ACCA Think Ahead

Consolidated Financial Statements

Year ended 31 March 2019

Contents

Five year summary

ACCA and subsidiaries

	Mar 2019 £'000	Mar 2018 £'000	Mar 2017 £'000	Mar 2016 £'000	restated Mar 2015 £'000
Operating income	**206,074**	201,176	182,153	175,696	163,952
Operating (deficit)/surplus	**(37,087)**	(8,625)	(5,974)	4,266	4,239
Other gains/(losses)	**112**	(108)	129	(231)	1,203
Net finance income	**1,781**	33,176	1,126	1,189	869
(Deficit)/surplus before tax	**(35,194)**	24,443	(4,719)	5,224	6,311
Tax	**424**	(7,724)	(1,841)	(2,368)	(1,029)
(Deficit)/surplus for the year	**(34,770)**	16,719	(6,560)	2,856	5,282
Recognition of actuarial (losses)/gains	**(1,027)**	4,600	(16,893)	(749)	(3,585)
Other comprehensive income excluding actuarial gains/(losses)	**653**	(23,806)	11,905	3,568	7,018
Total other comprehensive income	**(374)**	(19,206)	(4,988)	2,819	3,433
Total comprehensive income	**(35,144)**	(2,487)	(11,548)	5,675	8,715
Non-current assets	**127,921**	138,079	133,865	106,513	109,663
Current assets	**63,406**	69,922	68,390	82,505	70,305
Total assets	**191,327**	208,001	202,255	189,018	179,968
Non-current liabilities	**32,188**	21,176	30,705	15,308	16,173
Current liabilities	**135,162**	125,898	108,136	99,712	95,472
Total liabilities	**167,350**	147,074	138,841	115,020	111,645
Accumulated fund	**24,480**	56,211	34,892	46,767	41,025
Other reserves	**(503)**	4,716	28,522	27,231	27,298
Total funds and reserves	**23,977**	60,927	63,414	73,998	68,323
Total reserves and liabilities	**191,327**	208,001	202,255	189,018	179,968

MEMBERS AND STUDENTS

	Mar 2019	Mar 2018	Mar 2017	Mar 2016	Mar 2015
Members	**219,031**	208,549	198,614	188,137	178,169
Students and affiliates	**527,331**	503,262	486,514	480,813	455,778
	746,362	711,811	685,128	668,950	633,947

All figures are presented under International Financial Reporting Standards (IFRS) as adopted by the European Union.

Foreword

These consolidated financial statements present the results for ACCA and its subsidiaries for the year ended 31 March 2019.

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.

Management commentary – key headings	**Content**	**Integrated report reference**
Introduction	Context and basis of preparation	Our integrated reporting journey and this year's report
Nature of ACCA's business	Mission and values Competitive environment Economic environment Regulatory environment Products and services	About ACCA Our value creation model
Strategy and strategic outcomes	Strategic priorities Mapping priorities to outcomes	Our strategy to 2020
Resources and relationships	Resources: financial, human and network; brand development Relationships: global partnerships, key employers, strategic partners, regulator	Our value creation model
Governance, risk and corporate assurance	Outline of our approach to governance Approach to risk management and major risk types	Our governance and leadership Our risks and their management
Strategic outcomes – review of performance	KPI results v target	Our strategic performance in 2018/19
Financial review*	Supplementary financial information	Our strategic performance in 2018/19
Social and environmental impact	Our approach to CSR and significant developments	Where deemed material, it's embedded in the appropriate section in the Integrated Report
Outlook for next year	2019/20 strategic priorities	Our strategy to 2020

*Financial performance in the financial statements is provided in accordance with IFRS. ACCA measures its financial performance at surplus/(deficit) before tax.

Readers of these financial statements are encouraged to access our Integrated Report, which can be found at www.accaglobal.com

Consolidated Income Statement

For the year ended 31 March 2019

Notes		31 Mar 2019 £'000	31 Mar 2018 £'000
	Income		
6	Fees and subscriptions	**97,079**	90,572
7	Operating activities	**108,995**	110,604
	Total income	**206,074**	201,176
	Expenditure		
8	Operational expenditure	**195,896**	188,642
9	Strategic investment expenditure	**34,765**	21,159
	Total expenditure	**230,661**	209,801
	Deficit of expenditure over income	**(24,587)**	(8,625)
21	Pension past service costs	**(12,500)**	—
	Operating deficit	**(37,087)**	(8,625)
10	Other gains/(losses)	**112**	(108)
11	Income from investments	**2,590**	34,468
11	Finance costs	**(809)**	(1,292)
	(Deficit)/surplus before tax	**(35,194)**	24,443
13	Tax	**424**	(7,724)
	(Deficit)/surplus for the year	**(34,770)**	16,719

The accompanying notes to the financial statements, on pages 9 to 40, are an integral part of this statement.

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2019

		31 Mar 2019 £'000	31 Mar 2018 £'000
	(Deficit)/surplus for the year	**(34,770)**	16,719
	Other comprehensive income		
	Items that will not be reclassified to income or expenditure		
21	Recognition of actuarial (losses)/gains	**(1,027)**	4,600
		(1,027)	4,600
	Items that will be subsequently reclassified to income or expenditure		
11	Reclassification to profit and loss	**—**	(27,095)
25	Change in fair value of financial assets	**—**	4,143
25	Currency translation differences	**653**	(854)
		653	(23,806)
	Other comprehensive income for the year, net of tax	**(374)**	(19,206)
	Total comprehensive income for the year	**(35,144)**	(2,487)

The accompanying notes to the financial statements, on pages 9 to 40, are an integral part of this statement.

Consolidated Balance Sheet as at 31 March 2019

Notes		31 Mar 2019 £'000	31 Mar 2018 £'000
	ASSETS		
	Non-current assets		
14	Property, plant and equipment	**14,899**	16,312
15	Intangible assets	**13,695**	15,616
16	Non-current financial assets	**99,327**	106,151
		127,921	138,079
	Current assets		
17	Trade and other receivables	**32,503**	27,669
16	Other current financial assets	**15,030**	25,006
18	Derivative financial instruments	**304**	—
19	Cash and cash equivalents	**15,569**	17,247
		63,406	69,922
	Total assets	**191,327**	208,001
	RESERVES AND LIABILITIES		
	Funds and reserves		
	Accumulated fund	**24,480**	56,211
25	Other reserves	**(503)**	4,716
	Total funds and reserves	**23,977**	60,927
	Non-current liabilities		
20	Deferred tax liabilities	**299**	435
21	Retirement benefit obligations	**31,889**	20,741
		32,188	21,176
	Current liabilities		
22	Trade and other payables	**45,642**	42,560
	Tax payable	**—**	3,056
23	Deferred income	**79,983**	71,718
18	Derivative financial instruments	**192**	—
24	Provisions	**9,345**	8,564
		135,162	125,898
	Total liabilities	**167,350**	147,074
	Total reserves and liabilities	**191,327**	208,001

The financial statements were approved and authorised for issue by Council on 22 June 2019 and signed on its behalf by:

R Stenhouse, President

O Collins, Chair of Audit Committee

The accompanying notes to the financial statements, on pages 9 to 40, are an integral part of this statement.

