible/(taxable) in calculating taxable income: | | |
| Mutual revenue | (46,268) | (47,612) |
| Mutual expenses | 42,197 | 39,966 |
| Foreign operations revenue | (4,741) | (1,195) |
| Foreign operations expenditure | 6,228 | 7,373 |
| Other tax adjustments | 230 | (1,106) |
| | (450) | (1,248) |
| Tax effect of: | | |
| Temporary differences | 1,540 | 497 |
| Derecognition of prior year tax losses as deferred assets | (858) | - |
| Current year unused tax losses not recognised as deferred assets | - | 86 |
| Impact of tax in foreign jurisdictions | 124 | 59 |
| | 806 | 642 |
| Total income tax expense/(income) | 356 | (606) |

Non-mutual operating and investment revenue totalled \$22.2m in 2020 (2019: \$22.2m). Non-mutual operating expenditure totalled \$19m in 2020 (2019: \$21.6m). This gives rise to a non-mutual taxable surplus of \$3.2m (2019: \$1.3m) prior to any tax adjustments.

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

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

(c) Income tax recognised in other comprehensive income

| | Consolidated | |
|--|--------------|------------|
| | 2020 | 2019 |
| | \$'000s | \$'000s |
| Deferred tax expense/(benefit) arising on the fair value remeasurement of equity investments at FVOCI (refer 7(d)) | (289) | 986 |
| Deferred tax expense/(benefit) arising on the fair value remeasurement of debt instruments at FVOCI (refer 7(d)) | 57 | - |
| Total income tax recognised in other comprehensive income | (232) | 986 |

The deferred tax expense arising on the fair value measurement of equity investments and debt instruments is included in the changes in the fair value of equity investments and debt instruments in other comprehensive income in the statement of profit or loss and other comprehensive income.

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

| | Opening balance 2019 | Recognised in profit or loss | Recognised in other comprehensive income | Recognised on transition to AASB 16 | Consolidated |
|-------------------------------|----------------------|------------------------------|--|-------------------------------------|-----------------------------------|
| | | | | | Re-classification to deferred tax |
| | \$'000s | \$'000s | \$'000s | \$'000s | \$'000s |
| Investments | (1,482) | (912) | (986) | - | - |
| Property, plant and equipment | (204) | 204 | - | - | - |
| Employee benefits | 277 | 31 | - | - | - |
| Provisions | 90 | (55) | - | - | - |
| Leases | - | 230 | - | 340 | - |
| Tax losses | 1,305 | 1,162 | - | - | - |
| Foreign subsidiaries | - | 19 | - | - | 48 |
| FX revaluation | 14 | (14) | - | - | - |
| | - | 665 | (986) | 340 | 48 |

| Closing balance 2019 | Recognised in profit or loss | Recognised in other comprehensive income | Closing balance 2020 |
|----------------------|------------------------------|--|----------------------|
| \$'000s | \$'000s | \$'000s | \$'000s |
| (3,380) | (356) | 232 | (3,504) |
| - | (390) | - | (390) |
| 308 | (56) | - | 252 |
| 35 | (18) | - | 17 |
| 570 | (720) | - | (150) |
| 2,467 | 1,308 | - | 3,775 |
| 67 | - | - | 67 |
| - | - | - | - |
| 67 | (232) | 232 | 67 |

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

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

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

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

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

Income taxes relating to items recognised directly in equity are recognised in equity and not in the statement of profit or loss and other comprehensive income.

(e) Deferred tax assets not brought to account

Deferred tax assets (DTAs) not brought to account are as follows:

| | Consolidated | |
|-----------------------------------|--------------|---------|
| | 2020 | 2019 |
| | \$'000s | \$'000s |
| Tax losses not recognised as DTAs | 1,472 | 2,329 |

8. Cash and cash equivalents

| | Consolidated | |
|--------------------------|---------------|---------------|
| | 2020 | 2019 |
| | \$'000s | \$'000s |
| Current | | |
| Cash at bank and in hand | 38,059 | 44,486 |
| Deposits at call | 4,500 | 44,000 |
| | 42,559 | 88,486 |

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.

Cash and cash equivalents decreased due to the purchase of investments during the year and higher deposits less than one year but greater than 90 days.

Reconciliation of profit after income tax to net cash

| | Consolidated | |
|--|---------------|---------------|
| | 2020 | 2019 |
| | \$'000s | \$'000s |
| Inflow from operating activities | | |
| Surplus for the year | 5,991 | 5,025 |
| Plus/(minus) non-operating items: | | |
| Interest and dividend income received | (3,531) | (4,900) |
| Net gain/(loss) on sale of property, plant and equipment | (15) | - |
| Net gain/(loss) on sale of financial assets at FVTPL | 95 | 118 |
| Plus/(minus) non-cash items: | | |
| Depreciation and amortisation | 12,958 | 12,235 |
| Foreign exchange translation | 199 | (105) |
| Provision for impairment | 479 | 42 |
| Add-back loss allowance on trade receivables | 440 | 58 |
| Deferred tax adjustment | 256 | (665) |
| Make-good expense/(gain) | (312) | (81) |
| Gain/loss on revaluation of financial assets at FVTPL | (1,186) | (3,043) |
| Lease rental concessions | (146) | - |
| Finance cost | 35 | 42 |
| Change in assets and liabilities: | | |
| (Increase)/decrease in receivables | 245 | 281 |
| (Increase)/decrease in other assets | (161) | 571 |
| Increase/(decrease) in payables | 6,936 | 589 |
| Increase/(decrease) in subscriptions and fees in advance | (3,696) | 2,938 |
| Increase/(decrease) in other liabilities | - | (1,500) |
| Increase/(decrease) in provisions | (1,221) | 1,990 |
| Net cash inflow from operating activities | 17,366 | 13,595 |

9. Trade and other receivables

| | Consolidated | |
|--|--------------|---------|
| | 2020 | 2019 |
| | \$'000s | \$'000s |
| Current assets | | |
| Trade and other receivables | 2,378 | 2,578 |
| Loss allowance | (94) | (49) |
| | 2,284 | 2,529 |
| Other receivables | | |
| Accrued interest on bank deposits | 1 | 6 |
| Accrued interest on financial assets at amortised cost | 5 | 61 |
| | 6 | 67 |
| | 2,290 | 2,596 |

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

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

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

| Movement in loss allowance | Consolidated | |
|-----------------------------------|--------------|---------|
| | 2020 | 2019 |
| | \$'000s | \$'000s |
| Balance at 1 January under AASB 9 | 49 | 42 |
| Amounts recovered | - | (18) |
| Remeasurement of loss allowance | 45 | 25 |
| Balance at the end of the year | 94 | 49 |

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

10. Other assets

| | Consolidated | |
|----------------------------|--------------|---------|
| | 2020 | 2019 |
| | \$'000s | \$'000s |
| Current | | |
| Defined benefit plan | - | 355 |
| Prepayments | 5,559 | 5,270 |
| | 5,559 | 5,625 |
| Non-current | | |
| Security deposit and other | 526 | 299 |
| | 526 | 299 |

Defined benefit plan

Detailed discussions relating to the defined benefit plan are provided in Note 23.

