



Financial Statements and  
Corporate Governance Statement 2013-14

## CONTENTS

- 1 Five year summary
- 2 Foreword
- 3 Consolidated financial statements of the Association of Chartered Certified Accountants
- 34 Corporate Governance Statement
- 41 Report from the Audit Committee
- 45 Report of the Independent Auditor

**ASSOCIATION OF CHARTERED CERTIFIED ACCOUNTANTS  
FIVE YEAR SUMMARY**

**ACCA and subsidiaries**

		restated			
	Mar 2014 £'000	Mar 2013 £'000	Mar 2012 £'000	Mar 2011 £'000	Mar 2010 £'000
Operating income	<b>159,026</b>	151,672	143,698	131,787	137,353
Gross operating surplus	<b>25,956</b>	21,434	20,147	16,020	9,562
Pension curtailment gains	—	—	7,304	—	—
Operating surplus/(deficit)	<b>10,733</b>	10,336	12,785	3,591	(1,742)
Other (losses)/gains	<b>(734)</b>	(148)	(296)	129	55
Net finance income	<b>334</b>	102	977	751	1,143
Surplus/(deficit) before tax	<b>10,333</b>	10,290	13,466	4,471	(544)
Tax	<b>(81)</b>	(103)	(76)	(24)	(18)
Other comprehensive income	<b>3,848</b>	4,923	2,391	1,909	4,190
Recognition of actuarial gains/(losses)	<b>4,694</b>	(381)	(15,367)	10,888	(4,545)
Total other comprehensive income	<b>8,542</b>	4,542	(12,976)	12,797	(355)
Total comprehensive income	<b>18,794</b>	14,729	414	17,244	(917)
Non-current assets	<b>76,596</b>	74,696	54,139	48,447	42,738
Current assets	<b>88,467</b>	76,354	73,900	56,232	51,100
Total assets	<b>165,063</b>	151,050	128,039	104,679	93,838
Non-current liabilities	<b>13,200</b>	20,540	19,987	15,068	26,878
Current liabilities	<b>92,255</b>	89,696	81,967	63,940	58,533
Total liabilities	<b>105,455</b>	110,236	101,954	79,008	85,411
Accumulated fund	<b>39,347</b>	24,401	14,595	16,572	1,237
Other reserves	<b>20,261</b>	16,413	11,490	9,099	7,190
Total funds and reserves	<b>59,608</b>	40,814	26,085	25,671	8,427
Total reserves and liabilities	<b>165,063</b>	151,050	128,039	104,679	93,838

**MEMBERS AND STUDENTS**

	Mar 2014	Mar 2013	Mar 2012	Mar 2011	Mar 2010
Members	<b>169,602</b>	161,943	154,337	147,265	140,225
Students and affiliates	<b>435,824</b>	425,897	429,879	421,456	402,866
	<b>605,426</b>	587,840	584,216	568,721	543,091

The column for Mar 2010 represents the 15 month period to 31 March 2010. All other columns represent the calendar years ending on the last day of the months shown. All figures are presented under International Financial Reporting Standards (IFRS) as adopted by the European Union.

**ASSOCIATION OF CHARTERED CERTIFIED ACCOUNTANTS  
FOREWORD**

These consolidated financial statements present the results for ACCA and its subsidiaries for the year ended 31 March 2014.

ACCA publishes an Integrated Report which provides a wide range of information about ACCA's strategy, governance, performance and prospects to show how we create value for our stakeholders and explains the place we occupy in society.

As our Integrated Report is a wider representation of information which is important to understanding ACCA's performance, we have elected not to produce a Management Commentary. The table below provides a comparison of the content of the Management Commentary with the Integrated Report to enable readers to locate specific information that may be of interest to them.

<b>Management commentary – key headings</b>	<b>Content</b>	<b>Integrated Report reference</b>
Introduction	Context and basis of preparation	This year's report
Nature of ACCA's business	Mission and values Competitive environment Economic environment Regulatory environment Products and services	A global body for a global profession Our business model
Strategy and strategic outcomes	Strategic priorities Mapping priorities to outcomes	Our strategy
Resources and relationships	Resources: financial, human and network; brand development  Relationships: global partnerships, key employers, strategic partners, regulator	Our business model
Governance, risk and corporate assurance	Outline of our approach to governance Approach to risk management and major risk types	Our governance Risks and their management
Strategic outcomes – review of performance	KPI results v target	Performance in 2013/14
Financial review*	Supplementary financial information	Performance in 2013/14
Social and environmental impact	Our approach to CSR and significant developments	Appendix to the Integrated Report
Outlook for next year	2014/15 strategic priorities	Our strategy to 2020

\*Financial performance in the financial statements is provided in accordance with IFRS. ACCA measures its financial performance on a gross operating surplus basis, prior to charging strategic investment expenditure. For the year to 31 March 2014, performance on that basis amounted to £25.9m compared to a target of £19.7m.

Readers of these financial statements are encouraged to access our Integrated Report, which can be found at: [www.accaglobal.com/](http://www.accaglobal.com/)

**ASSOCIATION OF CHARTERED CERTIFIED ACCOUNTANTS  
CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 MARCH 2014**

	<b>31 Mar 2014 £'000</b>	restated 31 Mar 2013 £'000
Notes		
	<b>Income</b>	
6	<b>68,955</b>	64,148
7	<b>90,071</b>	87,524
	<b>159,026</b>	151,672
	<b>Expenditure</b>	
8	<b>132,299</b>	129,384
9	<b>15,994</b>	11,952
	<b>148,293</b>	141,336
	<b>10,733</b>	10,336
10	<b>(734)</b>	(148)
11	<b>1,105</b>	956
11	<b>(771)</b>	(854)
	<b>10,333</b>	10,290
13	<b>81</b>	103
	<b>10,252</b>	10,187
	<b>Other comprehensive income</b>	
26	<b>1,350</b>	3,428
26	<b>2,455</b>	1,579
26	<b>43</b>	(84)
22	<b>4,694</b>	(381)
	<b>8,542</b>	4,542
	<b>18,794</b>	14,729

*The accompanying notes to the financial statements, on pages 7 to 33, are an integral part of this statement.*

**ASSOCIATION OF CHARTERED CERTIFIED ACCOUNTANTS  
CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2014**

	31 Mar 2014 £'000	31 Mar 2013 £'000
Notes		
	<b>ASSETS</b>	
	<b>Non-current assets</b>	
14	23,033	22,971
15	3,056	3,590
16	50,507	48,135
	<u>76,596</u>	<u>74,696</u>
	<b>Current assets</b>	
17	20,220	17,124
16	35,020	32,010
19	33,227	27,220
	<u>88,467</u>	<u>76,354</u>
	<u><b>165,063</b></u>	<u><b>151,050</b></u>
	<b>RESERVES AND LIABILITIES</b>	
	<b>Funds and reserves</b>	
	39,347	24,401
26	20,261	16,413
	<u>59,608</u>	<u>40,814</u>
	<b>Non-current liabilities</b>	
20	189	377
21	1,656	1,773
22	11,355	18,390
	<u>13,200</u>	<u>20,540</u>
	<b>Current liabilities</b>	
23	14,602	14,775
	79	97
20	188	189
24	72,484	70,297
18	994	260
25	3,908	4,078
	<u>92,255</u>	<u>89,696</u>
	<u><b>105,455</b></u>	<u><b>110,236</b></u>
	<u><b>165,063</b></u>	<u><b>151,050</b></u>

The financial statements were approved and authorised for issue by Council on 21 June 2014 and signed on its behalf by:

**M Turner, President**

**A Harbinson, Chairman of Audit Committee**

*The accompanying notes to the financial statements, on pages 7 to 33, are an integral part of this statement.*

**ASSOCIATION OF CHARTERED CERTIFIED ACCOUNTANTS  
CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' FUNDS  
FOR THE YEAR ENDED 31 MARCH 2014**

	Other reserves			restated	restated
	Currency Translation £'000	Land and Buildings £'000	Available- for-sale investments £'000	Accumulated fund £'000	Total £'000
Balance at 1 April 2012	(83)	3,636	7,937	14,595	26,085
<i>Comprehensive income</i>					
Surplus for the financial year	—	—	—	10,187	10,187
<i>Other comprehensive income</i>					
Fair value gains on revaluation:					
- available-for-sale investments	—	—	4,181	—	4,181
- property	—	1,579	—	—	1,579
Tax on fair value gains on revaluation:					
- available-for-sale investments	—	—	(753)	—	(753)
Currency translation	(84)	—	—	—	(84)
Recognition of actuarial losses	—	—	—	(381)	(381)
Total other comprehensive income	(84)	1,579	3,428	(381)	4,542
Total comprehensive income for the year	(84)	1,579	3,428	9,806	14,729
Balance at 31 March 2013	(167)	5,215	11,365	24,401	40,814
<i>Comprehensive income</i>					
Surplus for the financial year	—	—	—	10,252	10,252
<i>Other comprehensive income</i>					
Fair value gains on revaluation:					
- available-for-sale investments	—	—	1,233	—	1,233
- property	—	2,455	—	—	2,455
Tax on fair value gains on revaluation:					
- available-for-sale investments	—	—	117	—	117
Currency translation	43	—	—	—	43
Recognition of actuarial gains	—	—	—	4,694	4,694
Total other comprehensive income	43	2,455	1,350	4,694	8,542
Total comprehensive income for the year	43	2,455	1,350	14,946	18,794
<b>Balance at 31 March 2014</b>	<b>(124)</b>	<b>7,670</b>	<b>12,715</b>	<b>39,347</b>	<b>59,608</b>

The analysis of reserves is presented in note 26.

*The accompanying notes to the financial statements, on pages 7 to 33, are an integral part of this statement.*

**ASSOCIATION OF CHARTERED CERTIFIED ACCOUNTANTS  
CONSOLIDATED CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 MARCH 2014**

	<b>31 Mar 2014 £'000</b>	<b>31 Mar 2013 £'000</b>
Notes		
	<b>Cash flows from operating activities</b>	
30	<b>12,418</b>	25,688
	(99)	(78)
	<u><b>12,319</b></u>	<u>25,610</u>
	-----	-----
	<b>Cash flows from investing activities</b>	
	<b>(2,091)</b>	(4,644)
	<b>(1,132)</b>	(1,028)
	<b>(82,179)</b>	(121,357)
	<b>41</b>	3
	<b>78,030</b>	100,001
	<b>325</b>	310
	<b>780</b>	644
	<u><b>(6,226)</b></u>	<u>(26,071)</u>
	-----	-----
	<b>Cash flows from financing activities</b>	
	<b>—</b>	566
	<b>(189)</b>	—
	<u><b>(189)</b></u>	<u>566</u>
	-----	-----
	<b>5,904</b>	105
	<b>27,220</b>	27,183
	<b>103</b>	(68)
19	<u><u><b>33,227</b></u></u>	<u><u>27,220</u></u>

*The accompanying notes to the financial statements, on pages 7 to 33, are an integral part of this statement.*



**ASSOCIATION OF CHARTERED CERTIFIED ACCOUNTANTS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2014**

**1 General information**

ACCA is a body incorporated under Royal Charter, and with statutory recognition, in the UK. Council has concluded that as an international organisation, ACCA should prepare financial statements which comply with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB) and adopted by the European Union.

These financial statements are presented in pounds sterling because that is the currency of the parent undertaking which is domiciled in the UK. Non-UK operations are included in accordance with the policies set out in note 2.

*Changes in accounting policies*

The new standards adopted during the year are outlined below:

- IFRS 13 Fair Value Measurement
- IAS 19 (Revised) Employee Benefits

These had no material impact on the financial statements, but the adoption of IFRS13 Fair Value Measurement has resulted in additional disclosure.

*New standards, interpretations and amendments not yet effective*

The following new standards, interpretations and amendments, which have not been applied in these financial statements, may have an effect on ACCA's future financial statements:

- **IAS 12 (amendment) Deferred tax: Recovery of Underlying Assets**  
IAS 12 requires an entity to measure deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. The amendment introduces a presumption that recovery will normally be through sale.
- **Improvements to IFRSs (2010-2012) and (2011-2013)**  
The improvements in these amendments clarify the requirements of IFRSs and eliminate inconsistencies within and between standards.
- **IFRS 9 Financial Instruments**  
IFRS 9 introduced new requirements for the classification and measurement of financial assets and the classification and measurement requirements for financial liabilities along with the requirements for recognition and derecognising of financial assets and liabilities. IFRS 9 Financial Instruments will ultimately replace IAS 39 Financial Instruments: Recognition and Measurement in its entirety.
- **IFRS 12 Disclosure of Interests in Other Entities**  
The standard requires a reporting entity to disclose information that helps users to assess the nature and financial effects of the reporting entity's relationship with other entities.
- **Amendments to IFRS 10, IFRS 11 and IFRS 12: Transition guidance**  
The amendments clarify transition guidance and provide additional transition relief, limiting the requirement to provide adjusted comparative information to only the preceding comparative period.
- **Amendments to IAS 32 – Offsetting Financial Assets and Financial Liabilities**  
The amendments clarify the meaning of 'currently has a legally enforceable right of set-off'; and that some gross settlement systems may be considered equivalent to net settlement.

None of the other new standards, interpretations and amendments are expected to have an effect on ACCA's future financial statements.

*Restatement of prior year figures*

Following the adoption of IAS19R, the previous year's figures for operational expenditure and recognition of actuarial gains/losses have been restated as the expected return on assets and the interest on the liabilities have been replaced by a single net interest cost item, which has been calculated using the discount rate, and has been included in finance costs.