Consolidated Statement of Changes in Members' Funds

For the year ended 31 March 2019

	Other reserves		Accumulated fund	
	Currency translation £'000	Available-for-sale investments £'000	£'000	Total £'000
Balance at 1 April 2017	(302)	28,824	34,892	63,414
Comprehensive income				
Surplus for the financial year	—	—	16,719	16,719
Other comprehensive income				
Fair value gains on revaluation:				
- financial assets	—	4,489	—	4,489
Tax on fair value gains on revaluation:				
- financial assets	—	(346)	—	(346)
Realised gain on disposal – investments	—	(31,313)	—	(31,313)
Tax on realised gain on disposal – investments	—	4,218	—	4,218
Currency translation	(854)	—	—	(854)
Recognition of actuarial gains	—	—	4,600	4,600
Total other comprehensive income	(854)	(22,952)	4,600	(19,206)
Total comprehensive income for year	(854)	(22,952)	21,319	(2,487)
Balance at 31 March 2018	(1,156)	5,872	56,211	60,927
Opening reserves adjustment				
Change in accounting policies				
IFRS 15	—	—	(1,806)	(1,806)
IFRS 9 reclassification to accumulated fund	—	(5,872)	5,872	—
Adjusted balance at 1 April 2018	(1,156)	—	60,277	59,121
Comprehensive income				
Deficit for the financial year	—	—	(34,770)	(34,770)
Other comprehensive income				
Currency translation	653	—	—	653
Recognition of actuarial losses	—	—	(1,027)	(1,027)
Total other comprehensive income	653	—	(1,027)	(374)
Total comprehensive income for year	**653**	—	**(35,797)**	**(35,144)**
Balance at 31 March 2019	**(503)**	—	**24,480**	**23,977**

The analysis of reserves is presented in note 25.

The accompanying notes to the financial statements, on pages 9 to 40, are an integral part of this statement.

Consolidated Cash Flow Statement

For the year ended 31 March 2019

Notes		**31 Mar 2019 £'000**	31 Mar 2018 £'000
	Cash flows from operating activities		
29	Cash generated from operations	**(12,264)**	11,043
	Tax paid	**(3,214)**	(6,608)
	Net cash from operating activities	**(15,478)**	4,435
	Cash flows from investing activities		
	Acquisition of property, plant and equipment	**(2,442)**	(1,892)
	Cash expended on internally developed intangible assets	**(3,607)**	(3,531)
	Acquisition of financial assets	**(23,462)**	(112,368)
	Disposal of property, plant and equipment	**80**	56
	Disposal of financial assets	**41,753**	111,734
	Interest received	**148**	31
	Dividends received	**951**	594
	Net cash used in investing activities	**13,421**	(5,376)
	Cash flows from financing activities		
	Interest paid	**(295)**	(633)
	Net cash absorbed by financing activities	**(295)**	(633)
	Net decrease in cash and cash equivalents	**(2,352)**	(1,574)
	Cash and cash equivalents at beginning of year	**17,247**	19,521
	Exchange losses on cash and cash equivalents	**674**	(700)
19	**Cash and cash equivalents at end of year**	**15,569**	17,247

The accompanying notes to the financial statements, on pages 9 to 40, are an integral part of this statement.

Notes to the Financial Statements

For the year ended 31 March 2019

1. General information

ACCA is a body incorporated under Royal Charter 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 (IFRS) 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. All values are rounded to the nearest thousand pounds. Non-UK operations are included in accordance with the policies set out in note 2.

New and amended standards adopted during the year and changes in accounting policies
ACCA has applied the following standards and amendments for the first time for the annual reporting period commencing 1 April 2018.

- *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. It also introduces an 'expected credit loss model' for the impairment of financial assets. IFRS 9: Financial Instruments has replaced IAS 39 Financial Instruments: Recognition and Measurement in its entirety.
- *IFRS 15: Revenue from Contracts with Customers*
  IFRS 15 requires the recognition of revenue to depict the transfer of promised goods or services to a customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services.

IFRS 9: 'Financial Instruments' was issued in July 2014 and has an effective date for years beginning on or after 1 January 2018. It replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and liabilities, de-recognition of financial instruments, impairment of financial assets and hedged accounting. The new standard is based on the concept that financial assets should be classified and measured at fair value, with changes in fair value recognised in profit or loss as they arise ("FVPL"), unless restrictive criteria are met for classifying and measuring the asset at either amortised cost or fair value through other comprehensive income ("FVOCI").

IFRS 9 also establishes a new approach for the impairment of loans and trade receivables, an expected loss model, which focuses on the risk that a debt will default rather than when a loss has been incurred. Under the "expected credit loss" model, an entity calculates the allowance for credit losses by considering on a discounted basis the cash shortfalls it would incur in various default scenarios for prescribed future periods and multiplying the shortfalls by the probability of each scenario occurring. ACCA has opted to use the simplified approach measuring expected credit losses using a lifetime expected credit loss provision for trade receivables. To measure expected credit losses on a collective basis, trade receivables are grouped based on similar credit risk and aging.

Following the adoption of IFRS 9, ACCA has changed its accounting policies as set out below.

ACCA has elected to recognise changes in fair value of investments in financial assets through profit or loss and not through other comprehensive income. A gain or loss from fair value changes will be shown in profit or loss.

A financial asset measured at fair value through profit or loss is recognised initially at fair value directly attributable to the financial asset. After initial recognition, the asset is measured at fair value at the balance sheet date. Unrealised and realised changes in fair value are included as "finance income" through profit or loss in the consolidated income statement. Dividends are recognised as "finance income" in profit or loss.

ACCA applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables. To measure expected credit losses on a collective basis, trade receivables are grouped based on similar credit risk and aging.

1 General information (continued)

The expected loss rates are based on ACCA's historical credit losses experienced over previous periods. The historical loss rates are then adjusted for current and forward-looking factors affecting ACCA's members, students and other customers e.g. retention rates.

IFRS 15: 'Revenue from Contracts with Customers' was issued in May 2014 and has an effective date of 1 January 2019. ACCA has adopted IFRS 15 retrospectively in its consolidated financial statements for the year ended 31 March 2019.

ACCA completed an assessment of the impact of IFRS 15 using the five-step approach as outlined in the standard. The review included identifying the contract, identifying the performance obligations, determining the transaction price, allocating the transaction price and recognising the revenue. The review also considered the impact of an update from the International Financial Reporting Interpretations Committee (IFRIC) in September 2018 in relation to a one-off listing fee which a stock exchange charges. The review identified that there would be a change in treatment of member admission, student registration and some aspects of student subscriptions. No other material differences between ACCA's current revenue recognition policy and the requirements of IFRS 15 were identified.

ACCA's assessment of member admission and student registration fees using the five-step approach is outlined below.

Contract	Contract relates to being considered for entry as a member or student of ACCA
Obligations	To transfer the rights and benefits of membership in lieu of the annual subscription for the year in question
Price	Determined as price at point of sale
Allocation	100% of price allocated to period of membership
Revenue recognition	Revenue to be recognised from the period of admission/registration to the start of the next subscription period

ACCA's revenue is predominantly subscription revenue from members and students, examination and exemption revenue, and revenue from courses and events. Revenue from subscription fees result in performance obligations being 'met over time' rather than at a 'point in time'. It is therefore appropriate that this revenue continue to be recognised over the period that the subscription relates.

Examination, exemption and course revenue has a performance obligation that is met at a 'point in time', being the month in which the exam is sat, exemptions are awarded or courses are undertaken. Revenue recognition for these streams remains unchanged under IFRS 15.

IFRS 15 requires that incremental costs of obtaining a contract, including sales commissions, are recognised in line with the transfer of the service to customers. Sales commissions are currently expensed as incurred, if ACCA were to recognise these over the period that the performance obligations are satisfied, it would not result in a material change to the financial results for the year.

Following the adoption of IFRS 15, ACCA has changed its accounting policy as set out below.

ACCA has elected to apply the Cumulative Effect Method approach under IFRS 15. Under IFRS 15, ACCA has adjusted opening reserves, a reduction of £1.8m, with deferred income increasing by £1.2m and accrued income reducing by £0.6m. The change reflects the requirement of IFRS 15 to assess the transfer of goods or services to the customer and to identify the performance obligations in the contract. On examination of the facts for member admission fees and student registration fees, these contracts did not result in a transfer of services at the point of admission/registration, instead provided access to the benefits of membership in advance of the subscription being billed in the following period.

1 General information (continued)

Therefore, application of IFRS 15 requires member admission fees to be deferred over the period from admission to the date of the member's first annual subscription, student initial registrations being deferred over the period from registration to the date of the student's first annual subscription and student subscriptions being recognised over the period from the date on which it was raised until the date of the next year's subscription. Prior to this change members admission fees and student initial registration fees were recognised immediately with no deferral. A proportion of student subscriptions which formed part of a second annual subscription run had previously been accrued and recognised over a 12 month period.