11. Other financial assets

| | Consolidated | |
|---|--------------|---------|
| | 2020 | 2019 |
| | \$'000s | \$'000s |
| Current | | |
| Deposits greater than 90 days, less than one year | 54,268 | 30,270 |
| | 54,268 | 30,270 |
| Non-current | | |
| Annuities | - | 1,000 |
| Financial assets at fair value through profit or loss (FVTPL) | 56,237 | 49,698 |
| Financial assets at fair value through other comprehensive income (FVOCI) | 37,517 | 26,789 |
| | 93,754 | 77,487 |

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

12. Property, plant and equipment

| | Consolidated | | | | Total |
|---|---------------------|---|-----------------------------|--------------------------------|-----------------|
| | Building at cost | Plant, equipment and leasehold improvements at cost | Library books at cost | Capital work in progress | |
| | \$'000s | \$'000s | \$'000s | \$'000s | \$'000s |
| Gross carrying amount | | | | | |
| Balance at 1 January 2019 | 3,800 | 40,964 | 56 | - | 44,820 |
| Additions | - | 1,572 | 8 | 2,923 | 4,503 |
| Disposals | - | (597) | (13) | - | (610) |
| Transfers to/from asset class | - | 949 | - | (949) | - |
| Balance at 1 January 2020 | 3,800 | 42,888 | 51 | 1,974 | 48,713 |
| Additions | - | 274 | 12 | 26,280 | 26,566 |
| Derecognition of assets | - | (15,755) | (8) | - | (15,763) |
| Transfers to/from asset class | - | 27,304 | - | (27,304) | - |
| Balance at 31 December 2020 | 3,800 | 54,711 | 55 | 950 | 59,516 |
| Accumulated depreciation and impairment | | | | | |
| Balance at 1 January 2019 | (1,596) | (33,024) | (22) | - | (34,642) |
| Disposals | - | 557 | 13 | - | 570 |
| Depreciation | (76) | (3,625) | (11) | - | (3,712) |
| Balance at 1 January 2020 | (1,672) | (36,092) | (20) | - | (37,784) |
| Derecognition of assets | - | 13,984 | 8 | - | 13,992 |
| Depreciation | (76) | (4,587) | (11) | - | (4,674) |
| Balance at 31 December 2020 | (1,748) | (26,695) | (23) | - | (28,466) |
| Net book value | | | | | |
| Property, plant and equipment as at 31 December 2019 | 2,128 | 6,796 | 31 | 1,974 | 10,929 |
| Property, plant and equipment as at 31 December 2020 | 2,052 | 28,016 | 32 | 950 | 31,050 |

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

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

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

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

Land and buildings

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

Lease restoration

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

Impairment

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

Sale of non-current assets

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

13. Intangible assets

| | Consolidated | | |
|---|------------------------------|---|-----------------|
| | Intangible assets at cost | Capital work in progress – intangible assets | Total |
| | \$'000s | \$'000s | \$'000s |
| Gross carrying amount | | | |
| Balance at 1 January 2019 | 33,861 | 329 | 34,190 |
| Additions | - | 171 | 171 |
| Disposals | - | - | - |
| Transfers to/from asset class | 448 | (448) | - |
| Balance at 1 January 2020 | 34,309 | 52 | 34,361 |
| Additions | - | 2,334 | 2,334 |
| Derecognition of assets | (1,467) | - | (1,467) |
| Transfers to/from asset class | 1,116 | (1,116) | - |
| Balance at 31 December 2020 | 33,958 | 1,270 | 35,228 |
| Accumulated amortisation and impairment | | | |
| Balance at 1 January 2019 | (31,852) | - | (31,852) |
| Disposals | - | - | - |
| Amortisation and impairment | (1,280) | - | (1,280) |
| Balance at 1 January 2020 | (33,132) | - | (33,132) |
| Derecognition of assets | 1,467 | - | 1,467 |
| Amortisation and impairment | (845) | - | (845) |
| Balance at 31 December 2020 | (32,510) | - | (32,510) |
| Net book value | | | |
| Intangible assets as at 31 December 2019 | 1,177 | 52 | 1,229 |
| Intangible assets as at 31 December 2020 | 1,448 | 1,270 | 2,718 |

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

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

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

Website costs

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

Impairment of intangible assets

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

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

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

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

14. Leases

(a) Right-of-use asset

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

| | Consolidated |
|---|--------------------------|
| | Leased properties |
| | \$'000s |
| Gross carrying amount | |
| Balance at 1 January 2019 | 23,989 |
| Additions/modification to right-of-use assets | 21,352 |
| Derecognition of right-of-use assets | (64) |
| Foreign exchange movements | 34 |
| Balance at 1 January 2020 | 45,311 |
| Additions/modification to right-of-use assets | 7,533 |
| Derecognition of right-of-use assets | (287) |
| Foreign exchange movements | (634) |
| Balance at 31 December 2020 | 51,923 |
| Accumulated depreciation | |
| Balance at 1 January 2019 | - |
| Depreciation | (7,243) |
| Derecognition of right-of-use assets | 64 |
| Foreign exchange movements | 18 |
| Balance at 1 January 2020 | (7,161) |
| Depreciation | (7,439) |
| Derecognition of right-of-use assets | 287 |
| Foreign exchange movements | 477 |
| Balance at 31 December 2020 | (13,836) |
| Net book value | |
| Right-of-use asset as at 31 December 2019 | 38,150 |
| Right-of-use asset as at 31 December 2020 | 38,087 |

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

All leases are accounted for by recognising a right-of-use asset and a lease liability except for leases of low-value assets and leases with a duration of 12 months or less. Lease payments associated with these leases are recognised as an expense in the statement of profit or loss and other comprehensive income over the lease term.

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

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

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

(b) Lease liabilities

| | Consolidated | |
|--------------------------|--------------|---------|
| | 2020 | 2019 |
| | \$'000s | \$'000s |
| Lease Liabilities | | |
| Current | 9,456 | 2,609 |
| Non-current | 44,174 | 42,956 |
| | 53,630 | 45,565 |

| | Leased properties |
|--|-------------------|
| | \$'000s |
| Reconciliation of lease liability | |
| Balance at 1 January 2019 | 32,432 |
| Additions/modification | 21,352 |
| Interest expense | 1,507 |
| Lease payments | (9,745) |
| Foreign exchange movements | 19 |
| Balance at 1 January 2020 | 45,565 |
| Additions/modification | 7,533 |
| Interest expense | 1,678 |
| Lease payments | (9,839) |
| Lease rental concessions | (146) |
| Lease incentives received | 9,027 |
| Foreign exchange movements | (188) |
| Balance at 31 December 2020 | 53,630 |

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

Generally, the Group uses its incremental borrowing rate as the discount rate which is determined by obtaining interest rates from various external financing sources. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term.

The Group has early adopted AASB 2020-4 *Amendments to Australian Accounting Standards – COVID-19-Related Rent Concessions* and applied the practical expedient consistently to eligible rent concessions. During 2020 the Group received a total of \$146,311 in rental concessions related to properties leased in Malaysia and Singapore. The amount has been treated as a credit to rent and outgoings in the statement of profit or loss and other comprehensive income.

Service charges are not included in the calculation of lease liabilities and are expensed in the statement of profit or loss and other comprehensive income. Other variable lease payments are expensed in the period to which they relate.

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

- Amounts expected to be payable under any residual value guarantee
- The exercise price of any purchase option granted in favour of the Company if it is reasonably certain to assess that option
- Any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

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

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

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

- If the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy
- In all other cases where renegotiating increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount

- If the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial or full termination of the lease with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

Extension options

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

The Group has estimated that the potential future lease payments, should it exercise the extension option, would result in an increase in lease liability of \$16m.

| | Consolidated | |
|--------------------------------------|-----------------|-----------------|
| | 2020 \$'000s | 2019 \$'000s |
| Lease commitments[^] | | |
| Less than one year | 9,456 | 2,615 |
| One to two years | 8,226 | 5,845 |
| Two to three years | 6,900 | 6,574 |
| Three to four years | 5,955 | 5,717 |
| Four to five years | 5,998 | 5,424 |
| More than five years | 33,548 | 36,725 |
| Total | 70,083 | 62,900 |

[^] Lease commitments reflect the contractual undiscounted cash flows. The 2019 comparative numbers have been restated accordingly.

15. Provisions

| | Consolidated | |
|----------------------------------|-----------------|-----------------|
| | 2020 \$'000s | 2019 \$'000s |
| Current | | |
| Employee benefits | 5,825 | 6,335 |
| Restoration of leased properties | 348 | 554 |
| | 6,173 | 6,889 |
| Non-current | | |
| Employee benefits | 1,008 | 464 |
| Restoration of leased properties | 2,099 | 3,148 |
| | 3,107 | 3,612 |
| | 9,280 | 10,501 |

Employee benefits

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

Employee benefits expected to be settled within one year after the end of the period in which the employees render the service have been measured at the amounts expected to be paid when the liabilities are settled and 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 remeasurements arising from experience adjustments and changes in assumptions are recognised in profit or loss in the periods in which the changes occur.

| | Consolidated | |
|---|--------------|------|
| | 2020 | 2019 |
| Employee numbers | | |
| Average number of full-time equivalent employees (FTEs) during the financial year | 525 | 488 |

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 remeasured if required.