**ASSOCIATION OF CHARTERED CERTIFIED ACCOUNTANTS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2014**

**2 Significant accounting policies**

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) *Basis of preparation*

The consolidated financial statements have been prepared in accordance with IFRSs as issued by the International Accounting Standards Board (IASB) and adopted by the European Union. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings, available-for-sale financial assets and derivative instruments at fair value through income and expenditure.

(b) *Critical accounting estimates and judgements*

The preparation of the consolidated financial statements requires ACCA to make certain accounting estimates and judgements that have an impact on the policies and the amounts reported in the consolidated financial statements. Estimates and judgements are continually evaluated and based on historical experiences and other factors including expectations of future events that are believed to be reasonable at the time such estimates and judgements are made, although actual experience may vary from these estimates.

The estimates and assumptions which have the most significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed below.

i) Pension and other post-employment benefits

ACCA accounts for pension and other post-employment benefits in accordance with IAS 19. In determining the pension cost and the defined benefit obligation of ACCA's defined benefit pension schemes a number of assumptions are used which include the discount rate, salary growth, price inflation, the expected return on the schemes' investments and mortality rates. Further details are contained in note 22 to the consolidated financial statements.

ii) Taxation

ACCA is required to estimate the income tax in each of the jurisdictions in which it operates. This requires an estimation of the current tax liability together with an assessment of the temporary differences which arise as a consequence of different accounting and tax treatments. These temporary differences result in deferred tax assets or liabilities which are included in the balance sheet. Deferred tax assets and liabilities are measured using tax rates expected to apply when the temporary differences reverse.

ACCA operates in many countries in the world and is subject to many tax laws and regulations. Where the precise impact of these laws and regulations is unclear then reasonable estimates may be used to determine the tax charge included in the financial statements. If the tax eventually payable or reclaimable differs from the amounts originally estimated then the difference will be charged or credited in the financial statements of the year in which it crystallises.

iii) Provision for bad debts

Provision is made when there is objective evidence that ACCA will not be able to collect certain debts. ACCA is required to estimate the level of bad debt provision based on detailed analysis and experience of historic bad debt rates in the context of the current debtor profile.

(c) *Income*

Members', students' and affiliates' fees and subscriptions are accounted for as income in the period to which they relate. Income from qualifications and examinations relate to examination and exemption income from the Professional qualification and our entry level qualifications. Examination income is accounted for in the period in which the exam was sat while exemption income is accounted for in the period in which it was received. Income generated from Publications relates to royalties, advertising and mailing services. Royalties receivable in respect of the assignment, to third parties, of copyrights in educational publications are accounted for as income in the period in which the underlying sales take place. Courses income is accounted for as the services are performed. Income from regulation and discipline relates to annual licence fees, monitoring visit fees and fines recoverable and all are accounted for as income in the period to which they relate. Other revenues are recorded as earned or as the services are performed.

**ASSOCIATION OF CHARTERED CERTIFIED ACCOUNTANTS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2014**

**2 Significant accounting policies (continued)**

(d) *Basis of consolidation*

The consolidated financial statements comprise the consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of members equity and consolidated cash flow statement of ACCA and the enterprises under its control (its subsidiary undertakings) drawn up to 31 March 2013 and 31 March 2014. Control is defined as the ability to govern the financial and operating policies of an invested enterprise so as to obtain benefits from its activities.

Inter-company transactions and balances between group companies are eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

(e) *Segmental reporting*

ACCA has one operating segment and this is reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the Executive Team that makes the strategic decisions. Within that segment, income activities are reported by type and expenditure activities are reported by function.

(f) *Property, plant and equipment*

All property, plant and equipment are initially recorded at cost. Cost includes all expenditure directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Subsequently, property is regularly revalued as appropriate, but at least triennially on a formal basis. Surpluses arising on revaluations are taken to land and buildings reserve. Deficits that offset previous surpluses of the same asset are taken to fair value reserve while all other decreases are charged to other comprehensive income. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the fair value reserve is transferred to the accumulated fund.

(g) *Depreciation*

Depreciation is provided on all property, plant and equipment, other than freehold land which is not depreciated, at rates calculated to write-off the cost or valuation, of each asset on a straight-line basis over its expected useful life, as follows:

- freehold property - over 50 to 100 years;
- leasehold improvements - over the unexpired portion of the lease;
- plant and equipment - over 4 to 10 years;
- computer systems and equipment - over 2 to 4 years.

(h) *Intangible assets*

Expenditure on research activities is recognised as an expense in the period in which it is incurred. An internally generated intangible asset arising from ACCA's development projects is recognised only if all the following conditions are met:

- it is technically feasible to complete the product so that it will be available for use,
- the intention is to complete the product for internal use or to sell it,
- it is probable that the asset created will generate future economic benefits, and
- the development cost of the asset can be measured reliably.

Where no internally generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred. Directly attributable costs that are capitalised include development project employee costs and an appropriate portion of relevant overheads. Development expenditures previously recognised as an expense are not recognised as an asset in a subsequent period. Internally generated intangible assets are amortised over their estimated useful lives, which are usually no more than four years. Amortisation begins when the intangible asset is available for use.

**ASSOCIATION OF CHARTERED CERTIFIED ACCOUNTANTS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2014**

**2 Significant accounting policies (continued)**

**(i) Impairment of non-financial assets**

Intangible assets which are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

**(j) Financial instruments**

Financial instruments recognised in the balance sheet include cash and cash equivalents, available-for-sale investments, certificates of deposit, derivative financial instruments, trade and other receivables and trade and other payables. Financial instruments are initially valued at fair value. Financial assets are derecognised when the rights to receive cash flows from the asset have expired. Financial liabilities are derecognised when the obligation under the liability is discharged, cancelled or expires.

Subsequent to initial recognition, financial instruments are measured as set out below.

**Trade and other receivables**

Trade and other receivables are stated at amortised cost based on the original invoice amount less an allowance for any irrecoverable amounts. Provision is made when there is objective evidence that ACCA will not be able to collect certain debts. Bad debts are written off when identified. Terms on receivables balances range from 30 to 90 days.

**Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand, demand and short-term deposits with banks and similar institutions, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Short-term is defined as being three months or less. This definition is also used for the cash flow statement.

**Available-for-sale investments**

The portfolio of quoted investments, which is managed by professional fund managers, is held for the long term and is classified as "available-for-sale" investments. Investments are initially recognised at fair value. Available-for-sale investments are carried at fair value, stated as market value as at the balance sheet date, with all changes in fair value recorded in reserves. When the available-for-sale investments are sold the cumulative gains and losses previously recognised in reserves are recycled through comprehensive income for the current period. Where an impairment loss arises from the fair value being below cost, this is recognised in other comprehensive income.

**Certificates of deposit**

The portfolio of certificates of deposit, which is managed by professional cash managers, is held for the short to medium term and is classified as "available-for-sale" instruments. The certificates of deposit are carried at fair value, stated as market value as at the balance sheet date, with all changes in fair value recorded in reserves. When the certificates of deposit are sold the cumulative gains and losses previously recognised in reserves are recycled through comprehensive income for the current period. Where an impairment loss arises from the fair value being below cost, this is recognised in other comprehensive income.

**Trade and other payables**

Trade and other payables are recognised at amortised cost. Terms on trade payables balances range from immediate to 30 days.

**ASSOCIATION OF CHARTERED CERTIFIED ACCOUNTANTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2014**

**2 Significant accounting policies (continued)**

(k) *Impairment of financial assets*

At each balance sheet date, ACCA reviews the carrying amounts of its financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the recoverable amount is less than the carrying value, an impairment loss is recognised. Subsequent to recognising that impairment, the impairment may be recovered if an event occurred that reverses the impairment indicator. An impairment loss is charged to the statement of comprehensive income immediately unless the asset is carried at its revalued amount (see note 2f).

In respect of available-for-sale financial assets, at the balance sheet date ACCA assesses whether there is objective evidence that the financial assets are impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale assets, the cumulative loss – measured as the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in comprehensive income – is removed from fair value reserves and recognised in the separate consolidated income statement.

If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in comprehensive income, the impairment loss is reversed through the separate consolidated income statement.

Financial assets are grouped on the basis of similar credit risk characteristics that are indicative of the debtors' ability to pay all amounts due according to the contractual terms and the collective impairment provision is estimated for any such group where credit risk characteristics of the group of financial assets has deteriorated. Factors such as any deterioration in country risk, technological obsolescence as well as identified structural weaknesses or deterioration in cash flows are taken into consideration and the amount of the provision is based on the historical loss pattern within each group.

(l) *Leasing and hire purchase*

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet at their fair value and are depreciated over the shorter of their estimated useful life and the term of the lease. The capital elements of future obligations under the finance leases and hire purchase contracts are included as liabilities in the balance sheet. The interest elements of the rental obligations are charged to the statement of comprehensive income over the periods of the leases and hire purchase contracts and represent a constant proportion of the balance of capital repayments outstanding. Rentals payable under operating leases are charged to the statement of comprehensive income on a straight-line basis over the lease term.

(m) *Tax*

Tax includes all taxes based upon the taxable profits of the group. Full provision for deferred taxation is made using the balance sheet liability method, on temporary differences between the tax bases of assets and liabilities and their carrying values in the financial statements. Deferred tax movements in respect of unrealised revaluation surpluses are taken to reserves. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

(n) *Foreign currencies*

Transactions in foreign currencies are converted into sterling, which is the presentational currency of the group, at exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies, including the financial statements of the non-UK subsidiary undertakings, are translated at the rate of exchange ruling at the balance sheet date. On consolidation the income and expense items of the non-UK subsidiary undertakings are translated at the average exchange rates for the period. Exchange differences on the translation of the assets and liabilities of the non-UK subsidiary undertakings are taken to the currency translation reserve.

**ASSOCIATION OF CHARTERED CERTIFIED ACCOUNTANTS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2014**

**2 Significant accounting policies (continued)**

(o) *Derivative financial instruments and hedging activities*

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. ACCA enters into forward currency contracts, whereby the exchange rate is agreed in advance and the currency is bought on a monthly basis. ACCA's forward currency contracts are classified as current assets or current liabilities as the maturity of the contracts are less than 12 months. Gains and losses on forward exchange contracts are recognised in the statement of comprehensive income at fair value. ACCA does not engage in any other hedging activities.

(p) *Pensions*

ACCA operates defined benefit pension schemes in the UK and Ireland. Both schemes require contributions to be made to separately administered funds. The cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited in other comprehensive income in the period in which they arise. Past service costs are charged or credited in the statement of comprehensive income in the period in which they arise. The liability recognised in the balance sheet in respect of the defined benefit pension schemes is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets.

ACCA operates defined contribution pension schemes for qualifying employees within the UK and Ireland and for certain employees outside the UK and Ireland. Contributions are charged in the statement of comprehensive income as they become payable in accordance with the rules of the schemes.

(q) *Provisions*

Provisions for costs are recognised when: ACCA has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reasonably estimated. ACCA recognises provisions relating to costs associated with any investigations by The Accountancy and Actuarial Discipline Board (AADB), other regulatory bodies or internally which involve ACCA members.

**3 Financial risk management**

The main financial risks arising from ACCA's activities are credit risk, liquidity risk and market risk. These are monitored by management on a regular basis.

*Credit risk management*

Credit risk arises principally from cash and cash equivalents, deposits with banks and financial institutions, certificates of deposit, bonds held as available-for-sale investments, derivative financial instruments and trade receivables. ACCA regularly monitors and reviews its exposure with key banking and investment manager suppliers and for deposits, only independently rated banks and financial institutions with a minimum rating of 'A' are used. ACCA's trade receivables relate substantially to members' and students' fees and subscriptions. The credit risk is that the customer fails to discharge its obligation in respect of the instrument. ACCA has no significant concentration of credit risk, with exposure spread over a large number of customers and countries throughout the world. ACCA believes that the maximum exposure equates to the carrying value of trade and other receivables. Management reviews the trade receivables balance on a regular basis and undertakes an exercise to remove students and members from the receivables ledger register for non-payment of annual fees and subscriptions. The level of removals is shown in notes 12 and 17 of the consolidated financial statements. At the balance sheet date 92% of ACCA's trade and other receivables were held in sterling (2013: 92%).

**ASSOCIATION OF CHARTERED CERTIFIED ACCOUNTANTS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2014**

**3 Financial risk management (continued)**

*Liquidity risk*

Liquidity risk arises from ACCA's management of working capital. It is the risk that ACCA will encounter difficulty in meeting its financial obligations as they fall due. ACCA manages its liquidity risk by ensuring that it has adequate banking facilities and by performing cash flow forecasting on a regular basis. ACCA receives the majority of its income as subscriptions at the start of the calendar year, or as exam fees, relating to two exam sessions each year. Cash not required for short-term operating purposes is invested to maximise return with an acceptable level of risk. In addition to its own bankers, ACCA uses a specialist cash management company to invest cash surpluses with major banks of suitable credit standing to spread the risk. Cash surpluses are invested in interest bearing current and call financial statements, term deposits and time deposits. At the balance sheet date ACCA held £2.0m (2013: £4.0m) in term deposits, £35.0m (2013: £32.0m) in time deposits and £31.2m (2013: £23.2m) in call accounts that are expected to readily generate cash inflows for managing liquidity risk.