New and revised IFRS in issue but not yet effective

At the year end 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:

- *IFRS 16: Leases*
  IFRS 16 requires lessees to recognise nearly all leases on the balance sheet which will reflect their right to use an asset for a period of time and the associated liability for payments. IFRS 16 was introduced on 1 January 2019 and is expected to impact on the ACCA's future financial statements as it will change how ACCA accounts for leases, which were previously classed as operating leases. A right of use asset together with a related lease liability will be required to be recognised in the financial statements. ACCA expects that this treatment will apply to all of its rented offices and some software licences. ACCA estimates that on 1 April 2019, the net book value of right of use assets brought onto the balance sheet will be £36.3m and the value of the corresponding lease liability will be £44.3m. The impact on the income statement is estimated to be an increase of £0.6m. IFRS 16 is mandatory and ACCA will adopt the full retrospective approach from 1 January 2019. It is anticipated that the effect of first time adoption of this standard will reduce opening net assets by c£0.4m. The calculations use a discount rate appropriate to the rate implicit of borrowing at the time of the lease being taken out. The annual discount rates over all of ACCA's rented offices range from between 2% and 4.69%.

- *IFRIC Interpretation 22: Foreign currency transactions and advance considerations*
  IFRIC 22 clarifies which exchange rate to use in transactions that involve advance consideration paid or received in a foreign currency
- *IFRS 14: Regulatory Deferral Accounts*
  IFRS 14 Regulatory Deferral Accounts specifies the reporting requirements for regulatory deferral account balances that arise when an entity provides goods or services to customers at a price or rate that is subject to rate regulation.
- *IFRIC Interpretation 23: Uncertainty over Income Tax Treatments*
  The Interpretation clarifies application of recognition and measurement requirements in IAS 12 Income Taxes when there is uncertainty over Income Tax Treatments
- *Amendments to IFRS 10 and IAS 28*
  The amendments clarify the accounting for transactions where a parent loses control of a subsidiary that does not constitute a business as defined in IFRS 3: Business Combinations, by selling all or part of its interest in that subsidiary to an associate or a joint venture that is accounted for using the equity method.
- *Annual improvements to IFRSs (2015-2018)*
  The improvements in these amendments clarify the requirements of IFRSs and eliminate inconsistencies within and between standards.
- *Amendments to IAS 19: Plan Amendment, Curtailment or Settlement*
  The amendments clarify the accounting when a plan amendment, curtailment or settlement occurs.
- *Amendments to IFRS 9: Prepayment features with negative compensation*
  The amendments address the concerns about how IFRS 9: Financial Instruments classifies particular prepayable financial assets
- *Amendments to References to the Conceptual Framework in IFRS Standards*
  The amendments support transition to the revised Conceptual Framework for companies that develop accounting policies when no IFRS Standard applies to a particular transaction.

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 IFRS as issued by the 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 financial assets and derivative instruments at fair value through profit or loss.

(b) *Going concern*

The financial statements have been prepared on a going concern basis. At the time of approving the financial statements, Council has a reasonable expectation that ACCA has adequate resources to continue in operational existence for the foreseeable future and that there are no material uncertainties about its ability to continue as a going concern.

(c) *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. 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 21 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 substantially enacted by balance sheet date 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) Revenue recognition

ACCA's main income is derived from subscription income and examination income. As ACCA's subscription year is not coterminous with the financial year, ACCA has processes in place to ensure that the recognition of those income streams is in the correct period. In addition there are processes in place to ensure that exam fee income received in advance of providing the exam is deferred into the relevant period, and that subscription income for the year is deferred as appropriate. An adjustment to income is made each year which reflects the anticipated value of the expected credit loss which has been invoiced in services being provided.

2 Significant accounting policies (continued)

(c) *Critical accounting estimates and judgements (continued)*

iv) Impairment of non-financial assets

ACCA assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Intangible assets are tested for impairment annually and at other times when such indicators exist. The recoverable amounts have been determined based on value-in-use calculations, which requires management to estimate future cash flows. The use of this method requires judgement around whether an impairment review is triggered, the selection of a suitable discount rate in order to calculate the present value of future cash flows, and assumptions related to the expected number of students sitting exams. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

v) Provision for bad debts

ACCA applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables. To measure expected credit losses on a collective basis, trade receivables are grouped based on similar credit risk and aging.

The expected loss rates are based on ACCA's historical credit losses experienced over previous periods. The historical loss rates are then adjusted for current and forward-looking factors affecting ACCA's members, students and other customers e.g. retention rates.

(d) *Income*

Income as presented in the consolidated income statement is revenue as defined under IFRS 15 – Revenue from Contracts with Customers. The following accounting policies relate to ACCA's key income streams.

- Members', students' and affiliates' subscriptions are accounted for as income in the period to which they relate.
- Member admission fees are accounted for as income from the date on which the member is admitted to the date of the member's first annual subscription.
- Student registration fees are accounted for as income from the date of registration to the date of the student's first annual subscription.
- 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 related exam session took place, while exemption income is accounted for in the period in which it was awarded.
- 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.
- Course 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.

(e) *Basis of consolidation*

The consolidated financial statements comprise the consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of changes in members' funds, and consolidated cash flow statement of ACCA and its subsidiaries (the group) as if they formed a single entity drawn up to 31 March 2018 and 31 March 2019. Where ACCA has control over an investee, it is classified as a subsidiary. The company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control. 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.

2 Significant accounting policies (continued)

(f) *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.

(g) *Property, plant and equipment*

All property, plant and equipment is 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 at fair value as appropriate, with a formal third party valuation every three years. Surpluses arising on revaluations are recognised in other comprehensive income and fair value 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.

(h) *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:

- 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.

(i) *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 project employee costs and an appropriate portion of relevant overheads. Development expenditure previously recognised as an expense is 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.

(j) *Financial instruments*

Financial instruments recognised in the balance sheet include cash and cash equivalents, financial assets, 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.

2 Significant accounting policies (continued)

(j) *Financial instruments (continued)*

Trade and other receivables

Trade and other receivables are stated at amortised cost based on the original invoice amount less a provision for any irrecoverable amounts. Provision is made in accordance with IFRS 9 using the simplified approach to lifetime expected credit loss. Bad debts are written off when identified. Terms on receivables balances range from 30 to 90 days.

Financial assets

The portfolio of investments, which includes property funds, is managed by professional fund managers, held for the long term and classified as financial assets. An equity instrument measured at fair value through profit or loss is recognised initially at fair value directly attributable to the financial asset. After initial recognition, the asset is measured at fair value at the balance sheet date. Unrealised and realised changes in fair value are included as "finance income" through profit or loss in the consolidated income statement. When the financial assets are sold the gain or loss from fair value changes will be shown in profit or loss. Dividends from such investments continue to be recognised in profit or loss as other income when the group's right to receive payments is established.

Trade and other payables

Trade and other payables are recognised at amortised cost. Terms on trade payables balances range from immediate to 30 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. This excludes certificates of deposit and cash funds, which are classified as other current financial assets. Short-term is defined as being three months or less. This definition is also used for the cash flow statement.

Cash funds

The portfolio of cash funds, which is managed by professional investment fund managers, is held for the short to medium term and is classified as other current financial assets. The investments in the cash funds are carried at fair value, stated as market value as at the balance sheet date, with all changes in fair value through profit or loss (FVPL) in the consolidated income statement. When the cash funds are sold the gain or loss from fair value changes will be shown in profit or loss. Where an impairment loss arises from the fair value being below cost, this is recognised in the consolidated income statement.

(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 consolidated income statement immediately unless the asset is carried at its revalued amount (see note 2g).

In respect of 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 financial assets, 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 these assets, the cumulative loss, which is measured as the acquisition cost and the current fair value, is recognised in the 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.

2 Significant accounting policies (continued)

(l) *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.

(m) *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 consolidated income statement 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 consolidated income statement on a straight-line basis over the lease term.