In 2020, the provision was remeasured based on changes in expected costs to restore applicable sites, to the lease terms, inflation and discount rates. This resulted in a decrease to the provision.

| | Consolidated | |
|--|-----------------|-----------------|
| | 2020 \$'000s | 2019 \$'000s |
| Balance at 1 January | 3,702 | 2,182 |
| Provision charged/(credited) to plant and equipment | (978) | 1,571 |
| Provision charged/(credited) to profit or loss | (312) | (93) |
| Unwinding of discount and effect of changes in the discount rate | 35 | 42 |
| Balance as at 31 December | 2,447 | 3,702 |

16. Other liabilities

| | Consolidated | |
|--|--------------|---------|
| | 2020 | 2019 |
| | \$'000s | \$'000s |
| Current | | |
| Subscriptions and fees received in advance | 75,034 | 78,730 |
| | 75,034 | 78,730 |

17. Parent entity disclosure

| | Consolidated | |
|--------------------------------------|----------------|----------------|
| | 2020 | 2019 |
| | \$'000s | \$'000s |
| Financial position | | |
| Assets | | |
| Current assets | 99,992 | 122,952 |
| Non-current assets | 165,406 | 128,431 |
| Total assets | 265,398 | 251,383 |
| Liabilities | | |
| Current liabilities | 109,832 | 101,209 |
| Non-current liabilities | 46,153 | 46,340 |
| Total liabilities | 155,985 | 147,549 |
| Members' funds | | |
| Retained surplus | 104,325 | 97,261 |
| Reserves | | |
| Investment revaluation reserve | 5,447 | 6,010 |
| Foreign currency translation reserve | (359) | 563 |
| Total members' funds | 109,413 | 103,834 |

| | 2020 | 2019 |
|---|--------------|--------------|
| | \$'000s | \$'000s |
| Financial performance | | |
| Surplus for the year | 6,298 | 4,492 |
| Other comprehensive (expense)/income net of tax | (165) | 2,230 |
| Total comprehensive income for the year | 6,133 | 6,722 |

As at 31 December 2020 current liabilities are \$9.8m greater than current assets. This is mainly due to investments purchased during the year being classified as non-current assets based on the Group's intention to realise these assets. It is also impacted by deferred revenue, a non-cash item being classified as a current liability. The Company has sufficient liquidity to pay its debts as and when they become due and payable.

Loan to subsidiary

All amounts previously loaned by the parent entity to CPA Australia Advice Pty Ltd were forgiven in full on 30 September 2019.

18. Commitments

| | Consolidated | |
|--|---------------|---------------|
| | 2020 | 2019 |
| | \$'000s | \$'000s |
| Other non-cancellable contractual commitments[^] | | |
| Not later than one year | 4,265 | 1,424 |
| Later than one year but not later than five years | 2,503 | 1,343 |
| Later than five years | 13,810 | 15,419 |
| | 20,578 | 18,186 |

[^] Non-cancellable contractual commitments include the contribution to the strata administration and capital works fund in respect of the Sydney premises. The 2019 comparative numbers have been restated accordingly.

Other contractual commitments

Other non-cancellable commitments include the Group's contribution to the strata administration and capital works fund in respect of the Sydney premises, software development costs and software licensing agreements.

The Group has no contractual commitments for the acquisition of property, plant and equipment as at the end of the reporting period.

Other commitments

In 2021, the Group will continue to support the following organisations: APESB, IFAC and the IIRC.

The Group has provided support in 2020 to IFAC in the pursuit of their objectives. The contribution for the 2020 year was \$1,632,004 (2019: \$1,548,707).

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 2020 year were \$473,500 (2019: \$495,478).

The Group has provided support in 2020 to the IIRC in the pursuit of their objectives. The contribution for the 2020 year was \$78,590 (2019: \$66,627).

These contributions are included in other expenses in the statement of profit or loss and other comprehensive income.

19. Limitation of members' liability

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

20. Related parties

(a) Key management personnel

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

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

Non-executive Directors

| Name | Title | Appointed/resigned | Term end date |
|-------------------|---------------------------------------|----------------------------|-------------------|
| Merran Kelsall | President and Chairman | Reappointed 1 October 2020 | 30 September 2023 |
| Dale Pinto | Deputy President | Appointed 1 October 2018 | 30 September 2021 |
| Enrico De Santi | Deputy President | Reappointed 1 October 2018 | 30 September 2021 |
| Peter Wilson | Director and immediate Past President | Reappointed 1 October 2019 | 30 September 2022 |
| Su-Yen Wong | Director | Appointed 1 October 2018 | 30 September 2021 |
| Robyn Erskine | Director | Resigned 4 March 2021 | Not applicable |
| Louise Cox | Director | Appointed 1 October 2019 | 30 September 2022 |
| Helen Lorigan | Director | Reappointed 1 October 2020 | 30 September 2023 |
| Rosemary Sinclair | Director | Reappointed 1 October 2020 | 30 September 2023 |
| Michaela Browning | Director | Appointed 31 December 2020 | 30 September 2023 |
| Chin Aik Wong | Former Deputy President | Retired 30 September 2020 | Not applicable |

Executives

| | | |
|----------------|--|-------------------------|
| Andrew Hunter | Chief Executive Officer | |
| Nicholas Diss | Chief Financial Officer Director – CPA Australia (Shanghai) Co., Ltd Director – CPA Australia Advice Pty Ltd | |
| Karen Hellwig | Executive General Manager Member Experience | |
| Meg Yeates | Executive General Manager Marketing | |
| Simon Eassom | Executive General Manager Member Education | |
| Deborah Leung | Executive General Manager International Director – CPA Australia (Shanghai) Co., Ltd | |
| Farid Jarrar | Chief Information and Digital Officer | |
| Rowena Buddee | Executive General Manager Public Practice Professional Standards | |
| Gary Pflugrath | Executive General Manager Policy and Advocacy | |
| Erica Traicos | Executive General Manager People and Culture | Ceased 31 December 2020 |

(b) Compensation of key management personnel

(i) Director compensation

Directors are remunerated in accordance with the provisions of the Constitution, the changes being adopted at the AGM in 2018. Director remuneration for 2020 was below the pooled amount for 10 Directors, calculated under the Constitution. From 1 October 2019 to 30 September 2020, the pooled amount for 10 Directors was \$1,010,267. From 1 October 2020 to 30 September 2021, the pooled amount was decreased to \$997,775. The annual remuneration paid to the Directors in 2020 is set out in Note 20, section (c) – key management personnel.

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

Director Michaela Browning is a long-standing senior executive of the Australian diplomatic corps and brings to the Board a deep understanding of industry and international relations in regions where CPA Australia operates. She is currently CEO of the National Foundation for Australia China Relations, prior to which she served as Australia's Consul-General in Hong Kong from 2017 until early 2020. As, and while, an Australian public servant, Michaela has asked to perform the role on a pro bono basis effective from her appointment on 31 December 2020.

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 Nomination Committee, members were entitled to receive a maximum amount of \$450 per hour, capped at a total of \$50,000 per annum.

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

(ii) Executive compensation

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

TSC equals total gross remuneration plus the employer superannuation contribution. Remuneration reviews are conducted annually and any salary increases following on from these reviews will normally be effective from 1 January each year. Remuneration of the CEO and direct reports of the CEO 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 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.

During 2020 to support the organisation's response to COVID-19 the CEO and the executive management team have voluntarily forgone their entitlement to an incentive payment in 2020.

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.