Liquidity is managed to ensure investments are liquidated in a timely manner to meet operating requirements.

*Market risk*

Market risk arises from ACCA's use of interest bearing, tradable and foreign currency financial instruments. It is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in the interest rates (interest rate risk), foreign exchange rates (currency risk) or other market factors (other price risk).

Interest rate risk relates to the risk of loss due to fluctuations in cash flows and the fair value of financial assets and liabilities (including the pension scheme liabilities), due to change in market interest rates. ACCA invests surplus cash in the short-term and in doing so exposes itself to the fluctuation in interest rates that are inherent in such a market. A movement in the interest rate of 1.5% either way would not have a material effect on the surplus reported in the financial statements.

Currency risk relates to the risk that the fair value of future cash flows of financial instruments will fluctuate because of changes in foreign exchange risk. ACCA operates internationally and is exposed to foreign currency exchange risk arising from the transfer of foreign currency to its national offices. Where possible, ACCA will allow the national offices to settle liabilities denominated in their functional currency with the cash generated from their own operations in that currency. However, many national offices have insufficient reserves of their functional currency and rely on transfers of foreign currency from ACCA. ACCA mitigates the risk with regards to income because all fees and subscriptions charged by ACCA are in sterling. In addition, ACCA uses forward currency contracts to mitigate the risk of currency fluctuations. At the balance sheet date 95% of ACCA's cash and cash equivalents were held in sterling (2013: 96%).

Other price risk relates to the risk of changes in market prices of the available-for-sale investments and the investments held by the defined benefit pension schemes. ACCA invests surplus cash in a managed fund and a diversified growth fund, both operated by Baillie Gifford and in doing so exposes itself to the fluctuations in price that are inherent in such a market. ACCA's Resource Oversight Committee has given Baillie Gifford discretionary management of the funds. The effect of a 10% increase in the value of the non-current available-for-sale investments held at the balance sheet date would have resulted in an increase in the fair value reserve of £4.0m (2013: £3.7m) net of deferred tax. A 10% decrease in their value would, on the same basis, have decreased the fair value reserve by the same amount.

**ASSOCIATION OF CHARTERED CERTIFIED ACCOUNTANTS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2014**

**4 Segmental reporting**

ACCA has taken the view that, for reporting purposes, it has one operating segment which relates to the supply of services to its stakeholders including members, students and affiliates. ACCA does not report income or expenditure by region, activity or product type. During the year ACCA's income activities were organised by category: Fees and subscriptions, qualifications and examinations, publications, courses, regulation and discipline and other income. These are ACCA's categories reported internally for income purposes and are detailed in notes 6 and 7. A short description of the main categories are as follows:

- Fees and subscriptions: Comprise members', students' and affiliates' fees and subscriptions for the relevant period.
- Qualifications and examinations: Examination and exemption income from the Professional and other qualifications.
- Publications: Income generated from royalties, mailing services and advertising.
- Courses: Continuing Professional Development (CPD) income and CPD events in association with other member bodies via professional alliances.
- Regulation and discipline: Audit, practice and other certificates.

Expenditure is reported internally by function and these are detailed in notes 8 and 9. A short description of the expenditure categories are as follows:

- Chief Executive's Office: Chief Executive non-salary costs and IFAC costs
- Strategy: Delivery of strategic outcomes, corporate training and market research
- Markets: Staff, operational and promotional costs of ACCA's national offices around the world
- Brand: Corporate marketing and promotion, public relations, publishing, technical policy and research and the Policy unit
- Learning: Development and maintaining of qualifications, ensuring the integrity of the syllabus and of the examination process, verifying and awarding exemptions and setting and scrutiny of exam papers
- Governance: Regulation of members, Secretariat, professional conduct, practice monitoring, legal services and internal audit
- Finance and Operations: IT, pension costs, depreciation, corporate services, finance and procurement, member and student support, examinations, service improvements, Human Resources, corporate recruitment and Executive Team costs
- Strategic investment: Investment in IT, exam delivery, transformation of customer facing business processes, and market development

**5 Capital**

ACCA considers its capital to be its accumulated fund and its other reserves. Council's financial objective is to generate a targeted operating position, to build and maintain reserves at a sustainable level, taking into account the various competitive risks. ACCA also aims to achieve additional long-term growth in reserves through the active management of the investment portfolio. A five-year financial plan has been developed which, over the period of the plan, targets an agreed level of accumulated fund. At 31 March 2014, the Accumulated Fund represented 77 days of operating expenditure (31 March 2013: 49 days). ACCA's Resource Oversight Committee reviews the financial position of ACCA at each committee meeting. ACCA is not subject to any material externally imposed capital requirements.



**ASSOCIATION OF CHARTERED CERTIFIED ACCOUNTANTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2014**

	31 Mar 2014 £'000	31 Mar 2013 £'000
<b>6 Fees and subscriptions</b>		
Members	31,961	29,791
Affiliates	4,377	3,726
Students	32,617	30,631
	<u>68,955</u>	<u>64,148</u>
<b>7 Operating activities</b>		
Qualifications and exams	77,891	75,391
Publications	2,916	2,659
Courses	4,531	5,009
Regulation and discipline	4,558	4,255
Other income	175	210
	<u>90,071</u>	<u>87,524</u>
<b>8 Operational expenditure</b>		
Chief Executive's Office	840	945
Strategy	2,404	2,316
Markets	28,334	26,718
Brand	10,826	10,540
Learning	5,960	6,431
Governance	13,341	13,641
Finance and Operations	70,594	68,793
	<u>132,299</u>	<u>129,384</u>
<b>9 Strategic investment expenditure</b>		
Exams Delivery	4,612	3,697
Customer Service Improvements	2,859	3,094
Market Development	3,087	1,702
Portfolio Management	3,551	3,459
Technology Enablers	1,885	—
	<u>15,994</u>	<u>11,952</u>
<b>10 Other losses</b>		
Forward currency contracts	(734)	(148)
<b>11 Finance income and costs</b>		
Finance income		
Interest receivable	325	310
Fair value gains	—	2
Dividends from investments	780	644
	<u>1,105</u>	<u>956</u>
Finance costs		
Net finance interest on pension scheme	(771)	(854)

**ASSOCIATION OF CHARTERED CERTIFIED ACCOUNTANTS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2014**

	31 Mar 2014 £'000	restated 31 Mar 2013 £'000
<b>12 Surplus before tax</b>		
Surplus before tax includes the following:		
(a) <i>Salaries and related costs</i>		
The costs of employing staff during the year were as follows:		
Salaries	42,040	39,888
Social security costs	4,568	4,075
Pension costs (note 22)	4,840	4,442
Other staff costs	3,381	1,624
	<u>54,829</u>	<u>50,029</u>
The average number of employees was 1,098 (31 March 2013: 1,061). The average annual salary was £38,288 (31 March 2013: £37,595).		
(b) <i>Income</i>		
Income from subscriptions and examination and exemption fees amounting to £146.3m (31 March 2013: £138.7m) is stated net of adjustments relating to the non-payment of subscriptions and fees amounting to £9.0m (31 March 2013: £10.5m).		
(c) <i>Depreciation and amortisation</i>		
Depreciation of property, plant and equipment	4,392	4,204
Amortisation of intangible assets	1,452	1,794
Impairment of intangible assets	214	586
	<u>6,058</u>	<u>6,584</u>
(d) <i>Auditors' remuneration</i>		
Fees payable to ACCA's auditor for the audit of the parent undertaking and consolidated financial statements – current year	49	53
- prior year	–	8
Fees payable to ACCA's auditors and their associates for other services		
– audit fees for UK subsidiaries	21	20
– audit fees for non-UK subsidiaries	57	55
– audit fees for the corporate KPIs	3	3
– XBRL tagging of accounts for tax compliance	5	5
	<u>135</u>	<u>144</u>
Fees payable in respect of the audit of the ACCA Staff Pension Scheme	<u>6</u>	<u>8</u>

**ASSOCIATION OF CHARTERED CERTIFIED ACCOUNTANTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2014**

	<b>31 Mar 2014 £'000</b>	restated 31 Mar 2013 £'000
<b>13 Tax</b>		
The amounts charged in the statement of comprehensive income are as follows:		
Current income taxes at 23% (2013: 24%) on the surplus for the year	<b>80</b>	103
Underprovision in respect of prior year	<b>1</b>	—
	<u><b>81</b></u>	<u>103</u>
The current tax charge is split as follows:		
Domestic	<b>33</b>	103
Foreign	<b>48</b>	—
	<u><b>81</b></u>	<u>103</u>
Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.		
Factors affecting the tax charge for the year		
Surplus before tax	<u><b>10,252</b></u>	<u>10,290</u>
Surplus before tax multiplied by the standard rate of UK Corporation tax of 23% (2013: 24%)	<u><b>2,358</b></u>	<u>2,470</u>
Effects of:		
Non-taxable income	<b>(37,892)</b>	(38,186)
Expenditure not deductible for tax purposes	<b>35,781</b>	35,964
Underprovision in respect of prior year	<b>1</b>	—
Depreciation	<b>11</b>	9
Capital allowances	<b>(1)</b>	(2)
Dividend income	<b>(156)</b>	(155)
Deferred tax asset not recognised	<b>10</b>	3
Differential in tax rates	<b>(31)</b>	—
	<u><b>(2,277)</b></u>	<u>(2,367)</u>
Total tax charge	<u><b>81</b></u>	<u>103</u>

The tax charge arises from non-mutual trading profits, investment income and gains on disposal of property and investments, where applicable. The group tax charge has been reduced by £417,000 (31 March 2013: £374,000) as a result of charitable donations to the Certified Accountants Educational Trust.

ASSOCIATION OF CHARTERED CERTIFIED ACCOUNTANTS  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED 31 MARCH 2014

14 Property, plant and equipment

	Freehold property £'000	Leasehold improve- ments £'000	Plant & equipment £'000	Computer systems & equipment £'000	Total £'000
<b>Cost or valuation</b>					
<b>At 31 March 2012</b>	10,400	2,841	6,849	26,949	47,039
Additions	26	381	802	3,435	4,644
Disposals	—	(14)	(73)	(67)	(154)
Revaluation surplus	1,474	—	—	—	1,474
Exchange difference	—	15	18	16	49
<b>At 31 March 2013</b>	11,900	3,223	7,596	30,333	53,052
Additions	117	244	569	1,161	2,091
Disposals	—	—	(93)	(2)	(95)
Revaluation surplus	2,333	—	—	—	2,333
Exchange difference	—	(74)	(105)	(55)	(234)
<b>At 31 March 2014</b>	<b>14,350</b>	<b>3,393</b>	<b>7,967</b>	<b>31,437</b>	<b>57,147</b>
<b>Accumulated depreciation</b>					
<b>At 31 March 2012</b>	—	1,131	4,708	20,203	26,042
Depreciation charge	105	309	686	3,104	4,204
Eliminated on disposals	—	(32)	(28)	(65)	(125)
Eliminated on revaluation	(105)	—	—	—	(105)
Exchange difference	—	11	27	27	65
<b>At 31 March 2013</b>	—	1,419	5,393	23,269	30,081
Depreciation charge	122	383	738	3,149	4,392
Eliminated on disposals	—	—	(62)	(1)	(63)
Eliminated on revaluation	(122)	—	—	—	(122)
Exchange difference	—	(32)	(97)	(45)	(174)
<b>At 31 March 2014</b>	<b>—</b>	<b>1,770</b>	<b>5,972</b>	<b>26,372</b>	<b>34,114</b>
<b>Carrying amount</b>					
<b>At 31 March 2014</b>	<b>14,350</b>	<b>1,623</b>	<b>1,995</b>	<b>5,065</b>	<b>23,033</b>
At 31 March 2013	11,900	1,804	2,203	7,064	22,971

Freehold property includes land valued at £6,450,000 which is not depreciated. The freehold properties were valued at £14,350,000 as at 31 March 2014. The basis of valuation was at open market value, which equates to the assets' fair value, and was prepared by DTZ, an independent firm of chartered surveyors and property consultant managers, in accordance with the relevant parts of RICS valuation – Professional Standards 2014. The fair value of the property portfolio has been determined using an income capitalisation technique, whereby market rental values are capitalised with a market capitalisation rate. The resulting valuations are cross-checked against the equivalent yields and the fair market values per square foot derived from comparable recent market transactions on arm's length terms. These techniques are consistent with the principles in IFRS 13 Fair Value Measurement and use significant unobservable inputs such that the fair value measurement of each property has been classified as Level 3 in the fair value hierarchy. There were no transfers between Levels 1 and 2 or between Levels 2 and 3 in the fair value hierarchy during the year.

**ASSOCIATION OF CHARTERED CERTIFIED ACCOUNTANTS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2014**

**14 Property, plant and equipment (continued)**

	<b>31 Mar 2014 £'000</b>	31 Mar 2013 £'000
Cost or valuation comprises freehold property stated at:		
Valuation in 2013	—	11,900
Valuation in 2014	<b>14,350</b>	—
	<b>14,350</b>	11,900

If land and buildings were stated on the historical cost basis, the amounts would be as follows:

Cost	<b>8,518</b>	8,401
Accumulated depreciation	<b>(1,172)</b>	(1,091)
Net book value	<b>7,346</b>	7,310

**15 Intangible assets**

	<b>£'000</b>
<b>Cost</b>	
At 31 March 2012	7,713
Additions	1,028
At 31 March 2013	8,741
Additions	1,132
<b>At 31 March 2014</b>	<b>9,873</b>
<b>Accumulated amortisation and impairment</b>	
At 31 March 2012	2,771
Amortisation charge	1,794
Impairment	586
At 31 March 2013	5,151
Amortisation charge	1,452
Impairment	214
<b>At 31 March 2014</b>	<b>6,817</b>
<b>Carrying amount</b>	
<b>At 31 March 2014</b>	<b>3,056</b>
At 31 March 2013	3,590

All intangible assets relate to internally generated development costs. Following an impairment review by management, it was recognised that the Approved Employer project had been rescoped and that the majority of costs capitalised at 31 March 2013 were required to be impaired.