(n) *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 gains are taken to the income statement. 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.

(o) *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.

(p) *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 consolidated income statement at fair value. ACCA does not engage in any other hedging activities.

(q) *Provisions*
Provisions for costs are recognised when either a legal or constructive obligation as a result of a past event exists at the balance sheet date, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reasonably estimated.

2 Significant accounting policies (continued)

(r) *Pensions*

ACCA has two closed defined benefit pension schemes, one in the UK and one in 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 consolidated income statement 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. Interest on the liability is calculated using the discount rate and is recognised immediately in the consolidated income statement. The assets of both schemes are held separately from those of ACCA and are measured using market values. For quoted securities the market price is taken as the bid price.

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 consolidated income statement as they become payable in accordance with the rules of the schemes. ACCA has no further payment obligations once the contributions have been paid.

(s) *Contingent liabilities*

Contingent liabilities are not recognised in the financial statements. They are disclosed in the notes unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent liability exists when a possible obligation which has arisen from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of ACCA, or when a present obligation that arises from past events is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

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, investments in pooled cash funds, 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. For working capital balances ACCA considers a figure of £10m per bank and £25m per pooled cash fund to be sufficient although this can be exceeded around times of high activity such as collection of subscription and exam income. 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 and a requirement to pay in advance for exams. 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 and members' 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 90% of ACCA's trade and other receivables were held in sterling (2018: 87%).

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 four 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 has used a specialist cash management company to invest cash surpluses with major banks of suitable credit standing to spread the risk, and currently invests in cash fund products with that company. Cash surpluses are invested in interest bearing current and call accounts, term deposits, time deposits and short-term cash funds. At the balance sheet date, ACCA held £15.0m (2018: £25.0m) in short-term cash funds and £15.6m (2018: £17.2m) in call accounts that are expected to readily generate cash inflows for managing liquidity risk. All term and time deposits are due in less than one year. 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 deficit 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 58% of ACCA's cash and cash equivalents were held in sterling (2018: 66%).

Other price risk relates to the risk of changes in market prices of the non-current and current financial assets and the investments held by the defined benefit pension schemes. ACCA invests in a variety of funds operated by different investment managers and in doing so exposes itself to the fluctuations in price that are inherent in such a market. The effect of a 10% increase in the value of the non-current financial assets held at the balance sheet date would have resulted in an increase in the fair value gains of £8.1m (2018: £10.7m) net of deferred tax. A 10% decrease in their value would, on the same basis, have resulted in the increase in the fair value losses by the same amount.

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, member and student engagement, markets, regulation and discipline and other income. These are ACCA's categories reported internally for income purposes and are detailed in notes 6 and 7. Short descriptions 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.
- Member and student engagement: Income generated from royalties, mailing services and advertising.
- Markets: Continuing Professional Development (CPD) income, locally generated markets income and sponsorship.
- 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.
- Strategy and Development: delivery of strategic outcomes, corporate training, market research, brand management, public relations, publishing, technical policy and research, 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.
- Markets: Staff, operational and corporate marketing and promotional costs of ACCA's global operations and IFAC costs.
- 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 and corporate recruitment.
- 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 2019, the Accumulated Fund represented 32 days of operating expenditure (31 March 2018: 77 days) which is below the long-term aspiration of 60 days. This reflects the ongoing current investment in our transformation programme and the impact of the historic pension adjustment.

Council has reviewed its liquidity measure and has agreed that it will maintain a level of liquid reserves to cover ACCA's exposure to corporate risks that would result in a consequential loss to ACCA which could reduce overall financial strength and create a risk that ACCA was unable to settle liabilities as they fall due. Liquid reserves are defined as the total of cash, liquid short-term and long-term investments, less any short-term borrowing. Any investments in illiquid funds or securities, e.g. property funds, will be excluded from this classification. 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.

Notes to the Financial Statements

For the year ended 31 March 2019

		31 Mar 2019 £'000	31 Mar 2018 £'000
6	**Fees and subscriptions**		
	Members	**48,416**	44,998
	Affiliates	**7,903**	7,388
	Students	**40,760**	38,186
		97,079	90,572
7	**Operating activities**		
	Qualifications and exams	**95,315**	98,918
	Member and student engagement	**2,293**	1,440
	Markets	**4,900**	4,648
	Regulation and discipline	**6,099**	5,598
	Other income	**388**	—
		108,995	110,604
8	**Operational expenditure**		
	Chief Executive's Office	**39**	82
	Markets	**49,705**	48,746
	Strategy and Development	**23,761**	22,972
	Governance	**19,563**	16,607
	Finance and Operations	**102,828**	100,235
		195,896	188,642
9	**Strategic investment expenditure**		
	Exams Delivery	**6,447**	6,172
	Market Development – Grow the business	**2,031**	652
	Market Adoption	**7,554**	3,231
	Renovate core capabilities	**11,157**	5,292
	Digital	**2,963**	2,270
	Information management	**1,052**	713
	Portfolio Management	**3,561**	2,829
		34,765	21,159

Strategic investment expenditure relates to project costs within each category, and once a project has reached completion then any ongoing expenditure is treated as operational. During the previous year, it was agreed to invest in upgrading ACCA's core IT infrastructure to create a digital business capability that enables ACCA's 2020 strategy with the aim of being a more commercially agile ACCA better attuned to the market and its customers' needs and behaviours. The projects reflect the multi-year nature of ACCA's strategy. The Market Adoption programme relates to ensuring that the markets are able to embrace the changes made to the qualification. Portfolio management relates to the net of portfolio overheads, capitalisation, amortisation and impairment.

10 Other gains/(losses)

Forward currency contracts	**112**	(108)

Notes to the Financial Statements

For the year ended 31 March 2019

		31 Mar 2019 £'000	31 Mar 2018 £'000
11	**Finance income and costs**		
	Income from investments		
	Interest receivable	**148**	31
	Dividends from investments	**951**	594
	Realised gains on disposals of investments	**2,567**	33,843
	Unrealised losses on change of fair value of investments	**(1,076)**	—
		2,590	34,468
	Finance costs		
	Net finance interest on defined benefits pension schemes	**(514)**	(659)
	Other interest payable	**(295)**	(633)
		(809)	(1,292)

Under IAS 1 the net realised gains of £27.1m for 2018 was shown as a reclassification adjustment in other comprehensive income. These gains related to unrealised gains net of tax as at 31 March 2017 which had previously been transferred to reserves.

12 (Deficit)/surplus before tax

(Deficit)/surplus before tax includes the following:

(a) *Salaries and related costs*

The costs of employing staff during the year were as follows:

	31 Mar 2019 £'000	31 Mar 2018 £'000
Salaries	**63,546**	56,869
Social security costs	**6,556**	5,898
Pension costs (note 21)	**19,199**	6,365
Other staff costs	**3,856**	6,474
	93,157	75,606

The average number of employees was 1,402 (31 March 2018: 1,358). The average annual salary was £45,325 (31 March 2018: £41,877). The figures above include the salaries and bonuses payable to the Executive Team (see note 27 for more details).

(b) *Income*

Income from subscriptions, examination and exemption fees amounting to £189.8m (31 March 2018: £186.6m) is stated net of adjustments relating to the non-payment of subscriptions and fees amounting to £12.3m (31 March 2018: £13.9m).