(c) 2020 Compensation – key management personnel

| Name | Company | Position |
|---|-----------------------------------|---|
| Non-executive Directors | | |
| Merran Kelsall ⁽⁴⁾ | CPA Australia Limited | Chairman and President |
| Dale Pinto ⁽⁵⁾ | CPA Australia Limited | Deputy President |
| Enrico De Santi ⁽⁵⁾⁽⁶⁾ | CPA Australia Limited | Deputy President |
| Peter Wilson ⁽⁹⁾ | CPA Australia Limited | Director and immediate past President |
| Robyn Erskine ⁽¹¹⁾ | CPA Australia Limited | Director |
| Helen Lorigan | CPA Australia Limited | Director |
| Rosemary Sinclair | CPA Australia Limited | Director |
| Su-Yen Wong | CPA Australia Limited | Director |
| Louise Cox | CPA Australia Limited | Director |
| Michaela Browning ⁽⁷⁾ | CPA Australia Limited | Director |
| Chin Aik Wong ⁽¹⁰⁾ | CPA Australia Limited | Former Deputy President |
| Total non-executive Directors | | |
| Executives | | |
| Andrew Hunter | CPA Australia Limited | Chief Executive Officer |
| Nicholas Diss | CPA Australia Limited | Chief Financial Officer |
| | CPA Australia (Shanghai) Co., Ltd | Director |
| | CPA Australia Advice Pty Ltd | Director |
| Karen Hellwig | CPA Australia Limited | Executive General Manager Member Experience |
| Meg Yeates | CPA Australia Limited | Executive General Manager Marketing |
| Simon Eassom | CPA Australia Limited | Executive General Manager Member Education |
| Farid Jarrar | CPA Australia Limited | Chief Information and Digital Officer |
| Deborah Leung | CPA Australia Limited | Executive General Manager International |
| | CPA Australia (Shanghai) Co., Ltd | Director |
| Rowena Buddee | CPA Australia Limited | Executive General Manager Public Practice Professional Standards |
| Gary Pflugrath | CPA Australia Limited | Executive General Manager Policy and Advocacy |
| Erica Traicos ⁽⁸⁾ | CPA Australia Limited | Executive General Manager People and Culture |
| Kerry Mayne | CPA Australia Limited | Former Executive General Manager Business Development |
| Liz Malady | CPA Australia Limited | Former Executive General Manager People and Culture |
| Craig Laughton | CPA Australia Limited | Former Executive General Manager Policy, Advocacy and Public Practice |
| Total executives | | |
| Total non-executive Directors and executives | | |

Notes:

- (1) Includes annual leave entitlements accrued during 2020.
(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) Elected as President and Chairman effective 1 October 2020.
(5) Elected as Deputy President effective 1 October 2020.

| | Short-term employee benefits | | | Post-employment benefits | Other long-term benefits ⁽³⁾ | Total 2020 (excl. termination benefits) | Termination benefits | Total 2020 (incl. termination benefits) | Total 2019 |
|--|--------------------------------|-------|----------------------|--------------------------|---|---|----------------------|---|------------|
| | Salary and fees ⁽¹⁾ | Bonus | Other ⁽²⁾ | | | | | | |
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| | 129,521 | - | - | 12,304 | - | 141,825 | - | 141,825 | 113,375 |
| | 77,968 | - | - | 7,407 | - | 85,375 | - | 85,375 | 75,875 |
| | - | - | - | - | - | - | - | - | - |
| | 180,708 | - | - | 17,167 | - | 197,875 | - | 197,875 | 225,875 |
| | 72,032 | - | - | 6,843 | - | 78,875 | - | 78,875 | 83,375 |
| | 72,032 | - | - | 6,843 | - | 78,875 | - | 78,875 | 75,875 |
| | 72,032 | - | - | 6,843 | - | 78,875 | - | 78,875 | 75,875 |
| | 72,032 | - | - | 6,843 | - | 78,875 | - | 78,875 | 75,875 |
| | 72,032 | - | - | 6,843 | - | 78,875 | - | 78,875 | 19,625 |
| | - | - | - | - | - | - | - | - | - |
| | 79,452 | - | - | 7,548 | - | 87,000 | - | 87,000 | 113,375 |
| | 827,809 | - | - | 78,641 | - | 906,450 | - | 906,450 | 859,125 |
| | 754,047 | - | 2,745 | 21,348 | 12,390 | 790,530 | - | 790,530 | 942,705 |
| | 340,173 | - | 2,015 | 25,000 | 5,491 | 372,679 | - | 372,679 | 414,194 |
| | - | - | - | - | - | - | - | - | - |
| | - | - | - | - | - | - | - | - | - |
| | 319,557 | - | 1,198 | 25,000 | 5,215 | 350,970 | - | 350,970 | 406,938 |
| | 261,280 | - | 1,014 | 24,863 | 4,391 | 291,548 | - | 291,548 | 314,135 |
| | 397,626 | - | 2,448 | 25,000 | 6,400 | 431,474 | - | 431,474 | 516,462 |
| | 332,693 | - | 1,484 | 25,000 | 5,619 | 364,796 | - | 364,796 | 433,058 |
| | 440,121 | - | - | 18,457 | 6,275 | 464,853 | - | 464,853 | 528,698 |
| | - | - | - | - | - | - | - | - | - |
| | 256,930 | - | 148 | 24,646 | 6,785 | 288,509 | - | 288,509 | 101,414 |
| | 288,158 | - | - | 25,000 | 4,757 | 317,915 | - | 317,915 | 106,238 |
| | 272,287 | - | 1,533 | 24,726 | - | 298,546 | 118,750 | 417,296 | 97,333 |
| | - | - | - | - | - | - | - | - | 312,662 |
| | - | - | - | - | - | - | - | - | 312,944 |
| | - | - | - | - | - | - | - | - | 191,909 |
| | 3,662,872 | - | 12,585 | 239,040 | 57,323 | 3,971,820 | 118,750 | 4,090,570 | 4,678,690 |
| | 4,490,681 | - | 12,585 | 317,681 | 57,323 | 4,878,270 | 118,750 | 4,997,020 | 5,537,815 |

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

(7) Ms Browning elected to perform her Director duties on a pro bono basis from 31 December 2020.

(8) Annual leave entitlements totalling \$19,160 were also paid on termination; this amount is not included in the termination payment.

(9) Term as Chair ended on 30 September 2020.

(10) Term as Deputy President ended on 30 September 2020.

(11) Resigned as Director effective 4 March 2021.

(d) Loans and amounts owing to key management personnel

There are no loans between key management personnel and the Group.

Director fees of \$1,725 have been accrued in respect of Andrew Heng, a Director of CPA Australia (M) Sdn. Bhd. and are payable in early 2021.

(e) Other transactions of key management personnel and key management personnel-related entities

Priya Dharshini Terumalay, Country Head Malaysia, is a Director of CPA Australia (M) Sdn. Bhd. and a Director of CPA Australia (Shanghai) Co., Ltd. Nicholas Diss, CFO is a Director of CPA Australia (Shanghai) Co. Ltd and CPA Advice Pty Ltd and Deborah Leung, Country Head Greater China and Executive General Manager International is a Director of CPA Australia (Shanghai) Co. Ltd.

In February 2021, a transaction between CPA Australia and Brooke Bird to the value of \$10,000 (excl GST) was identified. Robyn Erskine a Director of CPA Australia Ltd is also a Partner of Brooke Bird and has a controlling interest in Brooke Bird. The transaction was on arm's length commercial terms to develop education manuals and materials. As this transaction was in the 2021 financial year it will be brought to account in 2021 and disclosed as a 2021-related party transaction in the Group's 2021 financial statements.

There are no other transactions with key management personnel and key management personnel related entities.

The 2020 annual financial report has been audited by KPMG Australia.

Any activity that involves the engagement of the company auditor must adhere to the Board-endorsed principles and requires the prior approval of the Board Audit, Risk and Compliance Committee to ensure there is no conflict of interest. As a general principle, the use of the external auditor is limited to the provision of statutory audit work and non-discretionary audit-related work. Where the statutory auditor is deemed to be the most appropriate to deliver professional development, article authoring or CPA Program authoring, this is to be documented and provided to the Board Audit, Risk and Compliance Committee for endorsement quarterly.

Offshore divisions can enter into 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 2020, the Hong Kong division received local sponsorship for a charity run from KPMG.