The main intangible assets carried at the balance sheet date relate to the development of the CSI Programme (£1.3m), the Foundations in Accountancy syllabus (£0.4m) and Process Transformation (£0.3m).

**ASSOCIATION OF CHARTERED CERTIFIED ACCOUNTANTS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2014**

	31 Mar 2014 £'000	31 Mar 2013 £'000
<b>16 Available-for-sale investments</b>		
<i>At valuation</i>		
At 1 April	80,145	54,622
Additions	82,179	121,357
Disposals	(78,030)	(100,001)
Net gains transferred to fair value reserves	1,233	4,181
Net losses transferred to income	—	(14)
	<u>85,527</u>	<u>80,145</u>
At 31 March	<u>85,527</u>	<u>80,145</u>
Historical cost of tradable investments	<u>71,140</u>	<u>66,991</u>

Available-for-sale investments, comprising units in one of Baillie Gifford's managed funds, units in Baillie Gifford's Diversified Growth Fund and certificates of deposits held by Royal London Cash Management, are fair valued annually at the close of business on the balance sheet date. Wherever possible, fair value is determined by reference to Stock Exchange quoted bid prices or to the Fund Manager's quoted prices. Available-for-sale investments are classified as non-current assets unless they are expected to be realised within twelve months of the balance sheet date.

Concentration of available-for-sale investments

**Non-current assets**

UK equities	11,785	11,996
Overseas equities	17,708	15,620
UK bonds	3,193	2,463
Overseas bonds	10,216	9,232
Cash and deposits	3,202	3,791
Futures and forward currency contracts	819	1,294
Overseas index-linked	245	678
Private/unquoted equities	483	678
Other	2,856	2,383
	<u>50,507</u>	<u>48,135</u>
<b>Current assets</b>		
Certificates of deposit	35,020	32,010
	<u>85,527</u>	<u>80,145</u>

Available-for-sale investments are denominated in the following currencies

UK pound	66,403	61,242
US dollar	8,214	4,763
Swedish Krona	1,791	868
Mexican Peso	1,651	1,760
South Korean Won	1,231	399
Other currencies	6,237	11,113
	<u>85,527</u>	<u>80,145</u>

ACCA monitors its exposures by way of regular reports from Baillie Gifford who have discretionary management of the investment portfolio.

The effective interest rate on the certificates of deposit was 0.5% (2013: 0.44%) and these deposits have an average maturity of 73 days (2013: 78 days).

**ASSOCIATION OF CHARTERED CERTIFIED ACCOUNTANTS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2014**

**16 Available-for-sale investments (continued)**

Fair value hierarchy

ACCA classifies financial instruments measured at fair value in available-for-sale investments according to the following hierarchy:

<b>Level</b>	<b>Fair value input description</b>	<b>Financial instruments</b>
Level 1	Quoted prices from active markets	Quoted equity instruments
Level 2	Inputs other than quoted prices in level 1 that are observable either directly (ie as prices) or indirectly (ie derived from prices)	Unquoted equity instruments included in available-for-sale investments
Level 3	Inputs that are not based on observable market data	Unquoted equity instruments included in available-for-sale investments

ACCA's available-for-sale investments are classified by the fair value hierarchy as follows:

	<b>Level 1 £'000</b>	<b>Level 2 £'000</b>	<b>Level 3 £'000</b>	<b>Total £'000</b>
At 31 March 2013				
Quoted equity	48,135	—	—	48,135
Observable inputs	—	—	—	—
Unobservable inputs	—	—	—	—
<b>Total</b>	<b>48,135</b>	<b>—</b>	<b>—</b>	<b>48,135</b>
At 31 March 2014				
Quoted equity	50,507	—	—	50,507
Observable inputs	—	—	—	—
Unobservable inputs	—	—	—	—
<b>Total</b>	<b>50,507</b>	<b>—</b>	<b>—</b>	<b>50,507</b>

	<b>31 Mar 2014 £'000</b>	<b>31 Mar 2013 £'000</b>
<b>17 Trade and other receivables</b>		
Trade receivables	<b>13,278</b>	10,580
Accrued income	<b>1,811</b>	1,490
Prepayments	<b>4,538</b>	4,424
Other receivables	<b>593</b>	630
	<b>20,220</b>	17,124

Movements on the provision for impairment of trade receivables are as follows:

At 1 April	<b>12,016</b>	12,164
Provision for receivables impairment	<b>8,787</b>	7,987
Receivables written off during the year as uncollectible	<b>(9,071)</b>	(7,947)
Amounts recovered which were previously provided for	<b>(208)</b>	(188)
At 31 March	<b>11,524</b>	12,016

**ASSOCIATION OF CHARTERED CERTIFIED ACCOUNTANTS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2014**

**18 Derivative financial instruments**

	31 Mar 2014		31 Mar 2013	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Forward foreign exchange contracts	—	994	—	260
	<u>—</u>	<u>994</u>	<u>—</u>	<u>260</u>
	<u>—</u>	<u>994</u>	<u>—</u>	<u>260</u>

The contracts entered into by ACCA are principally denominated in the geographic areas in which ACCA operates. The fair value of these contracts is recorded in the balance sheet and is determined by discounting future cash flows at the prevailing market rates at the balance sheet date. No contracts are designated as hedging instruments, as defined in IAS 39, and consequently all changes in fair value are taken to the statement of comprehensive income.

The amount recognised in the statement of comprehensive income that arises from the forward foreign exchange contracts amounts to a loss of £734k (31 March 2013: loss of £148k).

**Forward foreign exchange contracts**

The notional principal amounts of the outstanding forward foreign exchange contracts at 31 March 2014 were £21,981k (31 March 2013: £18,772k).

**19 Cash and cash equivalents**

	31 Mar 2014 £'000	31 Mar 2013 £'000
Cash at bank and in hand	31,188	23,207
Short term bank deposits	2,039	4,013
	<u>33,227</u>	<u>27,220</u>

The effective interest rate on short term bank deposits was 0.85% (2013: 0.73%) and these deposits have an average maturity of 95 days (2013: 63 days).



**ASSOCIATION OF CHARTERED CERTIFIED ACCOUNTANTS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2014**

	<b>31 Mar 2014 £'000</b>	31 Mar 2013 £'000
<b>20 Finance lease liabilities</b>		
Non-current	<u>189</u>	<u>377</u>
Current	<u>188</u>	<u>189</u>
Total finance lease liabilities	<u><u>377</u></u>	<u><u>566</u></u>

The carrying amounts of the finance lease liabilities equal their fair value and are denominated in sterling.

Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

Gross finance lease liabilities – minimum lease payments

No later than 1 year	<b>189</b>	189
Later than 1 year and no later than 5 years	<b>188</b>	377
Present value of the finance lease liabilities	<u><u>377</u></u>	<u><u>566</u></u>

There are no finance charges payable on the finance leases.

**21 Deferred tax liabilities**

Deferred tax liabilities are calculated in full on temporary differences under the balance sheet liability method using a principal tax rate of 23% (2013: 24%). The major deferred tax liabilities recognised by ACCA and the movements thereon during the current period and previous years relate to the revaluation of available-for-sale investments. ACCA has no deferred tax assets.

*Deferred tax liabilities*

	<b>Total £'000</b>
At 1 April 2012	1,020
Tax charged from reserves	<u>753</u>
At 31 March 2013	1,773
Tax credited to reserves	<u>(117)</u>
<b>At 31 March 2014</b>	<u><u><b>1,656</b></u></u>

**ASSOCIATION OF CHARTERED CERTIFIED ACCOUNTANTS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2014**

**22 Retirement benefit obligations**

(a) *General information*

In the UK and Ireland, ACCA operates pension schemes ("the Schemes") providing benefits based on final pensionable pay and on a career average revalued earnings (CARE) basis. The assets of the Schemes are held separately from those of ACCA and invested with the Scottish Widows Fund and Life Assurance Society, Legal & General, Royal London Asset Management and Irish Life. Contributions to the Schemes are determined by a qualified actuary on the basis of triennial valuations.

In accordance with the schedule of contributions, members of the Schemes contributed 8% of their pensionable pay to the pension schemes and the balance of contribution required is provided by ACCA. The UK scheme based on final pensionable pay was closed to new members with effect from 1 July 2007 and those members still in the scheme at that date then began to accrue benefits under the CARE basis. Since 1 July 2007 new employees have been able to join defined contribution plans which are operated by Zurich Assurance Ltd and Irish Life.

During 2010 and 2011, ACCA undertook a review of the defined benefit pension schemes in both the UK and Ireland. As a result of that review, a number of changes were made to the schemes' benefits which resulted in a curtailment of both schemes at 31 July 2011. A number of options were presented to scheme members and 111 members elected to leave the schemes on that date, with the remaining 172 members leaving the scheme on or before 31 July 2013. With effect from that date, the UK and Irish schemes were both closed to future accrual and the remaining members were entitled to join the defined contribution plans.

The most recent triennial valuation of the UK scheme was at 1 January 2013. This valuation has been updated by the scheme actuary for IAS 19 purposes as at 31 March 2014. The triennial valuation was based on the following principal financial assumptions:

Rate of investment return:	
past service	5.9% p.a. to retirement, 3.9% p.a. thereafter
future service	5.9% p.a. to retirement, 3.9% p.a. thereafter
Rate of salary growth	not applicable as scheme closed to future accrual
Limited price indexation of pensions in payment	3.5% p.a.
Retail prices index	3.6% p.a.
Consumer price index	2.9% p.a.

The actuarial valuation of the UK Scheme showed that, at 1 January 2013, the market value of Scheme assets was £70.5m and the value of pension benefits earned was £89.2m. The funding level against technical provisions is therefore 79%.

	<b>31 Mar 2014</b>	31 Mar 2013
The principal financial assumptions used for the purposes of the figures in these financial statements were as follows:		
Discount rate	<b>4.4%</b>	4.6%
Future salary increases	<b>n/a</b>	2.0%
Future pension increases subject to Limited Price Indexation	<b>3.4%</b>	3.4%

The mortality assumptions for the current year-end follows the table known as S1PA, using 90% of the base table with mortality improvements in line with the 2013 version of the CMI model, with a long-term rate of improvement of 1.25% per annum. The same mortality assumptions were used at the previous year end. Assuming retirement at 65, the life expectancy in years are as follows:

For a male aged 65	<b>23.0</b>	22.9
At 65 for a male aged 45 now	<b>24.8</b>	25.3
For a female aged 65 now	<b>25.3</b>	25.6
At 65 for a female aged 45 now	<b>27.2</b>	28.0

**ASSOCIATION OF CHARTERED CERTIFIED ACCOUNTANTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2014**

	31 Mar 2014 £'000	restated 31 Mar 2013 £'000
<b>22 Retirement benefit obligations (continued)</b>		
(a) <i>General information (continued)</i>		
The total pension charge is made up as follows:		
Pension costs under the UK and Irish Schemes (see note 22c)	1,139	2,026
Other pension costs made on behalf of the schemes	143	212
Death-in-service premiums	149	144
Payments to defined contribution schemes for certain employees outside the UK and Ireland	362	251
Payments to defined contribution schemes for certain employees in the UK and Ireland	2,934	1,700
Payments for the Pensions Protection Levy	113	109
	<u>4,840</u>	<u>4,442</u>
Actuarial (gains)/ losses recognised in the statement of other comprehensive income for the period	<u>(4,694)</u>	<u>381</u>
Cumulative actuarial losses recognised in the statement of other comprehensive income	<u>24,447</u>	<u>29,141</u>
In addition to the defined contribution schemes operated for UK and Ireland qualifying employees, schemes also operate for certain employees outside the UK and Ireland. The nature of such schemes varies according to legal regulations, fiscal requirements and economic conditions of the countries in which employees are based. Plans are funded by payments from the group and by employees and are held separately and independently of the group's finances.		
(b) <i>Pension benefits</i>		
Amounts recognised in the balance sheet to reflect funded status		
Present value of funded obligations	98,656	97,204
Fair value of plan assets	(87,301)	(78,814)
	<u>11,355</u>	<u>18,390</u>
Net liability in the balance sheet at 31 March	<u>11,355</u>	<u>18,390</u>
(c) <i>Pension costs</i>		
The amounts recognised in total comprehensive income for the Schemes are as follows:		
Current service cost (excluding employee contributions)	368	1,172
Net interest	771	854
	<u>1,139</u>	<u>2,026</u>
Pension costs under the Schemes	<u>1,139</u>	<u>2,026</u>

**ASSOCIATION OF CHARTERED CERTIFIED ACCOUNTANTS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2014**

	31 Mar 2014 £'000	restated 31 Mar 2013 £'000
<b>22 Retirement benefit obligations (continued)</b>		
(d) <i>Change in benefit obligation</i>		
Present value of benefit obligation at 1 April	97,204	85,143
Current service cost (excluding employee contributions)	368	1,172
Employee contributions	216	650
Interest on obligation	4,438	4,090
Benefits paid	(1,092)	(959)
Gain from change in demographic assumptions	(1,210)	—
Loss from change in financial assumptions	4,398	7,244
Gain from experience	(5,621)	(141)
Exchange difference	(45)	5
	<u>98,656</u>	<u>97,204</u>
Present value of benefit obligation at 31 March	<u>98,656</u>	<u>97,204</u>

Amounts recognised in the balance sheet for pensions are predominantly non-current and are reported as non-current liabilities.