(c) *Depreciation, amortisation, impairment and foreign exchange losses*

	31 Mar 2019 £'000	31 Mar 2018 £'000
Depreciation of property, plant and equipment	**3,711**	3,650
Amortisation of intangible assets	**5,528**	5,037
Foreign exchange (gains)/losses	**(657)**	1,020

(d) *Auditors' remuneration*

Fees payable to ACCA's auditor, Grant Thornton, for the audit of

	31 Mar 2019 £'000	31 Mar 2018 £'000
– the parent undertaking and consolidated financial statements	**65**	60
– audit fees for UK subsidiaries and charities	**38**	36
– audit fees for the corporate KPIs	**4**	3
– audit fees for the ACCA Staff Pension Scheme	**8**	8
	115	107

Notes to the Financial Statements

For the year ended 31 March 2019

		31 Mar 2019 £'000	31 Mar 2018 £'000
12	**(Deficit)/surplus before tax (continued)**		
(d)	*Auditors' remuneration (continued)*		
	Fees payable to ACCA's other auditors and their associates for		
	– audit fees for non-UK subsidiaries	**58**	52
	– non-audit services in China	**12**	24
13	**Tax**		
	The amounts charged in the statement of comprehensive income are as follows:		
	Current income taxes at 19% (2018: 19%) on the (deficit)/surplus for the year	**830**	3,074
	(Over)/under provision in respect of prior year	**(1,254)**	4,650
		(424)	7,724
	The current tax charge is split as follows:		
	Domestic	**(948)**	7,396
	Foreign	**524**	328
		(424)	7,724

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

	31 Mar 2019 £'000	31 Mar 2018 £'000
Factors affecting the tax charge for the year		
(Deficit)/surplus before tax	**(35,194)**	24,443
(Deficit)/surplus before tax multiplied by the standard rate of UK Corporation tax of 19% (2018: 19%)	**(6,687)**	4,644
Effects of:		
(Over)/under provision in previous years	**(1,254)**	4,650
Overseas WHT suffered as a deduction	**455**	—
Non-taxable income	**(707)**	(112)
Expenditure not deductible for tax purposes	**2,586**	609
Deferred tax not recognised	**4,869**	(6,709)
Chargeable gains net of indexation	**436**	4,615
Differential in tax rates	**(122)**	27
	6,263	3,080
Total tax charge	**(424)**	7,724

The tax charge arises from non-mutual trading profits, investment income and gains on disposal of investments, where applicable. The group tax charge has been reduced by £nil (31 March 2018: £171,000) as a result of no charitable donations to the Certified Accountants Educational Trust during the year.

The UK Corporation tax rate of 19% took effect from 1 April 2017. A change was announced in the Finance (No.2) Bill 2017 which will reduce the main rate of corporation tax to 17% from 1 April 2020 rather than the 18% previously announced. This bill was substantively enacted as part of the Finance (No.2) Act 2017 and so the effect of this change has been included in the financial statements where relevant.

Notes to the Financial statements

For the year ended 31 March 2019

14 Property, plant and equipment

	Leasehold improvements £'000	Plant & equipment £'000	Computer systems & equipment £'000	Total £'000
Cost or valuation				
At 31 March 2017	**13,097**	**6,845**	**20,068**	**40,010**
Additions	1,119	484	289	1,892
Disposals	(119)	(214)	(160)	(493)
Exchange difference	(185)	(93)	(265)	(543)
At 31 March 2018	**13,912**	**7,022**	**19,932**	**40,866**
Additions	1,078	485	879	2,442
Disposals	(357)	(780)	(525)	(1,662)
Exchange difference	(15)	(135)	(95)	(245)
At 31 March 2019	**14,618**	**6,592**	**20,191**	**41,401**
Accumulated depreciation				
At 31 March 2017	**2,107**	**2,994**	**16,638**	**21,739**
Depreciation charge	1,277	1,029	1,344	3,650
Eliminated on disposals	(82)	(188)	(149)	(419)
Exchange difference	(55)	(64)	(297)	(416)
At 31 March 2018	**3,247**	**3,771**	**17,536**	**24,554**
Depreciation charge	1,506	1,019	1,186	3,711
Eliminated on disposals	(343)	(722)	(495)	(1,560)
Exchange difference	(84)	(47)	(72)	(203)
At 31 March 2019	**4,326**	**4,021**	**18,155**	**26,502**
Carrying amount				
At 31 March 2019	**10,292**	**2,571**	**2,036**	**14,899**
At 31 March 2018	10,665	3,251	2,396	16,312

15 Intangible assets

	£'000
Cost	
At 31 March 2017	30,410
Additions	3,531
At 31 March 2018	33,941
Additions	3,607
At 31 March 2019	**37,548**
Accumulated amortisation and impairment	
At 31 March 2017	13,288
Amortisation charge	5,037
At 31 March 2018	18,325
Amortisation charge	5,528
At 31 March 2019	**23,853**
Carrying amount	
At 31 March 2019	**13,695**
At 31 March 2018	15,616

All intangible assets relate to internally generated development costs, the vast majority of which relates to the delivery of the exams qualifications. Following an impairment review in accordance with IAS 38, management decided that no impairment charge (2018: £nil) was required to be accounted for.

Amortisation of £5.5m (2018: £5.0m) is included in both operational and strategic investment expenditure.

16 Financial assets

	31 Mar 2019 £'000	31 Mar 2018 £'000
At valuation		
At 1 April	**131,157**	123,504
Additions	**23,462**	112,368
Disposals	**(39,186)**	(77,891)
Net gains transferred to fair value reserves	**—**	4,489
Realised (gains)/losses transferred to income	**—**	(31,313)
Unrealised losses transferred to income	**(1,076)**	—
At 31 March	**114,357**	131,157
Historical cost of tradable investments	**109,126**	124,850

The effect of initially applying IFRS 9 to the financial statements is described in note 1. Due to the transition method chosen in applying IFRS 9 comparative information has not been restated to reflect the new requirements. At 31 March 2018 these investments were classified as Available-for-sale investments.

16 Financial assets (continued)

During the prior year, in conjunction with external investment consultants, ACCA implemented a new investment strategy which resulted in the disposal of investments held in Baillie Gifford's Managed Fund and the partial disposal of units held in Baillie Gifford's Diversified Growth Fund. The new strategy is intended to further diversify the portfolio and reduce the levels of volatility. Financial assets, comprising units in Baillie Gifford's Diversified Growth Fund, Baillie Gifford's Global Select Fund, Adept Investment Management's Absolute Return and Fixed Income Funds, GreenOak's UK Debt II Property Fund and cash funds held by Royal London Asset 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 closing single price on a single swinging price basis. Financial assets are classified as non-current assets unless they are expected to be realised within twelve months of the balance sheet date.

	31 Mar 2019 £'000	31 Mar 2018 £'000
Concentration of financial assets		
Non-current assets		
UK equities	**3,563**	4,364
Overseas equities	**25,990**	32,172
UK bonds	**588**	1,463
Overseas bonds	**5,924**	5,496
Absolute return	**37,871**	41,167
Property	**7,553**	3,164
Cash and deposits	**3,060**	1,808
Inflation-linked bonds	**13,319**	15,306
Other	**1,459**	1,211
	99,327	106,151
Current assets		
Cash funds	**15,030**	25,006
	15,030	25,006
	114,357	131,157
Financial assets are denominated in the following currencies		
UK Pound	**97,723**	107,656
US Dollar	**13,115**	12,875
Japanese Yen	**3,247**	3,086
Hong Kong Dollar	**1,112**	1,376
Swiss Franc	**668**	1,543
Swedish Krona	**382**	1,203
Other currencies	**(1,890)**	3,418
	114,357	131,157

The negative value shown above for other currencies includes the net value of negative positions which the Funds have taken in relation to forward currency contracts and options.

16 Financial assets (continued)

ACCA monitors its exposure by way of regular reports from each of the investment managers, who have discretionary management of the funds they hold within the investment portfolio.

Fair value hierarchy
ACCA classifies financial instruments measured at fair value in financial assets according to the following hierarchy:

Level	**Fair value input description**	**Financial instruments**
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 (i.e. as prices) or indirectly (i.e. derived from prices)	Unquoted equity instruments included in financial assets
Level 3	Inputs that are not based on observable market data	Unquoted equity instruments included in financial assets

ACCA's financial assets are classified by the fair value hierarchy as follows:

	Level 1 £'000	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
At 31 March 2018				
Quoted equity	29,310	—	—	29,310
Observable inputs	25,006	74,698	—	99,704
Unobservable inputs	—	—	2,143	2,143
Total	54,316	74,698	2,143	131,157
At 31 March 2019				
Quoted equity	**60**	—	—	**60**
Observable inputs	**15,030**	**95,651**	—	**110,681**
Unobservable inputs	—	—	**3,616**	**3,616**
Total	**15,090**	**95,651**	**3,616**	**114,357**

The investment managers have provided information as to which classifications each of the investment funds fall into. Following a review by Baillie Gifford, they have confirmed that both investment funds in which ACCA is invested are classified as level 2. This is a change to what they advised last year. Council has reviewed and assessed those views of the classifications and judged that the disclosures are applicable. Council has relied on the investment managers' expertise as being well-respected investment fund managers to be able to provide that view of the classification of these investments.