21. Auditor remuneration

| | Consolidated | |
|--|----------------|----------------|
| | 2020 | 2019 |
| | \$ | \$ |
| Auditor of parent entity, Australia subsidiaries and New Zealand branch | | |
| Audit of financial report | 259,390 | 253,314 |
| Other assurance services | 95,185 | 56,700 |
| Non-audit services – tax compliance | - | - |
| Affiliated firms | | |
| Audit of financial reports for overseas subsidiaries and branches | 97,443 | 69,868 |
| Other assurance services | - | - |
| | 452,018 | 379,882 |
| Other non-KPMG audit firms | | |
| Audit of financial reports for overseas branches | - | 19,112 |
| | - | 19,112 |

22. Investment in controlled entities

| Investment in controlled entities | Class of share | Entity interest | | Amount of investment | |
|-----------------------------------|----------------|-----------------|------|----------------------|-----------|
| | | 2020 | 2019 | 2020 | 2019 |
| | | % | % | \$ | \$ |
| Controlled entity | | | | | |
| CPA Australia (M) Sdn. Bhd. | Ordinary | 100 | 100 | 160,127 | 160,127 |
| CPA Australia (Shanghai) Co., Ltd | Ordinary | 100 | 100 | 1,206,987 | 1,206,987 |
| CPA Australia Advice Pty Ltd | Ordinary | 100 | 100 | 1 | 1 |

The amount of investment represents the historical capital invested into each entity, which may be different to the fair value of that investment. The historical capital invested into CPA Australia Advice Pty Ltd of \$17,060,464 has been written down to \$1.

CPA Australia (M) Sdn. Bhd. is incorporated in Malaysia to facilitate the provision of services to members in Malaysia.

CPA Australia (Shanghai) Co., Ltd is incorporated in China to facilitate the provision of services to members in China.

CPA Australia Advice Pty Ltd is incorporated in Australia and provided financial advice under the AFSL and ACL.

23. Superannuation and defined benefit plan

Employees have the choice to contribute either to the Group Superannuation Plan of the ANZ Smart Choice Corporate Superannuation ('the plan') or their own nominated fund. Employees may contribute to the funds at various percentages of their total salary cost.

Eligibility to enter the defined benefit plan ceased on 31 December 1999. In consultation with the plans

Trustee's, CPA Australia was granted a 'contribution holiday' to the value of the defined benefit assets as at 31 December 2019, at which point there were no defined benefit members remaining in the Fund. During 2020 the plan operated as a deemed defined benefit plan enabling the surplus contributions to be recognised for Superannuation Guarantee (SG) purposes. The surplus in the deemed defined benefit fund has been fully utilised as at 31 December 2020.

Reconciliation of the net defined benefit liability/(asset)

| | Financial year ended | |
|--|-----------------------------|-----------------------------|
| | 31 December 2020 \$'000s | 31 December 2019 \$'000s |
| Net defined benefit liability/(asset) at start of year | (355) | (409) |
| Current service cost | (42) | 24 |
| Net interest | - | (15) |
| Actual return on fund assets less interest income | - | (18) |
| Actuarial (gains)/losses arising from liability experience | 20 | 67 |
| Employer contributions/payments | 377 | (4) |
| Net defined benefits liability/(asset) at end of year | - | (355) |

Reconciliation of the fair value of fund assets

| | Financial year ended | |
|---|-----------------------------|-----------------------------|
| | 31 December 2020 \$'000s | 31 December 2019 \$'000s |
| Fair value of fund assets at beginning of the year | 355 | 563 |
| Interest income | - | 24 |
| Actual return on fund assets less interest income | (20) | 18 |
| Employer contributions/payments | (377) | 4 |
| Contributions by fund participants | - | - |
| Benefits paid | - | (241) |
| Taxes, premiums and expenses paid | 42 | (13) |
| Fair value of fund assets at end of the year | - | 355 |

Reconciliation of the defined benefit obligation

| | Financial year ended | |
|--|-----------------------------|-----------------------------|
| | 31 December 2020 \$'000s | 31 December 2019 \$'000s |
| Present value of defined benefit obligations at beginning of the year | - | 154 |
| Current service cost | - | 24 |
| Interest cost | - | 9 |
| Contributions by fund participants | - | - |
| Actuarial (gains)/losses arising from changes in financial assumptions | - | - |
| Actuarial (gains)/losses arising from liability experience | - | 67 |
| Benefits paid | - | (241) |
| Taxes, premiums and expenses paid | - | (13) |
| Present value of defined benefit obligations at end of the year | - | - |

The percentage invested in each asset class at the reporting date is:

| | As at | |
|----------------------|------------------|------------------|
| | 31 December 2020 | 31 December 2019 |
| Australian equity | 0% | 37% |
| International equity | 0% | 22% |
| Fixed income | 0% | 28% |
| Property | 0% | 12% |
| Alternatives/other | 0% | 0% |
| Cash | 0% | 1% |

24. Financial instruments and risk management

(a) Initial recognition and subsequent measurement

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss, which are measured initially at fair value.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with AASB 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable). For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- Amortised cost
- Fair value through profit or loss (FVTPL)
- Equity instruments at fair value through other comprehensive income (FVOCI)
- Debt instruments at fair value through other comprehensive income (FVOCI).

Classifications are determined by both:

- The Group's business model for managing the financial asset
- The contractual cash flow characteristics of the financial assets.

Financial assets at amortised cost

Financial assets are measured at amortised cost only if both of the following criteria are met:

- The asset is held within a business model whose objective is to collect the contractual cash flows
- The contractual terms give rise to cash flows that are solely payments of principal and interest.

These financial assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

The Group's cash and cash equivalents, term deposits, trade receivables and loans to related parties fall into this category of financial instruments.

Financial assets at fair value through profit or loss (FVTPL)

These financial assets are mandatorily measured at FVTPL as they are debt instruments that do not qualify for measurement at either amortised cost or FVOCI. They are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets at fair value through other comprehensive income (FVOCI)

The Group classifies the following financial assets at FVOCI:

- Equity instruments that are not held for trading, and for which the Group has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the Group considers this classification to be more relevant.
- Debt securities where the contractual cash flows are solely principal and interest and the objective of the Group's business model is achieved both by collecting contractual cash flows and selling financial assets.

Equity investments at FVOCI are subsequently measured at fair value in other comprehensive income and are never reclassified to profit or loss. Dividends are recognised as income within the profit or loss unless the dividend clearly represents a return of capital.

Debt investments at FVOCI are subsequently measured at fair value in other comprehensive income and will be reclassified to profit or loss upon derecognition of the asset. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss.

Financial liabilities – trade payables

In accordance with AASB 9, the Group classifies its trade payables as other financial liabilities and these are measured at amortised cost.

Trade payables represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid as at the reporting date. The amounts are unsecured and are usually paid within 30 days of recognition. The Group's terms and conditions of purchase state payment terms of 30 days from date of invoice.

(b) Carrying amounts and fair values of financial instruments

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

Financial instruments

| | Amortised cost \$'000s | FVOCI – debt instruments \$'000s | Carrying amount | |
|--|------------------------------|--|--|------------------------------|
| | | | FVOCI – equity instruments \$'000s | FVTPL – others \$'000s |
| As at 31 December 2019 | | | | |
| Financial assets measured at fair value | | | | |
| Equities | - | - | 21,875 | - |
| Equity funds | - | - | - | 11,397 |
| Property funds | - | - | - | 2,786 |
| Securities | - | 511 | - | - |
| Securities – bonds | - | 4,403 | - | - |
| Alternatives – infrastructure | - | - | - | 3,100 |
| Alternatives | - | - | - | 1,634 |
| Hybrids | - | - | - | 30,781 |
| Total financial assets measured at fair value | - | 4,914 | 21,875 | 49,698 |
| Financial assets not measured at fair value | | | | |
| Cash and cash equivalents | 88,486 | - | - | - |
| Term deposits | 30,271 | - | - | - |
| Annuities | 1,000 | - | - | - |
| Receivables | 2,529 | - | - | - |
| Total financial assets not measured at fair value | 122,286 | - | - | - |
| Financial liabilities not measured at fair value | | | | |
| Trade payables | - | - | - | - |
| Total financial liabilities | - | - | - | - |
| As at 31 December 2020 | | | | |
| Financial assets measured at fair value | | | | |
| Equities | - | - | 26,419 | - |
| Equity funds | - | - | - | 16,230 |
| Property funds | - | - | - | 2,218 |
| Securities | - | 510 | - | - |
| Securities – bonds | - | 10,588 | - | - |
| Alternatives – infrastructure | - | - | - | 3,014 |
| Alternatives | - | - | - | 1,818 |
| Hybrids | - | - | - | 32,957 |
| Total financial assets measured at fair value | - | 11,098 | 26,419 | 56,237 |
| Financial assets not measured at fair value | | | | |
| Cash and cash equivalents | 42,559 | - | - | - |
| Term deposits | 54,268 | - | - | - |
| Annuities | - | - | - | - |
| Receivables | 2,284 | - | - | - |
| Total financial assets not measured at fair value | 99,111 | - | - | - |
| Financial liabilities not measured at fair value | | | | |
| Trade payables | - | - | - | - |
| Total financial liabilities | - | - | - | - |