(e) <i>Movement in the net liability recognised in the balance sheet</i>		
At 1 April	18,390	18,967
Pension costs	1,139	2,026
Contributions paid	(3,480)	(2,984)
Recognition of actuarial (gains)/losses	(4,694)	381
	<u>11,355</u>	<u>18,390</u>
At 31 March	<u>11,355</u>	<u>18,390</u>

(f) <i>Change in plan assets</i>		
Fair value of plan assets at 1 April	78,814	66,176
	-----	-----
Interest income	3,667	3,237
Actual return on assets less interest	2,261	6,721
	<u>5,928</u>	<u>9,958</u>
Actual return on plan assets	5,928	9,958
Contributions - employer	3,480	2,984
Contributions - employee	216	650
Benefits paid	(1,092)	(959)
Exchange difference	(45)	5
	<u>87,301</u>	<u>78,814</u>
Fair value of plan assets at 31 March	<u>87,301</u>	<u>78,814</u>

(g) <i>Sensitivity of overall pension liabilities</i>		
Increase in liability through 0.25% reduction in discount rate % of scheme liabilities	5,919	3,900
	<u>5,919</u>	<u>3,900</u>
Increase in liability through 0.25% increase in inflation assumption % of scheme liabilities	4,933	3,900
	<u>4,933</u>	<u>3,900</u>
Increase in mortality through increase in rate of mortality by 1 year % of scheme liabilities	1,973	2,700
	<u>1,973</u>	<u>2,700</u>

The sensitivities are based on the present value of funded obligations.

ASSOCIATION OF CHARTERED CERTIFIED ACCOUNTANTS  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED 31 MARCH 2014

22 Retirement benefit obligations (continued)

(h) *Plan assets*

Plan assets are comprised as follows:

	31 Mar 2014		31 Mar 2013	
	£'000	%	£'000	%
Equities	44,843	51.4	40,158	50.9
Bonds	33,659	38.6	31,176	39.6
Property	8,578	9.8	7,338	9.3
Cash	221	0.2	142	0.2
	<u>87,301</u>	<u>100</u>	<u>78,814</u>	<u>100</u>

The largest proportion of assets is invested in equities via pooled funds managed by Legal & General, although the Trustees of the schemes also invest in bonds, cash and property. The Trustees believe that equities offer the best returns over the long term with an acceptable level of risk. The majority of equities are held in a globally diversified portfolio of international blue chip entities. Investments are diversified such that the failure of any single investment would not have a material impact on the overall level of assets.

(i) *Defined benefit obligation trends*

	31 Mar 2014 £'000	31 Mar 2013 £'000	31 Mar 2012 £'000	31 Mar 2011 £'000	31 Mar 2010 £'000
Scheme assets	87,301	78,814	66,176	60,002	52,575
Scheme liabilities	(98,656)	(97,204)	(85,143)	(73,826)	(78,235)
Scheme deficit	<u>(11,355)</u>	<u>(18,390)</u>	<u>(18,967)</u>	<u>(13,824)</u>	<u>(25,660)</u>
Experience adjustments on liabilities (£'000s)	5,616	141	(1,218)	(1,224)	1,356
As a % of scheme liabilities	<u>5.7</u>	<u>0.2</u>	<u>(1.4)</u>	<u>(1.7)</u>	<u>1.7</u>
Experience adjustments on assets (£'000s)	2,261	6,721	(1,478)	10,510	7,640
As a % of scheme assets	<u>2.6</u>	<u>8.5</u>	<u>(2.2)</u>	<u>17.5</u>	<u>14.5</u>

In accordance with actuarial advice and with the agreement of ACCA and the UK Pension Scheme's trustees, a recovery plan was put in place with effect from November 2013 and ACCA will contribute annual deficit recovery contributions of £2,000,000 in respect of the UK scheme for a period of 6 years and 3 months, subject to review at future actuarial valuations. With regards to the Irish scheme it is expected that for the year ended 31 March 2015, ACCA will contribute annual deficit contributions of £38,500. In addition it is expected that ACCA will contribute on average 10% of pensionable salary in respect of overseas schemes.

**ASSOCIATION OF CHARTERED CERTIFIED ACCOUNTANTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2014**

	<b>31 Mar 2014 £'000</b>	<b>31 Mar 2013 £'000</b>
<b>23 Trade and other payables</b>		
Trade payables	3,080	2,481
Social security and other taxes	1,366	1,379
Accrued expenses	10,156	10,915
	<u>14,602</u>	<u>14,775</u>
<b>24 Deferred income</b>		
Deferred income	<u>72,484</u>	<u>70,297</u>

Deferred income comprises fees and subscriptions from members and students accounted for in advance less an appropriate provision for bad debt as well as exam fees paid in advance by students and monitoring contract income paid in advance.

<b>25 Provisions</b>	<b>31 Mar 2013 £'000</b>	<b>Utilised in year £'000</b>	<b>Released in year £'000</b>	<b>Provided in year £'000</b>	<b>31 Mar 2014 £'000</b>
Tax	3,600	(1,586)	(2,014)	1,554	1,554
Legal costs	130	(37)	—	233	326
Research	248	(246)	—	334	336
Claims	100	(59)	(75)	88	54
Restructuring	—	(249)	—	1,787	1,538
Accreditation	—	—	—	100	100
<b>Total</b>	<u>4,078</u>	<u>(2,177)</u>	<u>(2,089)</u>	<u>4,096</u>	<u>3,908</u>

During the year, ACCA successfully concluded the outstanding tax matters in the UK and China and released some of the provision which had been set up at 31 March 2013. In the UK, the provision related to the registration of ACCA for VAT and the potential tax due under the reverse charge legislation. In China, a change in legislation had given rise to a liability for turnover and income tax from 1 January 2011 and the provision was the estimated liability arising from that date. The current provision relates to the liability for China turnover, income tax and VAT and tax on transfer pricing in China, Malaysia and Singapore due to new legislation in those countries.

The legal costs provision relates to the costs which ACCA may be liable for when undertaking investigations into any ACCA members' conduct which contributed to the collapse of Anglo Irish Bank.

The research provision represents grants and other payments to which the Certified Accountants Educational Trust is committed as part of its continuing sponsorship of accounting research.

The claims provision represents management's best estimate of ACCA's liability relating to the costs associated with ongoing Financial Reporting Council (FRC) investigations against ACCA members. The FRC is responsible for operating and administering an independent disciplinary scheme - The Accountancy Scheme - covering members of the six professional accountancy bodies in the UK and Ireland. It is possible that some of this provision will be incurred in 2014/15. There is no expected reimbursement from actual costs accounted for to date.

Following an organisational review of various business activities during the year, ACCA made the decision to rationalise some business activities and this has resulted in a number of UK employees being at risk of redundancy. The restructuring provision represent management's best estimate of ACCA's liability relating to the costs associated with the roles which have been made redundant. The provision of £1,538,000 is expected to be fully utilised during 2014.

**ASSOCIATION OF CHARTERED CERTIFIED ACCOUNTANTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2014**

**25 Provisions (continued)**

The accreditation provision relates to the identification of a number of errors in the award of the UK audit qualification. A number of awards were found, on review, to have been made in error as the members concerned did not have the requisite passes in UK-variant law and/or tax (and held non-UK variants or exemptions instead). The awards have been withdrawn in these cases and support in the form of revision courses/study aids has been made available to those members who wish to resume holding the UK audit qualification by obtaining passes in UK-variant law and/or tax. ACCA has worked closely with the Financial Reporting Council (FRC) on this matter and is grateful to the FRC for its guidance and assistance.

**26 Other reserves**

	Currency translation £'000	Land and buildings £'000	Available- for-sale investments £'000	Total £'000
Balance at 1 April 2012	(83)	3,636	7,937	11,490
Revaluation – gross	—	1,579	4,181	5,760
Revaluation – tax	—	—	(753)	(753)
Currency translation differences	(84)	—	—	(84)
<b>Balance at 31 March 2013</b>	<b>(167)</b>	<b>5,215</b>	<b>11,365</b>	<b>16,413</b>
Revaluation – gross	—	2,455	1,233	3,688
Revaluation – tax	—	—	117	117
Currency translation differences	43	—	—	43
<b>Balance at 31 March 2014</b>	<b>(124)</b>	<b>7,670</b>	<b>12,715</b>	<b>20,261</b>

The land and buildings fair value reserve represents the excess of the open market value over the depreciated historic cost of the Group's properties, net of deferred taxation. The available-for-sale investments fair value reserve represents the excess of unrealised gains and losses on available-for-sale investments over their historic costs, net of deferred taxation. The currency translation reserve represents the exchange differences arising on the translation of the assets and liabilities of the non-UK subsidiary undertakings.

**27 Commitments**

	31 Mar 2014 £'000	31 Mar 2013 £'000
<i>Capital commitments for property, plant and equipment</i>		
Contracted for at the balance sheet date but not recognised in the financial statements	96	—
Authorised but not contracted	2,259	2,432

**ASSOCIATION OF CHARTERED CERTIFIED ACCOUNTANTS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2014**

**27 Commitments (continued)**

*Operating lease commitments*

At the balance sheet date the group had outstanding commitments under non-cancellable leases, which fall due as follows.

	Land and buildings		Other	
	31 Mar 2014 £'000	31 Mar 2013 £'000	31 Mar 2014 £'000	31 Mar 2013 £'000
Within one year	2,750	2,802	299	376
In two to five years	4,136	4,659	56	269
More than 5 years	530	1,127	—	—
	<b>7,416</b>	<b>8,588</b>	<b>355</b>	<b>645</b>

Operating lease rentals charged to the statement of comprehensive income in the year amounted to £3,626k (31 March 2013: £3,703k).

The future commitment in respect of the lease entered into by CAET, for which ACCA has provided a guarantee, amounted to £3,180k (2013: £3,710k) at the balance sheet date.

**28 Related party transactions**

Balances between ACCA and its subsidiaries have been eliminated on consolidation and are not included in this note. Transactions between ACCA and other related parties are disclosed below.

**Relationships**

Council members as office holders

Martin Turner (President)  
Anthony Harbinson (Deputy President)  
Alexandra Chin (Vice President)

Other Council members

Stephen Bailey, Sharon Burd, Francis Chittenden, Rosanna Choi, Orla Collins, Barry Cooper, Matilda Crossman, John Cullen, Gustaw Duda, Jenny Gu, Kenneth Henry, Pauline Hobson, Julie Holderness, Lorraine Holleway, Hemraz Hoolash, Lynne Hunt, Raphael Joseph, Japheth Katto, Dato' Khalid Ahmad, Lazaros Lazarou, Dean Lee, James Lee, Leo Lee, Brian McEnery, Hamish McKay, Mark Millar, Tom Murray, Kholeka Mzondeki, Mohd Nasir Ahmad, Coutts Otolo, Taiwo Oyedele, Laura Perrin, Katerina Sipkova, Robert Stenhouse, Anthony Tyen, Dean Westcott, Fergus Wong, Belinda Young and Amy Yung

Key management personnel

Helen Brand (Chief Executive), Judith Bennett, Alan Hatfield, Stephen Heathcote, Raymond Jack, Peter Large, Jasmine Lassen, Clare Minchington, Darren Parris and Neil Stevenson

The office holders receive a small honorarium for each year they serve as an officer. No other member of Council has received any payment in respect of services to ACCA. In accordance with the Council Travel and Expenses policy, Council members are reimbursed for any expenses which they directly incur on behalf of ACCA as part of their role as a Council member. Key management personnel are remunerated as shown below.



**ASSOCIATION OF CHARTERED CERTIFIED ACCOUNTANTS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2014**

**28 Related party transactions (continued)**

	<b>31 Mar 2014 £'000</b>	31 Mar 2013 £'000
<b>Related party transactions</b>		
Honorarium to the office holders	<u>13</u>	<u>14</u>
Reimbursement of expenses directly incurred by Council members	<u>467</u>	<u>333</u>
Salaries and other short-term employee benefits	<u>1,654</u>	1,489
Termination benefits	<u>319</u>	—
Post-employment benefits	<u>127</u>	173
	<u><b>2,100</b></u>	<u><b>1,662</b></u>

Following a review of the structure of the Executive Team, the team has reduced in size with effect from 1 April 2014. The termination benefits are the contractual amounts payable to those individuals who have left ACCA and post-employment benefits are the pension contributions payable for those Executive Team members who are members of the pension scheme. Two members of the Executive Team receive an allowance in lieu of pension contributions. The value of those allowances is included in 'Salaries and other short-term employee benefits'.