Financial assets classified within level 3 have unobservable inputs as they trade infrequently. They relate to investments in a property debt fund managed by GreenOak. A sensitivity analysis for level 3 positions has not been presented as it has been deemed that the impact of reasonable changes in inputs would not be significant.

Commitments
As part of the change in investment strategy ACCA has invested in a property fund managed by GreenOak. Investments are made on a piecemeal basis and Council has approved investment of up to £10m in property funds directly. At the balance sheet date ACCA had a commitment to invest a further £6.4m in the GreenOak property fund.

		31 Mar 2019 £'000	31 Mar 2018 £'000
17	**Trade and other receivables**		
	Trade receivables	**21,462**	16,811
	Accrued income	**2,078**	2,019
	Prepayments	**7,925**	7,748
	Taxation recoverable	**446**	—
	Other receivables	**592**	1,091
		32,503	27,669

Trade receivables is stated net of an adjustment of £14.3m (2018:£12.7m) to reflect historical experience of customer retention.

The carrying amount of trade and other receivables approximates to their fair value, which has been calculated based on expectations of debt recovery from historic trends feeding into impairment provision calculations. The majority of trade receivables relates to members and students debt which are individually small in value, so are considered for impairment by category of debt and are not individually impaired. Other trade receivables are reviewed individually for impairment, and judgement made as to any likely impairment based on historic trends and latest communications with specific customers.

ACCA applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables. To measure expected credit losses on a collective basis, trade receivables are grouped based on similar credit risk and aging.

The expected loss rates are based on ACCA's historical credit losses experienced over previous periods. The historical loss rates are then adjusted for current and forward-looking factors affecting ACCA's members, students and other customers e.g. retention rates.

As of 31 March 2019, trade receivables of £10.8m (2018: £11.3m) were past due but not impaired. The aging analysis of these trade receivables is as follows:

	31 Mar 2019 £'000	31 Mar 2018 £'000
31-60 days	**1,557**	1,038
61-90 days	**1,043**	959
91-120 days	**8,186**	9,247
Over 121 days	**20**	37
	10,806	11,281

The movement on the provision for impairment of trade receivables is as follows:

	31 Mar 2019 £'000	31 Mar 2018 £'000
At 1 April	**876**	459
Provision for receivables impairment	**649**	959
Receivables written off during the year as uncollectible	**(862)**	(111)
Amounts recovered/released which were previously provided for	**(193)**	(431)
At 31 March	**470**	876

18 Derivative financial instruments

	31 Mar 2019		31 Mar 2018	
	Assets	**Liabilities**	Assets	Liabilities
	£'000	**£'000**	£'000	£'000
Forward foreign exchange contracts	**304**	**192**	—	—
	304	**192**	—	—

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. These are known as mark-to-market valuations and have been valued by the providers of the contracts. The valuation methods used are consistent with the principles in IFRS 13: Fair Value Measurement and use significant unobservable inputs, such that the fair value measurement of the contracts, has been classified as Level 3 in the fair value hierarchy. 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 amounted to a gain of £0.1m (31 March 2018: loss of £0.1m).

Forward foreign exchange contracts
The notional principal amounts of the outstanding forward foreign exchange contracts at 31 March 2019 was £37.5m (31 March 2018: £nil).

	31 Mar 2019 £'000	31 Mar 2018 £'000
19 Cash and cash equivalents		
Cash at bank and in hand	**15,569**	17,247

ACCA had no short-term bank deposits in place at the balance sheet date. The effective interest rate on short-term bank deposits was nil% (2018: nil%) and these deposits have an average maturity of nil days (2018: nil days).

20 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 19% (2018: 19%). The major deferred tax liabilities recognised by ACCA and the movements thereon during the current period and previous years relate to the revaluation of financial assets. ACCA has no deferred tax assets.

Deferred tax liabilities

	31 Mar 2019 £'000	31 Mar 2018 £'000
At 1 April	**435**	4,307
Tax charged/(credited) to reserves:		
Current year provision on investments	**56**	346
Release of provision on realised gains	**(192)**	(4,218)
At 31 March	**299**	435

21 Retirement benefit obligations

(a) *General Information*

The financial statements include the financial impact of defined benefit pension schemes operated in the UK and Ireland, and which closed to future accrual on 31 July 2013. Those schemes provided benefits based on final pensionable pay and on a career average revalued earnings (CARE) basis. ACCA operates defined contribution plans which are currently administered by Aegon in the UK and Irish Life in Ireland. BlackRock were appointed as new UK administrators following a tender process in 2015, and from 1 January 2016 to July 2018, all new contributions from UK staff have been invested with BlackRock. On 1 July 2018, BlackRock's defined contribution pensions and platform administration business was transferred to Scottish Equitable PLC which has the brand name of Aegon and all new contributions are now invested with Aegon. Irish contributions are invested with Irish Life.

The closed UK defined benefit Scheme is subject to the Statutory Funding Objective (SFO) under the Pensions Act 2004. A valuation of the Scheme is carried out at least once every three years to determine whether the SFO is met. As part of the process ACCA must agree with the Trustees of the Scheme the contributions to be paid to address any shortfall against the SFO. The SFO does not currently impact on the recognition of the Scheme on these accounts.

The most recent triennial valuation of the UK Scheme was at 1 January 2016 (the January 2019 valuation is currently in progress). This 1 January 2016 valuation has been updated by the scheme actuary for IAS 19 purposes as at 31 March 2019. The triennial valuation was based on the following principal financial assumptions:

Rate of investment return:	past service	4.8% p.a. to retirement, 3.5% p.a. thereafter
	future service	4.8% p.a. to retirement, 3.5% p.a. thereafter
Limited price indexation of pensions in payment		3.4% p.a.
Retail price index		3.5% p.a.
Consumer price index		2.8% p.a.
Rate of salary growth		not applicable as scheme closed to future accrual

The actuarial valuation of the UK Scheme showed that, at 1 January 2016, the market value of Scheme assets was £93.3m and the value of pension benefits earned was £110.1m. The funding level against technical provisions was therefore 85%.

An actuarial valuation for the closed Irish scheme is required to be undertaken at least every 3 years in accordance with Section 56 of the Pensions Act 1990 (as amended) and in accordance with the Trust Deed and Rules of the Scheme. Under Clause 6.1 of the Trust Deed for the Scheme, the Employer shall pay to the Trustees the moneys which the Trustees determine, having considered the advice of the Actuary and consulted with the ACCA, to be necessary to support and maintain the Scheme in order to provide the benefits under the Scheme. In addition, Section 42 of the Pensions Act 1990 (as amended) requires the Scheme to satisfy the Funding Standard. The Funding Standard defines the minimum assets that each scheme must hold, and sets out the rules that apply if a scheme falls short. The actuarial valuation and the Funding Standard requirements do not impact on the recognition of the Scheme on these accounts.

The most recent triennial valuation of the Irish Scheme was at 1 January 2018. This valuation has been updated by the scheme actuary for IAS 19 purposes as at 31 March 2019. The triennial valuation was based on the following principal financial assumptions:

Rate of investment return:	past service	3.75% p.a. to retirement, 2.25% p.a. thereafter
	future service	3.75% p.a. to retirement, 2.25% p.a. thereafter
Inflation		1.75% p.a.
Rate of salary growth		not applicable as scheme closed to future accrual

The actuarial valuation of the Irish Scheme showed that, at 1 January 2018, the market value of the Scheme assets was €4.2m and the value of pension benefits earned was €4.5m. The funding ratio was therefore 93%.