| Consolidated | | Fair value | | | |
|-----------------------------|----------------|---------------|---------------|---------|---------------|
| Other financial liabilities | Total | Level 1 | Level 2 | Level 3 | Total |
| \$'000s | \$'000s | \$'000s | \$'000s | \$'000s | \$'000s |
| - | 21,875 | 21,875 | - | - | 21,875 |
| - | 11,397 | - | 11,397 | - | 11,397 |
| - | 2,786 | - | 2,786 | - | 2,786 |
| - | 511 | 511 | - | - | 511 |
| - | 4,403 | - | 4,403 | - | 4,403 |
| - | 3,100 | - | 3,100 | - | 3,100 |
| - | 1,634 | - | 1,634 | - | 1,634 |
| - | 30,781 | 3,663 | 27,118 | - | 30,781 |
| - | 76,487 | 26,049 | 50,438 | - | 76,487 |
| - | 88,486 | - | - | - | - |
| - | 30,271 | - | - | - | - |
| - | 1,000 | - | - | - | - |
| - | 2,529 | - | - | - | - |
| - | 122,286 | - | - | - | - |
| 10,468 | 10,468 | - | - | - | - |
| 10,468 | 10,468 | - | - | - | - |
| - | 26,419 | 26,419 | - | - | 26,419 |
| - | 16,230 | - | 16,230 | - | 16,230 |
| - | 2,218 | - | 2,218 | - | 2,218 |
| - | 510 | 510 | - | - | 510 |
| - | 10,588 | - | 10,588 | - | 10,588 |
| - | 3,014 | - | 3,014 | - | 3,014 |
| - | 1,818 | - | 1,818 | - | 1,818 |
| - | 32,957 | 4,144 | 28,813 | - | 32,957 |
| - | 93,754 | 31,073 | 62,681 | - | 93,754 |
| - | 42,559 | - | - | - | - |
| - | 54,268 | - | - | - | - |
| - | - | - | - | - | - |
| - | 2,284 | - | - | - | - |
| - | 99,111 | - | - | - | - |
| 16,801 | 16,801 | - | - | - | - |
| 16,801 | 16,801 | - | - | - | - |

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities at the end of the reporting period.

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices). Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2.

Level 3 fair value measurements are those that are valued in whole or in part using valuation techniques or models that are based on unobservable inputs that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data.

There were no transfers between levels during the year.

(c) Risk management objectives and policies

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

The Group focuses on actively securing its short to medium-term cash flows by minimising the exposure to financial markets. Long-term financial investments are managed to generate maximum member returns while not exposing the Group to a high level of risk. Investment of funds is in line with the Group's Cash and Investment Policy.

The most significant financial risks to which the Group is exposed are described below.

| Annual risk by risk type | Minimum | | Average | | Maximum | |
|--------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | 2020 \$'000s | 2019 \$'000s | 2020 \$'000s | 2019 \$'000s | 2020 \$'000s | 2019 \$'000s |
| Foreign exchange | 211 | 510 | 1,017 | 2,457 | 1,941 | 4,691 |

(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 \$1.3m (2019 \$1.1m) due to changes in fair value.

(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 2020, the depreciation of the Australian dollar against the currencies where substantial cash is held resulted in a foreign exchange loss of \$0.2m for the full year.

The following table illustrates the sensitivity of profit for 2020 and intercompany loan amounts to shifts in foreign exchange rates. Minimum and maximum exposure is calculated at shifts of 1 per cent and 10 per cent change in exchange rates respectively.

(iv) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has a policy of only dealing with creditworthy counter parties as a means of mitigating the risk of financial loss from defaults. The exposure is continuously monitored and limits reviewed annually.

Trade receivables consist of members and customers, spread across diverse industries and geographical areas. The Group does not have any significant credit risk exposure to any single party or any group of counter parties having similar characteristics. The credit risk on liquid funds and term deposits is mitigated by ensuring the authorised deposit taking institutions have a minimum S&P credit rating of BBB+ (or Moody's/Fitch equivalent).

The credit risk on financial assets of the Group which have been recognised on the statement of financial position is generally the carrying amount, net of any loss allowance. Use of off balance-sheet financial instruments is not part of current policy. Trade receivables are concentrated in Australia and the concentration of credit risk arises mainly in the following industries:

- Advertising and sponsors
- Accounting practices
- Credit services.

Impairment of financial assets

AASB 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit losses (ECL) model'. The Group has two types of financial assets that are subject to the ECL model:

- Trade receivables
- Debt instruments carried at FVOCI.

The Group considers a broad range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument. In applying this forward-looking approach, a distinction is made between:

- Financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1')
- Financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Trade and other receivables

The Group makes use of a simplified approach in accounting for trade and other receivables and records the loss allowance at the amount equal to the expected lifetime credit losses. In using this practical expedient, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix. The Group assesses impairment of trade receivables on a collective basis as they possess credit risk characteristics based on the days past due. Based on its analysis, the Group has allowed 5.39 per cent for all amounts, which is based on an average loss over the past five years.

The loss allowance as at 31 December 2020 was determined as follows for trade receivables:

| | Consolidated | | | | Total |
|---|--------------|----------------------------|----------------------------|----------------------------|-----------|
| | Current | More than 30 days past due | More than 60 days past due | More than 90 days past due | |
| | \$'000s | \$'000s | \$'000s | \$'000s | \$'000s |
| 31 December 2019 | | | | | |
| Expected loss rate | 2.09% | 2.09% | 2.09% | 2.09% | - |
| Gross carrying amount – trade receivables | 1,333 | 486 | 436 | 109 | 2,364 |
| Loss allowance | 28 | 10 | 9 | 2 | 49 |
| 31 December 2020 | | | | | |
| Expected loss rate | 5.39% | 5.39% | 5.39% | 5.39% | - |
| Gross carrying amount – trade receivables | 1,246 | 397 | 77 | 28 | 1,748 |
| Loss allowance | 67 | 21 | 4 | 2 | 94 |

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 and other comprehensive income.

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 2020.

(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 forecasts 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 Investment Policy Statement. 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 2019.

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 externally imposed capital requirements.

25. Contingent liabilities

There are no contingent liabilities as at 31 December 2020.

26. Subsequent events

In February 2021, a transaction between CPA Australia and Brooke Bird to the value of \$10,000 (excl GST) was identified. Robyn Erskine a Director of CPA Australia Ltd is also a Partner of Brooke Bird and has a controlling interest in Brooke Bird. The transaction was on arm's length commercial terms to develop education manuals and materials. As this transaction was in the 2021 financial year it will be brought to account in 2021 and disclosed as a 2021-related party transaction in the Group's 2021 financial statements.

Robyn Erskine resigned from her position as Director effective 4 March 2021.

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



Merran Kelsall FCPA
Director

12 March 2021



Enrico De Santi FCPA
Director



Independent Auditor's Report

To the members of CPA Australia Ltd

Opinion

We have audited the **Financial Report** of CPA Australia Ltd (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the **Group's** financial position as at 31 December 2020 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 2020
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in members' funds, and Consolidated statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

The **Group** consists of the Company and the entities it controlled at the year-end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the *Financial Report* in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period.