	<b>31 Mar 2014 £'000 Owed</b>	31 Mar 2013 £'000 Owed
<b>Related party balances</b>		
Reimbursement of expenses directly incurred by Council members	<u>25</u>	<u>2</u>
Bonuses payable to key management personnel	<u>91</u>	<u>105</u>

**29 Principal undertakings**

***Subsidiary undertakings***

The principal subsidiary undertakings, all 100% owned, which are included in the consolidated financial statements, are as follows:

	<b>Country of registration</b>	<b>Beneficial holding</b>	<b>Nature of business</b>
Certified Accountants Investment Company Limited	England & Wales	Ordinary shares	Investment company
The Certified Accountants Educational Trust	England & Wales	Charitable trust	Educational charity
Certified Accountants Educational Projects Limited	England & Wales	Ordinary shares	Provider of educational supplies and services
Association of Authorised Public Accountants	England & Wales	Limited by guarantee	Professional accounting and supervisory body
Certified Accountant (Publications) Limited	England & Wales	Ordinary shares	Publisher of <i>Accounting &amp; Business</i>
Seacron Limited	England & Wales	Ordinary shares	Vehicle for ACCA's operations in China

**ASSOCIATION OF CHARTERED CERTIFIED ACCOUNTANTS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2014**

**29 Principal undertakings (continued)**

	<b>Country of registration</b>	<b>Beneficial holding</b>	<b>Nature of business</b>
ACCA Malaysia Sdn. Bhd.	Malaysia	Ordinary shares	Vehicle for ACCA's operations in Malaysia
ACCA Mauritius	Mauritius	Ordinary shares	Vehicle for ACCA's operations in Mauritius
ACCA Pakistan	Pakistan	Limited by guarantee	Vehicle for ACCA's operations in Pakistan
ACCA Singapore Pte Ltd.	Singapore	Ordinary shares	Vehicle for ACCA's operations in Singapore
ACCA South Africa	South Africa	Limited by guarantee	Vehicle for ACCA's operations in South Africa
Seacron Educational Nigeria Ltd	Nigeria	Ordinary shares	Vehicle for ACCA's operations in Nigeria
ACCA (Shanghai) Consulting Co. Ltd	China	Paid-in capital	Vehicle for ACCA's operations in China
ACCA Canada	Canada	Limited by guarantee	Vehicle for ACCA's operations in Canada
ACCA Romania	Romania	Limited by guarantee	Vehicle for ACCA's operations in Romania
ACCA Malawi Ltd	Malawi	Limited by guarantee	Vehicle for ACCA's operations in Malawi
ACCA Australia and New Zealand Ltd	Australia	Limited by guarantee	Vehicle for ACCA's operations in Australia
Certified Accountants Educational Trustees Ltd	England & Wales	Ordinary shares	Corporate trustee for CAET
Certified Nominees Ltd	England & Wales	Ordinary shares	Corporate director for ACCA companies

***Other undertakings***

ACCA holds a 20.2% holding in The Consultative Committee of Accountancy Bodies Limited (a company registered in England & Wales) at a cost of £202, held in furtherance of its professional objectives.

**ASSOCIATION OF CHARTERED CERTIFIED ACCOUNTANTS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2014**

	<b>31 Mar 2014 £'000</b>	<b>31 Mar 2013 £'000</b>
<b>30 Cash flow statement</b>		
(a) <i>Cash generated from operations</i>		
Surplus before tax	<b>10,333</b>	10,290
Adjustments for:		
Depreciation on property, plant and equipment	<b>4,392</b>	4,204
Amortisation of intangible assets	<b>1,452</b>	1,794
(Gain)/loss on sale of property, plant and equipment	<b>(9)</b>	26
Fair value losses on valuation of available-for-sale investments	<b>—</b>	14
Interest received	<b>(325)</b>	(310)
Dividends received	<b>(780)</b>	(644)
Impairment adjustment	<b>214</b>	586
Pension costs	<b>1,139</b>	2,026
Pension contributions paid	<b>(3,480)</b>	(2,984)
Changes in working capital (excluding the effects of exchange differences)		
Derivative financial instruments	<b>734</b>	148
Trade and other receivables	<b>(3,096)</b>	3,171
Trade and other payables	<b>(173)</b>	(1,440)
Deferred income	<b>2,187</b>	5,296
Provisions	<b>(170)</b>	3,511
<b>Cash generated from operations</b>	<b>12,418</b>	<b>25,688</b>
(b) <i>Disposal of property, plant and equipment</i>		
In the statement of cash flows, proceeds from sale of property, plant and equipment comprise:		
	<b>31 Mar 2014 £'000</b>	<b>31 Mar 2013 £'000</b>
Net book amount	<b>32</b>	29
Gain/(loss) on disposal of property, plant and equipment	<b>9</b>	(26)
<b>Proceeds from disposal of property, plant and equipment</b>	<b>41</b>	<b>3</b>

**ASSOCIATION OF CHARTERED CERTIFIED ACCOUNTANTS  
CORPORATE GOVERNANCE STATEMENT  
FOR THE YEAR ENDED 31 MARCH 2014**

***The UK Corporate Governance Code***

Council is committed to the highest standards of corporate governance. It supports the framework for corporate governance in the UK set out in the *UK Corporate Governance Code* as revised and re-issued by the Financial Reporting Council in September 2012. Council's Governance Design Committee is charged with ensuring that ACCA follows good practice. Council confirms that, although the *UK Corporate Governance Code* relates to UK listed companies and ACCA is not obliged to comply with it, ACCA nevertheless follows its guidance as far as this is, in Council's opinion, relevant to ACCA.

**Principles of good governance**

***Council and the Chief Executive***

Council is the governing body of ACCA and therefore has a key role in ACCA affairs. Its fundamental purpose is to ensure that ACCA delivers the objectives stated in the Royal Charter. Council's terms of reference highlight its responsibility for determining ACCA's strategic policy objectives and for monitoring the organisation's performance in relation to its strategic plan and annual budget. It delegates certain aspects of this function to committees and task forces which operate under its overall guidance and report to it. The Chief Executive manages ACCA's activities and services in accordance with the framework set by Council and reports progress and performance against clear and agreed financial and non-financial measures. Detailed written terms of reference for Council and Committees are published and regularly updated.

Council has adopted a Code of Practice for Council members. This Code of Practice, a link to which is circulated to members with the material for the Annual General Meeting (AGM), applies to Council members when acting in their capacity as Council members and provides a framework for the operation of Council's business. Council is a collegial body and expects all of its members to recognise their collective responsibilities and to comply with the Code. Whatever their geographical or sectoral bases, Council members do not represent particular areas or functions. Council has 37 members, 36 of whom are elected by the membership as a whole and subject to re-election every three years, plus one co-opted member. Council members are volunteers, who can stand for election for a maximum of three terms of three years. They have a wide ranging remit geared to providing strategic direction for ACCA. Council members examine issues of broad and long-term importance to ACCA, and establish ACCA's position on global industry developments as they arise. Following the 2013 AGM, Council now has members from 19 different countries, reflecting the diversity of ACCA and its members. Profiles of Council members are available on request from ACCA.

The office holders of ACCA are the President, the Deputy President and the Vice President. The incoming Vice President is chosen by Council from among its members in March each year, with a ballot if necessary. Council then formally elects each of the office-holders at its first meeting following the AGM in September. In the normal course of events, in the two succeeding years Council elects the Vice President to serve as Deputy President and then President of ACCA.

***Council, Board and Committee induction***

All newly-elected Council members attend an initial induction session, usually arranged around the AGM. The induction session gives new Council members the chance to find out more about the structure of ACCA, the development of its strategy, and any key issues which are currently before Council. The session is chaired by the President, and new Council members have the opportunity to ask questions of the Officers, the Chief Executive and senior staff. Each standing committee is also asked to organise, as early as possible in the Council year, a training session for its members on key areas falling within the remit of the committee.

***Mentoring***

Every newly-elected Council member is assigned a 'mentor' for their first year on Council. The mentor, an existing member of Council, is responsible for providing guidance to the new Council member, is available to advise on Council's processes and procedures, and can provide background to the issues debated by Council. The guidelines for the mentoring process are available on request from ACCA.

**ASSOCIATION OF CHARTERED CERTIFIED ACCOUNTANTS  
CORPORATE GOVERNANCE STATEMENT  
FOR THE YEAR ENDED 31 MARCH 2014 (continued)**

**Principles of good governance (continued)**

*Performance appraisal*

Council members are subject to an annual performance appraisal process. They complete self-assessment questionnaires, in which they are asked to consider their performance in relation to the skills sets required of Council members. All questionnaires are reviewed by the President and Chief Executive who decide whether further counselling is needed. A review of the overall process, and in particular of any common themes which may have been identified, is provided at a Council meeting.

Importantly, the self-assessment process invites Council members to identify any areas in which they feel they need further training. Responses form the basis of a training plan (to be developed on an individual or group basis) which will address the identified needs. In addition, training on areas such as presentation skills, media awareness and committee chairmanship is on offer to all Council members.

**Council members' interests**

The office holders receive a small honorarium for each year they serve as an officer. No other member of Council has received any payment in respect of services to Council, other than by way of reimbursement or payment of expenses incurred in providing such services. Council members' expenses are routinely subject to a review exercise led by Internal Audit, to verify that they are in accordance with the expenses policy. A copy of the expenses policy is available to members on request from ACCA. Details of material transactions between ACCA and its subsidiaries, and related parties (including members of Council) are provided in the notes to the accounts.

Council maintains a Register of Members' Interests which contains details, for each Council member, of any personal or business interests which might give rise to a potential conflict of interest or duty or which might influence the way in which he or she might vote on Council's affairs. The Register is reviewed annually in April when Council members are asked to review and update their entries. New Council members are asked to complete a declaration for the Register as part of their induction to Council.

**Council meetings**

During the year there were five meetings of Council.

**Statement of Council's responsibilities**

Although not required to do so, either by the Royal Charter or by UK statute, Council has elected to prepare financial statements under International Financial Reporting Standards (IFRS), which give a true and fair view of the state of affairs of ACCA and its subsidiaries at the end of each accounting period and of the results for the year.

In preparing these financial statements, Council ensures that:

- suitable accounting policies are selected and applied consistently;
- reasonable and prudent judgements and accounting estimates are made;
- IFRS as adopted by the European Union have been followed; and
- the financial statements are prepared on the going concern basis.

Council has delegated to the Chief Executive and the senior staff its responsibility to keep proper accounting records which disclose with reasonable accuracy at any time the financial position of ACCA, to safeguard its assets and to take reasonable steps for the prevention and detection of fraud and other irregularities.

ACCA's Integrated Report sets out details of the business risks which ACCA faces and its performance and strategy in addressing these. During 2013/14, ACCA prepared a five-year Corporate Plan which provided an indication of the likely strategic priorities over each financial year, formed the basis for developing five-year financial projections and was used to develop the 2014/15 budget. Council has approved the 2014/15 budget which contains the detailed financial assumptions, allocations and targets to deliver the 2014/15 Corporate Plan and is therefore satisfied that ACCA has adequate resources to continue in operational existence for the foreseeable future; accordingly, the going concern basis continues to be adopted in preparing the financial statements.

**ASSOCIATION OF CHARTERED CERTIFIED ACCOUNTANTS  
CORPORATE GOVERNANCE STATEMENT  
FOR THE YEAR ENDED 31 MARCH 2014 (continued)**

**Internal control**

Council is responsible for ensuring that a system of internal control is maintained; no system can, however, provide absolute assurance against material misstatement or loss. ACCA's strategy is determined by Council in the five-year Corporate Plan. Actual financial and non-financial performance is reviewed regularly against target. Regular internal audit reviews of key processes in ACCA's offices are carried out by a combination of internal staff and external consultants.

**Relations with members**

The AGM, held annually in September, is the formal platform for communications with members. Member networks provide the opportunity for communications between ACCA and its members at a local level, throughout the world. Members are encouraged to take part in a wide range of business and social events. Council also distributes to all members an annual review of activities together with a summary of financial and other information. For the current year the annual review will take the form of an Integrated Report.

Council is responsible for the maintenance and integrity of the corporate and financial information included on ACCA's website. Legislation in the United Kingdom governing the preparation and dissemination of accounts may differ from legislation in other jurisdictions.

**Governance structure**

The current structure has developed organically over the years. Council continues to review regularly the roles, responsibilities and effectiveness of Council, Regulatory Board and Committees to ensure that they remain fit for purpose. During 2010/11, a review of the governance structure was carried out and the proposal to reform the Council Committee structure was approved by Council in March 2011 and put in place with effect from September 2011.

**Nominating Committee**

Nominating Committee is responsible for making recommendations to Council for appointments to Council, standing committees, technical committees, International Assembly, Regulatory Board, trustees of the pension scheme and task forces, including independent members. It also has direct responsibility to develop and keep under review succession planning arrangements for ACCA's Officers and committee chairmen and to play a proactive role in the identification of potential Council members. Appointments to committees are made annually by Council.

The members of Nominating Committee during the year and their attendance at meetings were:

		Meetings attended
Chairmen:	Barry Cooper, FCCA FCPA BCom BEd MEd PhD (to 19/9/13)	1/1
	Martin Turner, FCCA FCMI CIHM (from 19/9/13)	0/1
Other members:	Alexandra Chin, FCCA CA(M) FCTIM (from 19/9/13)	1/1
	Barry Cooper, FCCA FCPA BCom BEd MEd PhD (from 19/9/13)	1/1
	Anthony Harbinson, FCCA MBA	2/2
	Leo Lee, FCCA FHKICPA LLB MBA	2/2
	Brian McEnery, FCCA	1/2
	Martin Turner, FCCA FCMI CIHM (to 19/9/13)	1/1
	Anthony Tyen, FCCA AHKICPA ICSA MBA PhD	2/2
	Dean Westcott, FCCA (to 19/9/13)	1/1

Details of the terms of reference for Nominating Committee are available on request from ACCA.