21 Retirement benefit obligations (continued)

(a) *General information (continued)*

	31 Mar 2019	31 Mar 2018
The principal financial assumptions used for the purposes of the figures in these financial statements were as follows:		
Discount rate for UK Scheme	**2.50%**	2.70%
Discount rate for Irish Scheme	**1.85%**	1.80%
Future pension increases (UK Scheme) subject to LPI	**3.10%**	3.00%
Future pension increases (Irish Scheme)	**1.50%**	1.75%

The mortality assumptions for the current year-end for the UK Scheme follows the table known as S2PA, using 90% of the base table with mortality improvements in line with the 2019 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 based on the 2018 version of the CMI model. For the Irish Scheme the mortality assumptions (post retirement) are based on standard mortality tables allowing for future mortality improvements and are unchanged from previous disclosures. However given the way the tables are compiled to take into account future mortality improvements the actual life expectancy for members of the Irish Scheme at each age will have increased from last year.

Assuming retirement at 65, the life expectancies in years are as follows:

	Irish Scheme		UK Scheme	
	31 Mar 2019	31 Mar 2018	**31 Mar 2019**	31 Mar 2018
For a male aged 65 now	**21.5**	21.4	**22.3**	22.7
At 65 for a male aged 45 now	**23.9**	23.8	**23.6**	24.1
For a female aged 65 now	**24.0**	23.9	**24.2**	24.6
At 65 for a female aged 45 now	**26.0**	25.9	**25.7**	26.2

	31 Mar 2019 £'000	31 Mar 2018 £'000
The total pension charge is made up as follows:		
Pension costs under the UK and Irish Schemes (see note 21c)	**13,014**	659
Death-in-service premiums	**258**	207
Payments to defined contribution schemes for certain employees outside the UK and Ireland	**552**	523
Payments to defined contribution schemes for certain employees in the UK and Ireland	**5,273**	4,827
Payments for the Pensions Protection Fund levies	**102**	149
Pension costs	**19,199**	6,365
Actuarial losses/(gains) recognised in the statement of other comprehensive income for the period	**1,027**	(4,600)

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.

21 Retirement benefit obligations (continued)

(b) *Contributions and the effect of the Schemes on the future cashflows*

ACCA is required to agree a schedule of contributions with the Trustees of the Schemes following actuarial valuations which take place every three years. In accordance with actuarial advice and with the agreement of ACCA and the UK Scheme's Trustees, a recovery plan was put in place with effect from April 2017 to which ACCA will contribute annual deficit recovery contributions of £2,500,000 in respect of the UK scheme for a period of 6 years and 9 months, subject to review at future actuarial valuations. The triennial valuation due as at 1 January 2018 for the Irish scheme was completed during the year and it revealed that the funding position had improved. Nevertheless ACCA has agreed to maintain annual contributions for the year ended 31 March 2019 at about £96,000. In respect of other overseas schemes it is expected that ACCA will contribute on average 9% of pensionable salary in the coming year.

	31 Mar 2019 £'000	31 Mar 2018 £'000
(c) *Pension costs*		
The amounts recognised in total comprehensive income for the schemes are as follows:		
Past service costs in relation to amending benefits relating to rules	**12,300**	—
Past service costs in respect of GMP equalisation	**200**	—
Net interest	**514**	659
Pension costs under the Schemes	**13,014**	659

Past service costs – amending benefits relating to the rules

Following a review of the rules of the ACCA Staff Pension Scheme, the Trustees of the Scheme identified some issues which related to the legality of the passing of resolutions to make changes to the Pension Scheme Trust Deed. Both ACCA and the Trustees sought legal advice and have worked together to resolve the situation. This matter is now close to conclusion and during the year ACCA and the Trustees completed the negotiation of the agreement on how the Scheme will be administered in respect of the invalid changes. The costs of making good those invalid changes has been calculated by the Scheme Actuary to be in the region of £12.3m and this has been accounted for as a past service cost in these accounts.

Past service costs - GMP Equalisation

Guaranteed Minimum Pension ("GMP") is a portion of pension that was accrued by individuals who were contracted out of the State Second Pension prior to 6 April 1997. Historically there was an inequality of benefits between male and female members who have GMP.

A High Court case concluded on 26 October 2018 which determined that GMPs should be equalised, with several methods being possible and the employer can require the minimum cost option to be adopted. The Scheme Actuary has estimated the financial impact of equalising GMPs for members for the ACCA Staff Pension Scheme at £0.2m and this has been accounted for as a past service cost in these accounts.

(d) *Movement in the net liability recognised in the balance sheet*		
At 1 April	**20,741**	26,398
Pension costs	**13,014**	659
Contributions paid	**(2,872)**	(1,743)
Recognition of actuarial losses/(gains)	**1,027**	(4,600)
Exchange difference	**(21)**	27
At 31 March	**31,889**	20,741

		31 Mar 2019 £'000	31 Mar 2018 £'000
21	**Retirement benefit obligations (continued)**		
(e)	*Pension benefits*		
	Amounts recognised in the balance sheet to reflect funded status		
	Present value of funded obligations	**151,302**	135,191
	Fair value of plan assets	**(119,413)**	(114,450)
	Net liability in the balance sheet at 31 March	**31,889**	20,741
(f)	*Change in benefit obligation*		
	Present value of benefit obligation at 1 April	**135,191**	138,031
	Interest on obligation	**3,554**	3,528
	Benefits paid	**(3,998)**	(3,217)
	Past service costs	**12,500**	—
	Gain from change in demographic assumptions	**(2,657)**	(780)
	Loss/(gain) from change in financial assumptions	**10,079**	(3,547)
	(Gain)/loss from experience	**(3,267)**	1,029
	Exchange difference	**(100)**	147
	Present value of benefit obligation at 31 March	**151,302**	135,191
	The defined benefit obligation is split as follows		
	Deferred pensioners	**115,644**	113,007
	Pensioners	**35,658**	22,184
	Present value of benefit obligation at 31 March	**151,302**	135,191

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

(g)	*Change in plan assets*		
	Fair value of plan assets at 1 April	**114,450**	111,633
	Interest income	**3,040**	2,869
	Actual return on assets less interest	**3,128**	1,302
	Actual return on plan assets	**6,168**	4,171
	Contributions - employer	**2,872**	1,743
	Benefits paid	**(3,998)**	(3,217)
	Exchange difference	**(79)**	120
	Fair value of plan assets at 31 March	**119,413**	114,450
(h)	*Sensitivity of overall pension liabilities*		
	Increase in liability through 0.25% reduction in discount rate	**7,565**	8,111
	Increase in liability through 0.25% increase in inflation assumption	**4,539**	5,408
	Increase in liability through increase in rate of mortality by 1 year	**4,539**	4,056

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

21 Retirement benefit obligations (continued)

(i) *Plan assets*

Plan assets are comprised as follows:

	31 Mar 2019		31 Mar 2018	
	£'000	**%**	£'000	%
UK equities	**1,977**	**1.7**	19,866	17.4
North American equities	**20,464**	**17.1**	5,344	4.7
European equities	**5,175**	**4.3**	4,743	4.1
Japanese equities	**2,846**	**2.4**	2,461	2.1
Asia Pacific equities	**2,006**	**1.7**	2,199	1.9
Emerging markets equities	**3,610**	**3.0**	243	0.2
Equities	**36,078**	**30.2**	34,856	30.4
LDIs	**19,765**	**16.6**	—	0.0
Diversified Growth Funds	**20,992**	**17.6**	21,040	18.4
Bonds	**20,777**	**17.4**	45,741	40.0
Multi Asset Credit Funds	**8,633**	**7.2**	—	0.0
Property	**12,889**	**10.8**	12,590	11.0
Cash	**279**	**0.2**	223	0.2
	119,413	**100.0**	114,450	100.0

Assets are invested in a range of funds operated by Legal & General, Investec, Barings and Royal London Asset Management for the UK Scheme and Irish Life for the Irish Scheme. The Trustees believe that investing in a range of funds and investment managers offers the best combination of growth opportunity and risk management. Investments are diversified such that the failure of any single investment would not have a material impact on the overall level of assets.