This matter was addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.



| Recognition of revenue \$156,141,000 | |
|--|---|
| Refer to Note 4 to the Financial Report | |
| The key audit matter | How the matter was addressed in our audit |
| <p>Recognition of revenue is a key audit matter due to its significance to the Group's financial results and significant audit effort associated with the different revenue contracts.</p> <p>The Group generates member based revenue from a variety of service offerings. Significant revenue contracts include:</p> <ul style="list-style-type: none"> ● fees from membership subscriptions; ● fees from the provision of educational services and the CPA Program; and ● fees from the provision of other professional development services. <p>We focused on the Group's assessment of conditions driving revenue recognition and the judgement applied. This included consideration of the:</p> <ul style="list-style-type: none"> ● timing of when performance obligations are satisfied; ● relative standalone selling and transaction prices for services; and ● allocation of transaction prices to the satisfaction of performance obligations. | <p>Our procedures included:</p> <ul style="list-style-type: none"> ● We evaluated the Group's accounting policy for the determination of performance obligations, transaction prices and the allocation of transaction prices to performance obligations against the requirements of the accounting standards. ● We obtained an understanding of the Group's process regarding accounting for member based revenue. We tested key controls such as: <ul style="list-style-type: none"> - the Board's annual approval of member fee and subscription rates; - Management's review and approval of member fee and subscription rates as entered into the Group's IT system; - involving our IT specialists, the automation of the interfaces between the Group's membership-based systems to the Group's financial reporting system. ● For a sample of member based revenue relating to fees from the provision of educational services and the CPA program, and fees from the provision of other professional development services, we: <ul style="list-style-type: none"> - identified the nature of services provided for each revenue contract type based on inspecting the relevant features of a sample of invoices and details per the membership-based system and comparing them to the conditions in the accounting standard. We did this to check the Group's identification of performance obligations; |



- assessed the Group's determination of relative standalone selling prices for services by checking the prices charged for standalone 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 of member based revenue recognised during the year based on the cash received as per the Group's bank statements. We compared our expectation to the amount recorded by the Group.
- Involving our data and analytics specialists, we checked a sample of member based revenue from the Group's financial reporting system, to the member invoice and the Group's cash receipts reporting on an individual transaction basis. This included checking cash received for the sampled transaction related to the year ended 31 December 2020 or future periods to assess the recognition of revenue in the current period.
- We assessed the disclosures in the financial report using our understanding obtained from our testing and against the requirements of the accounting standards.



Other Information

Other Information is financial and non-financial information in CPA Australia Ltd's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Schedule of Directors' Remuneration and Integrated Reporting information included within the 2020 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.

A handwritten version of the KPMG logo in black ink.

KPMG

A handwritten signature in black ink, appearing to read 'Chris Sargent'.

Chris Sargent
Partner

Melbourne
12 March 2021

Schedule of Directors' remuneration for the year ended 31 December 2020

12 March 2021

We disclose below an audited schedule of remuneration paid and payable to each Director of CPA Australia Ltd and its subsidiaries for the year ended 31 December 2020. This schedule is included on the following page titled Schedule which discloses the remuneration paid to each Director for the year ended 31 December 2020, 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 2020 CPA Australia Ltd Consolidated Financial Report together with comparative information in respect of the 2019 financial year.

Basis of preparation

This schedule of Directors' remuneration has been prepared as if the Company had received a direction to disclose the information prescribed under section 202B of the *Corporations Act 2001* and on that basis is prepared and presents the information consistent with the requirements of section 202B of the Act in that it discloses all remuneration paid to each Director of CPA Australia Limited and its subsidiaries for the year ended 31 December 2020 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 2019.

Schedule of Directors' remuneration

| Name | Company | Position | Date appointed | Date retired/ resigned |
|--|---|--|------------------|---|
| Non-executive Directors | | | | |
| Merran Kelsall ⁽⁴⁾ | CPA Australia Limited | Chairman and President | 1 October 2020 | |
| Dale Pinto ⁽⁵⁾ | CPA Australia Limited | Deputy President | 1 October 2020 | |
| Enrico De Santi ⁽⁵⁾⁽⁶⁾ | CPA Australia Limited | Deputy President | 1 October 2020 | |
| Peter Wilson ⁽¹⁰⁾ | CPA Australia Limited | Director and immediate past President | | |
| Robyn Erskine | CPA Australia Limited | Director | | Resigned 4 March 2021 |
| Helen Lorigan | CPA Australia Limited | Director | | |
| Rosemary Sinclair | CPA Australia Limited | Director | | |
| Su-Yen Wong | CPA Australia Limited | Director | | |
| Louise Cox | CPA Australia Limited | Director | | |
| Michaela Browning ⁽⁷⁾ | CPA Australia Limited | Director | 31 December 2020 | |
| Chin Aik Wong ⁽¹¹⁾ | CPA Australia Limited | Former Deputy President | | Retired 30 September 2020 |
| Caroline Spencer | CPA Australia Limited | Former Director | | Resigned 30 September 2019 |
| Suzanne Haddan | CPA Australia Advice Pty Ltd | Director | | |
| Arun Nangia | CPA Australia Advice Pty Ltd | Former Director | | Retired 31 August 2019 |
| Stephen Jones | CPA Australia Advice Pty Ltd | Former Director | | Retired 31 August 2019 |
| Andrew Heng ⁽⁸⁾ | CPA Australia (M) Sdn. Bhd. | Director | | |
| Total non-executive Directors | | | | |
| Executive Directors | | | | |
| Nicholas Diss ⁽⁹⁾ | CPA Australia Limited CPA Australia (Shanghai) Co., Ltd CPA Australia Advice Pty Ltd | CFO Director Director | | |
| Priya Dharshini Terumalay ⁽⁹⁾ | CPA Australia (M) Sdn. Bhd. CPA Australia (M) Sdn. Bhd. CPA Australia (Shanghai) Co., Ltd | Country Head Malaysia Director Director | | |
| Deborah Leung ⁽⁹⁾ | CPA Australia (Shanghai) Co., Ltd CPA Australia (Shanghai) Co., Ltd | Executive General Manager International Director | | |
| Kerrell Ma ⁽⁹⁾ | CPA Australia Limited CPA Australia Advice Pty Ltd | Company Secretary and General Counsel Director | | |
| Andrew Kaynes | CPA Australia Limited CPA Australia (M) Sdn. Bhd. CPA Australia (Shanghai) Co., Ltd | Former consultant to Board Secretariat Former director Former director | | Ceased 11 July 2019 Ceased 26 June 2019 Ceased 26 June 2019 |
| Total executive Directors | | | | |
| Total non-executive and executive Directors | | | | |

Notes:

- (1) Includes annual leave entitlements accrued during 2020.
- (2) Other short-term benefits include car parking.
- (3) Other long-term benefits include long service leave entitlements accrued during the year.
- (4) Elected as President and Chairman effective 1 October 2020.
- (5) Elected as Deputy President effective 1 October 2020.

| | Short-term employee benefits | | | Post-employment benefits | Other long-term benefits ⁽³⁾ | Total 2020 (excl. termination benefits) | Termination benefits | Total 2020 (incl. termination benefits) | Total 2019 |
|--|--------------------------------|---------------|----------------------|--------------------------|---|---|----------------------|---|------------------|
| | Salary and fees ⁽¹⁾ | Bonus | Other ⁽²⁾ | | | | | | |
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| | 129,521 | - | - | 12,304 | - | 141,825 | - | 141,825 | 113,375 |
| | 77,968 | - | - | 7,407 | - | 85,375 | - | 85,375 | 75,875 |
| | - | - | - | - | - | - | - | - | - |
| | 180,708 | - | - | 17,167 | - | 197,875 | - | 197,875 | 225,875 |
| | 72,032 | - | - | 6,843 | - | 78,875 | - | 78,875 | 83,375 |
| | 72,032 | - | - | 6,843 | - | 78,875 | - | 78,875 | 75,875 |
| | 72,032 | - | - | 6,843 | - | 78,875 | - | 78,875 | 75,875 |
| | 72,032 | - | - | 6,843 | - | 78,875 | - | 78,875 | 75,875 |
| | 72,032 | - | - | 6,843 | - | 78,875 | - | 78,875 | 19,625 |
| | - | - | - | - | - | - | - | - | - |
| | 79,452 | - | - | 7,548 | - | 87,000 | - | 87,000 | 113,375 |
| | - | - | - | - | - | - | - | - | - |
| | 14,840 | - | - | 1,410 | - | 16,250 | - | 16,250 | 45,000 |
| | - | - | - | - | - | - | - | - | 30,000 |
| | - | - | - | - | - | - | - | - | 46,637 |
| | 1,725 | - | - | - | - | 1,725 | - | 1,725 | 1,736 |
| | 844,374 | - | - | 80,051 | - | 924,425 | - | 924,425 | 982,498 |
| | 340,173 | - | 2,015 | 25,000 | 5,491 | 372,679 | - | 372,679 | 414,194 |
| | - | - | - | - | - | - | - | - | - |
| | - | - | - | - | - | - | - | - | - |
| | 203,015 | 26,708 | - | 54,209 | 3,278 | 287,210 | - | 287,210 | 268,326 |
| | - | - | - | - | - | - | - | - | - |
| | - | - | - | - | - | - | - | - | - |
| | 440,121 | - | - | 18,457 | 6,275 | 464,853 | - | 464,853 | 528,698 |
| | - | - | - | - | - | - | - | - | - |
| | 250,356 | - | - | 26,662 | 4,136 | 281,154 | - | 281,154 | 267,851 |
| | - | - | - | - | - | - | - | - | - |
| | - | - | - | - | - | - | - | - | 96,397 |
| | - | - | - | - | - | - | - | - | - |
| | - | - | - | - | - | - | - | - | - |
| | 1,233,665 | 26,708 | 2,015 | 124,328 | 19,180 | 1,405,896 | - | 1,405,896 | 1,575,466 |
| | 2,078,039 | 26,708 | 2,015 | 204,379 | 19,180 | 2,330,321 | - | 2,330,321 | 2,557,964 |