**ASSOCIATION OF CHARTERED CERTIFIED ACCOUNTANTS  
CORPORATE GOVERNANCE STATEMENT  
FOR THE YEAR ENDED 31 MARCH 2014 (continued)**

**Audit Committee**

During the year, the Committee considered whether it wished to voluntarily adopt the enhanced audit report following the issuing of the revised ISA (UK&I) 700 Audit Report. Following consultation with the external auditor, the Committee concluded that it did wish to adopt the new style report, and, as a result, a separate Report from the Audit Committee has been presented at pages 41 to 44.

**Governance Design Committee**

ACCA's Governance Design Committee pursues continual improvement in governance design in ACCA in order to reflect best global practice. During 2010/11, the then Governance Committee undertook on Council's behalf a review of ACCA's overall governance structures. The over-arching objective of the review was to ensure that ACCA's governance design is closely aligned to, and provides optimum oversight of, the delivery of ACCA's overall strategy. The new framework, agreed by Council in March 2011, was implemented with effect from September 2011.

Key features of the new framework include:

- the transformation of Governance Committee into the new Governance Design Committee, which gives ACCA a standing mechanism for reviewing governance design and planning in the short, medium and long term. This provides clear lines of sight between the development and implementation of ACCA's strategy and how ACCA's governance structures might need to evolve to support the delivery of strategy in the future
- a combined resource oversight committee which enables integrated resource allocation and planning. The committee also provides oversight for the transformation programme and its role in delivering ACCA's strategy, including capital investment policies.

The members of Governance Design Committee during the year and their attendance at meetings were:

		Meetings attended
Chairman:	Brian McEnery, FCCA (to 19/9/13)	2/2
	Pauline Hobson, FCCA MBA FCMI (from 19/9/13)	2/2
Other members:	Steve Bailey, FCCA	4/4
	Kenneth Henry, FCCA PhD CISA CPA CGFM	4/4
	Pauline Hobson, FCCA MBA FCMI (to 19/9/13)	2/2
	Leo Lee, FCCA FHKICPA LLB MBA (from 19/9/13)	2/2
	Brian McEnery, FCCA (from 19/9/13)	2/2
	Taiwo Oyedele, FCCA	4/4
	Martin Turner, FCCA FCMI CIHM (to 19/9/13)	2/2
Independent members:	Edwin Lawrie, ACIS FIRM ACII	4/4
	Matthew McLelland, BA MA	3/4

The independent members of Governance Design Committee receive remuneration on a fixed attendance fee basis.

Details of the terms of reference for Governance Design Committee are available on request from ACCA.

**Remuneration Committee**

ACCA's Remuneration Committee is responsible for determining and agreeing a policy framework for the remuneration of the Chief Executive and senior staff that is clearly aligned to the delivery of ACCA's strategic objectives by rewarding senior staff for the achievement of high standards of performance and their contribution to the success of ACCA whilst ensuring that the framework adheres to the principles of good corporate governance. The Committee consists of seven members of Council and an independent member appointed by its Nominating Committee.

The Committee's work plan during 2013/14 included: a review of succession planning arrangements for the senior management team; a benchmark review of remuneration within the scope of the Committee; consideration of options for possible future disclosure of Executive Directors' remuneration; and determination of the performance targets for 2014/15 in the context of the reward scheme for senior staff.

**ASSOCIATION OF CHARTERED CERTIFIED ACCOUNTANTS  
CORPORATE GOVERNANCE STATEMENT  
FOR THE YEAR ENDED 31 MARCH 2014 (continued)**

**Remuneration Committee (continued)**

The Committee has also taken external independent advice from reward consultants New Bridge Street (part of Aon Hewitt Ltd). This advice related to external benchmarking data, survey data, market practice and corporate governance updates.

The Chief Executive, Executive Director - People, the Secretary (in his role as Secretary to the Committee) and other executives may attend meetings at the invitation of the Committee Chairman. No Executive is present when their own remuneration is discussed.

The members of Remuneration Committee during the year and their attendance at meetings were:

		Meetings attended
Chairman:	Lynne Hunt, FCCA	2/2
Other members:	Sharon Burd, FCCA (to 19/9/13)	0/1
	Gustaw Duda, FCCA MBA	1/2
	Anthony Harbinson, FCCA MBA	2/2
	Leo Lee, FCCA FHKICPA LLB MBA	1/2
	Mark Millar, FCCA (from 19/9/13)	1/1
	Martin Turner FCCA FCMI CIHM (to 19/9/13)	1/1
	Anthony Tyen, FCCA AHKICPA ICSA MBA PhD	2/2
	Dean Westcott, FCCA (from 19/9/13)	1/1
Independent member:	Richard Moule, BA IPD	1/2

The independent member of Remuneration Committee receives remuneration on a fixed attendance fee basis.

Details of the terms of reference for Remuneration Committee are available on request from ACCA.

**Regulatory Board**

ACCA's Regulatory Board was launched in September 2008, bringing together all of ACCA's previous governance arrangements for regulation and discipline into a single entity. The remit of the Regulatory Board is to provide independent oversight of ACCA's regulatory and disciplinary activities, and to report to ACCA's Council on the fairness and impartiality of these activities. Placing oversight of regulation and discipline at 'arm's length' from the governance of ACCA's other activities helps to reassure stakeholders that ACCA's arrangements are operated impartially, with integrity and in the public interest. The Board comprises three members of ACCA's Council and seven independent 'lay' appointees - non-accountants - one of whom is Lay Chairman.

The members of the Board during the year and their attendance at Board meetings were:

		Meetings attended
Chairman:	Katrina Wingfield, LLB Hons Exon Solicitor Advocate	4/4
Lay members:	Steve Barrow, BSc Hons DTS DMS (to 30/09/13)	2/2
	Peter Cadman, LLB	3/4
	Barbara Duffner, BA MCIPD OBE (to 30/09/13)	2/2
	Christine Fraser, LLB	4/4
	David Thomas, LLB (from 1/10/13)	1/2
	Antony Townsend, (from 1/10/13)	2/2
	Frances Walker, LLB Hons	4/4
	Rosalind Wright, CB QC (Hon Causa)	4/4
Members from Council:	Raphael Joseph, FCCA	4/4
	Robert Stenhouse, FCCA FCA CTA	4/4
	Anthony Tyen, FCCA AHKICPA ICSA MBA PhD	3/4

Profiles of the Board members can be found on ACCA's website ([www.accaglobal.com](http://www.accaglobal.com)). The Regulatory Board's Terms of Reference are available on request from ACCA.



**ASSOCIATION OF CHARTERED CERTIFIED ACCOUNTANTS  
CORPORATE GOVERNANCE STATEMENT  
FOR THE YEAR ENDED 31 MARCH 2014 (continued)**

**Regulatory Board (continued)**

Lay members receive a small retainer and an attendance fee per meeting.

The Regulatory Board and its sub-committees are supported internally by the Governance Executive Directorate.

**International Assembly**

ACCA's International Assembly was formed in 1997. It remains a unique resource to ACCA and no other body has such a diverse representative group whose role is to provide input into strategy and development through its advisory role to Council. The International Assembly was formed in recognition of ACCA's growth with an increasingly diverse and mobile membership. There are 54 representatives on the International Assembly, representing all regions where there are ACCA members. The International Assembly usually meets in November each year and the meeting is timed to enable Council and Assembly members to interact at a joint social event.

Details of the terms of reference of the International Assembly are available on request from ACCA.

**Senior management and remuneration**

The Chief Executive, seven Executive Directors (year ending 31 March 2013: seven), one Director (year ending 31 March 2013: two) and two independent non-executive advisors (year ending 31 March 2013: two) form the Executive Team and are responsible for the day-to-day management of ACCA on behalf of Council and for the implementation of Council policy.

The total salaries and benefits of the Chief Executive in the year to 31 March 2014 was £339,772. This includes a fixed non-pensionable allowance in lieu of pension benefits, introduced in August 2013 when the Chief Executive agreed to vary her contract of employment following the closure of the defined benefit pension scheme and an additional allowance in lieu of pension contributions – see 'Pensions and Benefits' below. Excluding the allowances referred to above, and to give a 'like for like' comparison, the total salary and benefits for the Chief Executive in the year to 31 March 2014 was £313,490 (year to 31 March 2013: £293,117).

The two independent non-executive advisors receive remuneration on a fixed attendance fee basis.

When reviewing the salaries of the members of the Executive Team the Remuneration Committee takes into account the salary increases applying to the rest of the work force and external benchmark data. External benchmark data is obtained on pay in other professional membership associations (including a sub group of accountancy associations) and general industry data for organisations of a similar size.

The annual salary review for all staff occurs in April. During the year the Chief Executive and Executive Directors' base salaries were reviewed and increased in line with other employees by 3% (with effect from 1 April 2013).

The current base salaries of the Chief Executive and Executive Directors are shown below on a banded basis.

	<b>Number of Employees (2013-14)</b>	<b>Number of employees (2012-13)</b>
£270,000 - £299,999	1	1
£160,000 - £189,999	2	2
£130,000 - £159,999	2	2
£100,000 - £129,999	3	3

**Pension and Benefits**

Executive Directors in the defined benefit plan ceased accruing benefits in July 2013 at which point all employees were provided with defined contribution benefits from the UK's existing defined contribution plan. The decision to close the defined benefit pension plan reflected the need to ensure that the benefits delivered are sustainable for the longer term.

All but two of the Executive Team are members of the defined contribution pension scheme in the UK. All employees close to the lifetime allowance may elect to take a non-consolidated cash allowance in lieu of employer pension contributions and two Executive Team members have done so.

**ASSOCIATION OF CHARTERED CERTIFIED ACCOUNTANTS  
CORPORATE GOVERNANCE STATEMENT  
FOR THE YEAR ENDED 31 MARCH 2014 (continued)**

**Pension and Benefits (continued)**

All employees (including the Executive Team) can receive up to a 9% of salary employer contribution (dependent on an employee contribution of at least 6% of salary) and are able to participate in the flexible benefits offering which is available to all ACCA staff.

It is ACCA's policy is to provide the following Group funded benefits to each member of the Executive Team:

- Private Healthcare (family cover)
- Bi-annual Health screening
- Disability income protection
- Life insurance

**Executive Team Reward Plan**

Under the Executive Team Reward Plan a reward pool is created based on the ACCA's performance against various performance measures. The primary measure of performance is the budgeted Member number for the year. The reward pool is then subject to a multiplier which is determined based on achievement of four key performance indicators.

Notwithstanding performance against the performance measures, the Remuneration Committee may enhance or restrict the size of the reward pool if the overall performance of ACCA is impacted by wholly exceptional circumstances or is not considered satisfactory.

The Remuneration Committee is responsible for determining the size of the reward pool and the portion of the reward pool to be allocated to the Chief Executive. The Chief Executive determines the allocation of the remainder of the pool taking into account individual performance over the Financial Year.

**Corporate Social Responsibility (CSR)**

ACCA produced its first CSR report in 2009/10 and has prepared an annual statement since then. Following ACCA's commitment to Integrated Reporting, the relevant CSR information is provided as part of ACCA's Integrated Report for the year ended 31 March 2014 which is available at [www.accaglobal.com/](http://www.accaglobal.com/)

**Employees**

ACCA is committed to ensuring that employees are engaged in their work and committed to ACCA's goals and values. Further details about ACCA's commitments to and engagements with staff are included in ACCA's Integrated Report.

**Council members' confirmation**

In so far as each of the Council members are aware, they have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The Council members are not aware of any relevant audit information of which the auditors are unaware.

**ASSOCIATION OF CHARTERED CERTIFIED ACCOUNTANTS  
REPORT FROM THE AUDIT COMMITTEE  
FOR THE YEAR ENDED 31 MARCH 2014**

**Role of the Committee**

The Audit Committee reports to Council and its activities are guided by terms of reference approved by Council.

The Committee provides oversight of the financial information published by ACCA, ensuring that appropriate internal controls and processes are in place to safeguard the integrity of that information. The Committee also oversees the relationship with the external auditor, ensuring that appropriate processes are in place for the appointment and remuneration of the auditor and that the auditor's independence is not compromised. The Committee is also responsible for reviewing the effectiveness of ACCA's risk management processes and processes for ensuring compliance with governance arrangements across its operations globally.

The Chairman of the Committee provides an annual report to Council on the Committee's activities, both carried out and planned.

Details of the terms of reference for Audit Committee are available on request from ACCA.

**Committee membership**

Anthony Harbinson chairs the Audit Committee. He is a fellow of ACCA. He has been a member of Council since 2007 and also is a member of ACCA's Remuneration and Nominating Committees as well as being the current Deputy President of ACCA. He has had business experience of almost 30 years and is currently Director of Safer Communities at the Northern Ireland Department of Justice. Council therefore considers that he has had recent relevant financial experience. The remaining Committee members, noted below, are all fellows of ACCA and have also had extensive business experience.

The members of Audit Committee during the year and their attendance at meetings were:

		Meetings attended
Chairman:	Anthony Harbinson, FCCA MBA	4/4
Other members:	Orla Collins, FCCA MSc (from 19/9/13)	1/2
	Julie Holderness, FCCA	3/4
	Hemraz Hoolash, FCCA	3/4
	Hamish McKay, FCCA (to 19/9/13)	2/2
	Coutts Otolo, FCCA CPA(K)	4/4
	Robert Stenhouse, FCCA FCA CTA	4/4
	Amy Yung, FCCA FHKICPA ICSA IIA (to 19/9/13)	1/2
	Dean Westcott, FCCA (from 19/9/13)	1/1
Independent member:	Willie Wardrop, FCCA BA	4/4

The Audit Committee met four times during the year. One of those meetings was an interim update conducted by e-mail.

Appointments to the Committee are made by the Nominating Committee and are for a one year term. The Chairman of the Committee may serve for a maximum of three years, and the independent member for a maximum of six years. The independent member receives remuneration on a fixed attendance fee basis. Meetings are scheduled to ensure that matters in Council's annual work plan which relate to Audit Committee responsibilities are considered on a timely basis.

Both the external auditors and the Senior Internal Auditor have direct access to the Chairman and are entitled to attend Committee meetings.

**ASSOCIATION OF CHARTERED CERTIFIED ACCOUNTANTS  
REPORT FROM THE AUDIT COMMITTEE  
FOR THE YEAR ENDED 31 MARCH 2014 (continued)**

**Committee membership (continued)**

In making appointments to the Audit Committee, Nominating Committee considers the following specific skills criteria:

- experience in the operations of a large and complex organisation
- extensive knowledge and experience of ACCA's strategies and activities
- knowledge and experience of risk management and internal control processes
- suitably inquisitive nature to ensure that matters before the Committee are subject to appropriate and robust scrutiny
- recent experience/knowledge of current financial reporting/auditing standards
- awareness of good corporate governance practices
- experience of working with an Audit Committee.

**Significant issues related to the financial statements**

During the year, the Committee considered whether it wished to voluntarily adopt the enhanced audit report following the issuing of the revised ISA (UK&I) 700 Audit Report. Following consultation with the external auditor, the Committee concluded that it did wish to adopt the new style report, and the necessary changes were made to the audit engagement letter to facilitate that.

The Committee considered the following matters, which it considers to be significant, in its review of the financial statements.

- **Revenue recognition, including the timing and amount of student and member subscriptions and examination fees recognised in the year** – ACCA's main income is derived from subscription income and examination income. A key risk is that recognition of those income streams is incorrect due to timing differences in the key business processing dates and the financial year-end. The Committee has received assurances from management that proper processes are in place to ensure that income is recognised in the correct period, and the Committee has also placed reliance on the historic accuracy of income cut-off.
- **Valuation and recoverability of older trade receivables relating to student and members examinations and subscriptions** – the bad debt provision has been reviewed on a regular basis throughout the year. The provision depends on the exercise of judgement by management based on written policies and evidence from actual bad debt experience. The Committee is satisfied with the treatment adopted by management.
- **Valuation of intangible assets** – ACCA capitalises intangible assets where the criteria of IAS38 are met. The Committee is satisfied that management have put appropriate processes in place to only capitalise those items which meet the criteria and to carry out an annual impairment review to ensure these assets are not over-stated in value.
- **Retirement benefit calculations and disclosures** – the accounting disclosures required by IAS19 are provided by the Scheme Actuary and subject to review by ACCA's external pensions consultant. Realised actuarial gains and losses can be volatile year-on-year as the accounting valuation is a snapshot valuation on a specific date. The Committee is satisfied that the reliance of management on the Scheme Actuary and review by the pensions consultant results in appropriate accounting for and disclosure of pension matters.

**External Audit**

A competitive tender for external audit services is conducted every five years. The last competitive tender process was undertaken in 2010, involving members of the Committee supported by internal ACCA management. The recommendation to reappoint BDO LLP as external auditors was approved by the members at the Annual General Meeting in September 2013. Prior to recommending reappointment to Council, the Committee undertakes a detailed performance review of the external auditor, which includes consideration of the FRC Audit Quality Review reports as available. A resolution regarding reappointment is considered at each AGM.

**ASSOCIATION OF CHARTERED CERTIFIED ACCOUNTANTS  
REPORT FROM THE AUDIT COMMITTEE  
FOR THE YEAR ENDED 31 MARCH 2014 (continued)**

**Auditor's independence, effectiveness and objectivity**

The Audit Committee monitors regularly any non-audit services being provided to ACCA by the external auditor to ensure that any services provided do not impair their independence or objectivity. All non-audit services are required to be pre-approved by the Committee. There were no non-audit services carried out by the external auditor during the year. Details of the amounts paid to the external auditor during the year for the audit of ACCA, its pension schemes and additional audit services relating to the audit of the corporate key performance indicators are set out in note 12 to the financial statements.

The Audit Committee is responsible to Council for ensuring that the external auditors remain independent of ACCA in all material respects and that they have adequate resources available to them to enable the delivery of an objective audit to the membership.

Audit Committee remains satisfied with BDO LLP's effectiveness and independence and is recommending it for reappointment at the 2014 AGM.

The external auditors are required to rotate the audit partner responsible for ACCA audits in accordance with Financial Reporting Council (FRC) guidance. The current lead partner has been in place for five years and is due to be replaced this year. The Committee has considered BDO's audit plan which has detailed, amongst other things, the arrangements made to support the partner rotation.

**Internal Audit**

Representatives from ACCA's Internal Audit function are invited to attend each Audit Committee meeting where assurance is provided that internal control activities, which have been subject to audit, are operating effectively.

The internal audit programme is based upon an assessment of ACCA's strategic risk register. That programme is approved by the Committee in advance of each year and reviewed at each Committee meeting during the year to ensure that satisfactory progress is being made both with the plan and with any recommendations arising from the reviews undertaken. If any such recommendations are unreasonably, in the opinion of the Audit Committee, rejected or delayed by management, then these would be reported to Council. No such report was necessary in the year ended 31 March 2014.

**Risk management**

Council has overall responsibility for determining risk management policy and the Executive Team has responsibility for designing, implementing and maintaining systems consistent with this policy. The Executive Team does this through a process of delegating to ACCA management the responsibility for identifying, assessing and reporting risks, recording results in a risk register. Risk registers are regularly reviewed by the Executive Team and, where appropriate, are escalated to the strategic risk register. The Audit Committee reviews the risk register at each meeting and also receives a detailed update on each strategic risk on a cyclical basis.

These procedures are designed to identify and manage those risks that could adversely impact the achievement of ACCA's strategy and objectives. While they do not provide absolute assurance against material misstatements or loss, Council is of the opinion that proper systems of risk management and internal control are in place within ACCA.

**ASSOCIATION OF CHARTERED CERTIFIED ACCOUNTANTS  
REPORT FROM THE AUDIT COMMITTEE  
FOR THE YEAR ENDED 31 MARCH 2014 (continued)**

**Activity during the year**

During the year to 31 March 2014, Audit Committee has:

- reviewed the annual accounts as at 31 March 2013 and recommended to Council that they be approved
- reviewed the structure and content of the Integrated Report and Corporate Social Responsibility statement
- considered ACCA's strategic risks and underlying risk management procedures
- reviewed the effectiveness of ACCA's internal controls
- received reports from the external auditor
- received reports from the Corporate Assurance function and monitored progress with the implementation of the recommendations arising from those
- agreed the fees and terms of appointment of the external auditors and considered the audit quality and effectiveness
- reviewed the Committee's own effectiveness and submitted an annual report on its performance to Governance Design Committee
- received training on various subjects to enhance the Committee's knowledge in respect of specific matters.

Subsequent to the year-end, the Committee has recommended to Council that it approves the annual accounts for the year-ended 31 March 2014 and that it recommends that a resolution re-appointing BDO LLP as auditor be put to the AGM in September.

**Summary**

The Committee has fulfilled the responsibilities of its terms of reference throughout the year.

Anthony Harbinson  
Chairman of the Audit Committee

23 May 2014

**ASSOCIATION OF CHARTERED CERTIFIED ACCOUNTANTS  
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF  
THE ASSOCIATION OF CHARTERED CERTIFIED ACCOUNTANTS**

**Opinion on financial statements**

**In our opinion the financial statements:**

- give a true and fair view of the state of the group's affairs as at 31 March 2014 and of the group's surplus for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;

The financial statements comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated cash flow statement, the consolidated statement of changes in members' funds and the related notes. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and IFRSs as adopted by the European Union.

**Our assessment of risks of material misstatement and how we addressed these risks**

The assessed risks of material misstatement described below are those that had the greatest effect on the audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team:

- **Revenue recognition, including the timing and amount of student and member subscriptions and examination fees recognised in the year** – as detailed in accounting policy 2 (c) on page 8 and in notes 6 and 7, the Group's main income streams relate to subscription income and examination fees. The risk here is that the subscription year and financial year are not coterminous and exam fee payment dates do not necessarily fall in the same financial year as the exams are sat. There is therefore significant scope for revenue to be recorded in the wrong financial period. Our audit procedures included assessing the integrity of the membership and examination databases and performing computer assisted auditing techniques on the data extracted from these databases. Our testing also included reviewing the controls over revenue recognition, including the timing of revenue recognition as well as substantive testing, analytical procedures and assessing whether the revenue recognition policies adopted complied with IAS 18 "Revenue";
- **Valuation and recoverability of older trade receivables relating to student and members examinations and subscriptions** – accounting policies 2(b)(iii) on page 8 and 2(j) on page 10 detail the procedures adopted by the Group in assessing the recoverability of receivables. There is a significant element of judgment involved in this process. Our procedures include testing the controls around the accounts receivable ledger, analytical review of the age profile of the receivables balance, substantively testing a sample of balances and challenging the assumptions made by management.
- **Valuation of intangible assets** – accounting policies 2(h) and 2(i) on pages 9 and 10 detail the Group's approach to identifying intangible assets and assessing the potential impairment of such assets. When assessing the future potential benefits relating to these intangibles management are exercising judgment. Our audit approach included a review of capitalised costs and confirming that these costs were appropriately capitalised in accordance with IAS38. In addition we critically assessed the integrity of management's impairment reviews, assumptions and calculations.

**Retirement benefit calculations and disclosures** – accounting policy 2(p) on page 12 provides detail of the pension schemes operated by the Group. Note 22 details the changes to the schemes in the current and previous year and the assumptions adopted by the Group in assessing the scheme liabilities in accordance with IAS19. Given the size of the pension scheme, and the significant impact of a small change in assumptions, there is a heightened risk of misstatement. We reviewed the procedures undertaken by management in relation to its review and assessment of the assumptions and judgements used by the Actuary in determining the overall valuation of the retirement benefit liability. We challenged the assumptions inherent in the Actuary's valuation through benchmarking of assumptions against appropriate industry averages and by the use of an independent actuary. We reviewed the actuarial valuation and the presentation and disclosure to ensure that the financial statements comply with the requirements of IAS19.

**ASSOCIATION OF CHARTERED CERTIFIED ACCOUNTANTS  
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF  
THE ASSOCIATION OF CHARTERED CERTIFIED ACCOUNTANTS (continued)**

The audit committee's consideration of these judgments is set out on page 41.

**Our assessment of materiality**

- We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements on our audit and on the financial statements. For planning, we consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.
- We determined planning materiality for the financial statements as a whole to be £1,596,000. In determining this, we based our assessment on a level of 1% of income for the year. On the basis of our risk assessment, together with our assessment of the Group's control environment, our judgment is that performance materiality for the financial statements should be 75% of planning materiality.
- The Group audit team performed the audits of all the key reporting components, in accordance with materiality levels used for each key component which ranged from £140,000 to £1,138,000.
- We agreed with the Audit Committee that we would report to the Committee all audit differences individually in excess of £50,000. We also agree to report differences below these thresholds that, in our view, warranted reporting on qualitative grounds.

**Overview of the scope of our audit**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's (FRC's) website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

The accounting function for the Group is centrally managed in Glasgow. For the purposes of the Group audit we consider that there is one reporting component, consisting of the parent entity and its UK based subsidiaries. The non-UK based subsidiaries are not significant from a group perspective, and these are subject to a limited review by the group audit team. We do have access to the local statutory auditors should we require any information from them. We also use local BDO offices to carry out agreed upon procedures at a sample of non-UK branch offices. Based on the above scope we were able to conclude whether sufficient appropriate audit evidence had been obtained as a basis of our opinion on the group financial statements as a whole.

**Opinion on other matters**

In our opinion the information given in the Integrated Report for the financial year which the financial statements are prepared is consistent with the financial statements.

**Matters on which we are required to report by exception**

Under the ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the Integrated Report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Association acquired in the course of performing our audit; or
- is otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the Council's statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the Audit Committee which we consider should have been disclosed.

We have nothing to report in respect of these matters.



**ASSOCIATION OF CHARTERED CERTIFIED ACCOUNTANTS  
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF  
THE ASSOCIATION OF CHARTERED CERTIFIED ACCOUNTANTS (continued)**

**Respective responsibilities of Council and auditors**

As explained more fully in the statement of Council's responsibilities, Council is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the ("FRC's") Ethical Standards for Auditors.

The members of Council have voluntarily chosen to include a Corporate Governance Report within these financial statements highlighting the extent of their compliance with the UK Corporate Governance Code. We have agreed to review and report on this voluntary Corporate Governance Report.

This report is made solely to the members, as a body in accordance with our engagement letter with Council. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Council, for our audit work, for this report, or for the opinions we have formed.

*BDO LLP  
Chartered Accountants  
Glasgow  
United Kingdom  
21 June 2014*

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).