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

(7) Ms Browning elected to perform her Director duties on a pro bono basis from 31 December 2020.

(8) Total 2020 remuneration has been accrued in the 2020 financial statements. All amounts are payable early 2021.

(9) These Directors are employees of the CPA Australia Limited Group who do not receive remuneration in their capacity as Directors of subsidiaries.

(10) Term as Chair ended on 30 September 2020.

(11) Term as Deputy President ended on 30 September 2020.

Reconciliation of total remuneration per section 202B disclosure to the total key management personnel remuneration per the CPA Australia Limited Consolidated Financial Report

| | Year ended 31 December 2020 | Year ended 31 December 2019 |
|---|--------------------------------|--------------------------------|
| Total section 202B basis of disclosing Directors' remuneration (CPA Australia Ltd, CPA Australia Advice Pty Ltd, CPA Australia (M) Sdn. Bhd. and CPA Australia (Shanghai) Co., Ltd) | 2,330,321 | 2,557,964 |
| less: Andrew Heng (non-executive Director of CPA Australia (M) Sdn. Bhd. but not key management personnel of CPA Australia Ltd Group) | (1,725) | (1,736) |
| less: Suzanne Haddan (non-executive Director of CPA Australia Advice Pty Ltd but not key management personnel of CPA Australia Ltd Group) | (16,250) | (121,637) |
| less: Kerrell Ma ⁽¹⁾ (Director of CPA Australia Advice Pty Ltd but not a key management personnel of CPA Australia Ltd Group) | (281,154) | (267,851) |
| less: Director of a foreign subsidiary but not key management personnel of CPA Australia Ltd Group (Priya Dharshini Terumalay ⁽²⁾) | (287,210) | (364,723) |
| add: key management personnel of CPA Australia but not Directors (Andrew Hunter, Karen Hellwig, Meg Yeates, Simon Eassom, Farid Jarrar, Rowena Buddee, Gary Pflugrath and Erica Traicos) | 3,253,038 | 3,735,798 |
| Total key management personnel remuneration per CPA Australia Limited Consolidated Financial Report | 4,997,020 | 5,537,815 |

Notes:

(1) Remuneration for Kerrell Ma was excluded as she is not a key management personnel of CPA Australia Ltd Group.

(2) Remuneration for Priya Dharshini Terumalay was excluded as she is not a key management personnel of CPA Australia Ltd Group.



Independent Auditor's Report

To the Directors of CPA Australia Ltd

Opinion

We have audited the **Schedule of Directors' Remuneration** (the Schedule) of CPA Australia Ltd and its subsidiaries (the **Group**).

In our opinion, the accompanying Schedule presents fairly, in all material respects, the remuneration paid to each director for the year ended 31 December 2020 in accordance with the Basis of Preparation of CPA Australia Ltd described in the Schedule of Directors' Remuneration.

The **Schedule** comprises:

- the remuneration paid to each director for the year ended 31 December 2020
- 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 Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (including Independence Standards) (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Emphasis of matter – basis of preparation and restriction on use and distribution

We draw attention to page 137 of the Schedule, which describes the basis of preparation.

The Schedule has been prepared to assist the Directors of CPA Australia Ltd for the purpose of presenting information consistent with the requirements of section 202B of the Act.

As a result, the Schedule and this Auditor's Report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Our report is intended solely for the Directors of CPA Australia Ltd and its members and should not be used by or distributed to parties other than the Directors of CPA Australia Ltd and its members. We disclaim any assumption of responsibility for any reliance on this report, or on the Schedule to which it relates, to any person other than the Directors of CPA Australia Ltd and its members or for any other purpose than that for which it was prepared.



Other Information

Other Information is financial and non-financial information in CPA Australia Ltd's annual reporting which is provided in addition to the Schedule and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Schedule does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon with the exception of the Financial Statements and Global Reporting Initiatives information included within the 2020 Integrated Report and our related assurance opinions.

In connection with our audit of the Schedule, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Schedule or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Schedule of Directors' Remuneration

The Directors are responsible for:

- the preparation and fair presentation of the Schedule in accordance with the Basis of Preparation of CPA Australia Ltd described in the Schedule of Directors' Remuneration.
- implementing necessary internal control to enable the preparation of the Schedule that is free from material misstatement, whether due to fraud or error
- assessing the Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Schedule of Directors' Remuneration

Our objective is:

- to obtain reasonable assurance about whether the Schedule as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Schedule.

A further description of our responsibilities for the audit of the Schedule is located at the Auditing and Assurance Standards Board website at: http://www.ausb.gov.au/auditors_responsibilities/ar3.pdf. This description forms part of our Auditor's Report.

KPMG

Chris Sargent
Partner

Melbourne
12 March 2021

Acronyms

| | |
|---|--|
| AASB Australian Accounting Standards Board | IESBA International Ethics Standards Board for Accountants |
| AAT Association of Accounting Technicians, Australia | IFAC International Federation of Accountants |
| ACAG Australasian Council of Auditors-General | IFRS International Financial Reporting Standards |
| ACL Australian Credit Licence | IIRC International Integrated Reporting Council |
| AFA ASEAN Federation of Accountants | IPA Institute of Public Accountants |
| AFSL Australian Financial Services Licence | IPSASB International Public-Sector Accounting Standards Board |
| AGM Annual General Meeting | <IR> Integrated reporting |
| A-IFRS Australian Equivalents to International Financial Reporting Standards | KMP Key management personnel |
| AM Member of the Order of Australia | KPI Key performance indicator |
| APES Accounting Professional and Ethical Standards | LGBTIQA+ Lesbian, gay, bisexual, transgender, intersex and queer+ |
| APESB Accounting Professional and Ethical Standards Board | MIS Media impact score |
| ASA Associate | MOU Memorandum of Understanding |
| ASAE Australian Standard on Assurance Engagements | MPA Member Pathway Agreement |
| ASEAN Association of South-East Asian Nations | PAIB Professional Accountants in Business |
| ASIC Australian Securities and Investments Commission | PEAC Professional Education Advisory Council |
| AuASB Auditing and Assurance Standards Board | PII Professional indemnity insurance |
| CA ANZ Chartered Accountants Australia and New Zealand | PPC Public Practice Certificate |
| CAPA Confederation of Asian and Pacific Accountants | PSS Professional Standards Scheme |
| CEO Chief Executive Officer | RAP Reconciliation Action Plan |
| CFO Chief Financial Officer | SDGs Sustainable development goals |
| CPA Certified Practising Accountant | SMEs Small-to-medium enterprises |
| CPD Continuing professional development | SMP Small and medium practice |
| ESG Environmental, social and governance | SMSF Self-managed superannuation fund |
| FASEA Financial Adviser Standards and Ethics Authority | TPB Tax Practitioners Board |
| FCCA Fellow of CPA Australia | TSC Total salary cost |
| FPA Financial Planning Association | UAE United Arab Emirates |
| FTE Full-time equivalent | WHS Workplace Health and Safety |
| GST Goods and services tax | |
| IASB International Accounting Standards Board | |
| IAASB International Auditing and Assurance Standards Board | |

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