During the year the Trustees implemented a new investment strategy to further diversify and de-risk the scheme. This included investing in LDIs (Liability Driven Investments) which is a strategy based on the cash flows to fund future liabilities and Multi Asset Credit Funds which can enable trustees to take advantage of credit market opportunities when they arise using a complete array of credit types in a low governance and cost effective manner.

(j) *Defined benefit obligation trends*

	31 Mar 2019 £'000	31 Mar 2018 £'000	31 Mar 2017 £'000	31 Mar 2016 £'000	31 Mar 2015 £'000
Scheme assets	**119,413**	114,450	111,633	97,701	99,126
Scheme liabilities	**(151,302)**	(135,191)	(138,031)	(109,904)	(112,614)
Scheme deficit	**(31,889)**	(20,741)	(26,398)	(12,203)	(13,488)

	31 Mar 2019 £'000	31 Mar 2018 £'000
22 Trade and other payables		
Trade and other creditors	**8,838**	5,580
Social security and other taxes	**5,129**	2,214
Accrued expenses	**31,675**	34,766
	45,642	42,560

	31 Mar 2019 £'000	31 Mar 2018 £'000
23 Deferred income		
Deferred income	**79,983**	71,718

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

ACCA has taken advantage of the relief in IFRS 15 to reflect the aggregate effect of all modifications that occur before 1 January 2018. Had IFRS 15 not been adopted in the year to 31 March 2019 then it would have reported the following amounts by applying IAS 18 Revenue.

	As reported on IFRS 15 basis £'000	Effect £'000	As would have been reported £'000
Revenue (members admissions)	**206,074**	(177)	**206,251**
Deficit for year	**(34,770)**	(177)	**(34,593)**
Total comprehensive income	**(35,144)**	(177)	**(34,967)**
Accrued income	**2,078**	(809)	**2,887**
Total assets	**191,327**	(809)	**192,136**
Total liabilities	**(167,350)**	(1,174)	**(166,176)**
Deferred income	**(79,983)**	(1,174)	**(78,809)**

24 Provisions

	31 Mar 2018 £'000	Utilised in year £'000	Released in year £'000	Provided in year £'000	31 Mar 2019 £'000
Legal costs and claims	3,318	(85)	(26)	557	**3,764**
Dilapidations	2,635	—	(143)	542	**3,034**
End of service	1,114	(59)	(389)	230	**896**
Tax	762	—	—	—	**762**
Commercial frameworks	735	(426)	(309)	266	**266**
Restructuring	—	—	—	623	**623**
Total	8,564	(570)	(867)	2,218	**9,345**

The legal costs and claims provision represents management's best estimate of ACCA's liability relating to the costs associated with ongoing Financial Reporting Council (FRC) investigations and to provisions relating to members and employees. It also includes an estimate for a number of legal claims which are commercially sensitive at this time as well as costs which ACCA may be liable for when undertaking investigations into any ACCA members' conduct relating to the collapse of Anglo Irish Bank.

The dilapidations provision represents management's best estimate of the costs to restore the leased buildings in London, Glasgow and Dublin to their previously unfurnished states.

The end of service provision represents management's best estimate of the potential pay-outs required if and when employees leave the ACCA UAE and Oman offices.

24 Provisions (continued)

The tax provision relates to potential liabilities for transfer pricing, GST and VAT in various jurisdictions throughout the world. As more and more jurisdictions review their tax laws, ACCA continues to manage the settlement of any liabilities with assistance from in-country third party tax advisors.

The commercial frameworks provision represents management's best estimate of the costs to pay approved learning partners in respect of them meeting specific 2018-19 performance targets to register students likely to progress to the ACCA qualification.

Following an organisational review of various business activities during the year, ACCA made the decision to rationalise some business activities and at the balance sheet date this has resulted in the communication of redundancy packages to the affected staff. The restructuring provision represents management's best estimate of ACCA's liability relating to the costs associated with the roles which have been made redundant. The provision of £623,000 is expected to be fully utilised during 2019-20.

25 Other reserves

	Currency translation £'000	Available-for-sale investments £'000	Total £'000
Balance at 1 April 2017	(302)	28,824	28,522
Revaluation – gross	—	4,489	4,489
Revaluation – tax	—	(346)	(346)
Transfer to income statement – realised gain	—	(31,313)	(31,313)
Transfer to income statement – tax on gain	—	4,218	4,218
Currency translation differences	(854)	—	(854)
Balance at 31 March 2018	(1,156)	5,872	4,716
IFRS 9 reclassification to P&L	—	(5,872)	(5,872)
Currency translation differences	653	—	653
Balance at 31 March 2019	**(503)**	—	**(503)**

The available-for-sale investments fair value reserve represented the excess of unrealised gains and losses on financial assets over their historic costs, net of deferred taxation. Following the adoption of IFRS 9, financial assets are classified and measured at fair value with changes in fair value recognised in profit or loss (FVPL), therefore a fair value reserve is no longer required. The currency translation reserve represents the exchange differences arising on the translation of the assets and liabilities of the non-UK subsidiary undertakings.

26 Commitments

	31 Mar 2019 £'000	31 Mar 2018 £'000
Capital commitments for property, plant and equipment		
Contracted for at the balance sheet date but not recognised in the financial statements	**—**	—
Authorised but not contracted	**2,080**	2,880

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 2019 £'000	31 Mar 2018 £'000	**31 Mar 2019 £'000**	31 Mar 2018 £'000
Within one year	**7,126**	6,900	**—**	—
In two to five years	**21,689**	16,877	**—**	—
More than 5 years	**21,670**	29,477	**—**	—
	50,485	53,254	**—**	—

Operating lease rentals charged to the statement of comprehensive income in the year amounted to £7.5m (31 March 2018: £7.5m).

27 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

Robert Stenhouse (President)
Jenny Gu (Deputy President)
Mark Millar (Vice President)

Other Council members

Susan Allan, Rhonda Best, Liz Blackburn, Ben Catlin, Hidy Chan, Rosanna Choi, Orla Collins, Sharon Critchlow, Matilda Crossman, John Cullen, Gustaw Duda, Joyce Evans, Cristina Gutu, Datuk Zaiton Mohd Hassan, Kenneth Henry, Lorraine Holleway, Michelle Hourican, Paula Kensington, Japheth Katto, Lock Peng Kuan, Arthur Lee, Dean Lee, Leo Lee, Ayla Majid, Mohd Nasir Ahmad, Joseph Owolabi, Siobhan Pandya, Ronnie Patton, Melanie Proffitt, Marta Rejman, Brendan Sheehan, Dinusha Weerawardane, Fergus Wong, Matthew Wong, Alice Yip, Belinda Young and Phoebe Hao Yu

Key management personnel

Helen Brand (Chief Executive), Alan Hatfield, Stephen Heathcote, Julie Hotchkiss, Raymond Jack, Peter Large and Maggie McGhee

27 Related party transactions (continued)

The office holders usually receive a small honorarium for each year they serve as an officer. In the current year the office holders waived their right to that entitlement. Three members of Council received 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.

	31 Mar 2019 £'000	31 Mar 2018 £'000
Related party transactions		
Honorarium to the office holders	**—**	14

The officers waived their rights to the honorarium during the year.

Reimbursement of expenses directly incurred by Council members	**550**	463
Purchase of goods and services	**5**	—

Key management personnel are remunerated as shown below.

Salaries and other short-term employee benefits	**1,501**	1,449
Post-employment benefits	**66**	39
	1,567	1,488

The post-employment benefits are the pension contributions payable for those Executive Team members who are members of the pension scheme. Two (2018: three) 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'.

	31 Mar 2019 £'000 Owed	31 Mar 2018 £'000 Owed
Related party balances		
Reimbursement of expenses directly incurred by Council members	**44**	9
Bonuses payable to key management personnel	**173**	305

28 Principal undertakings

Subsidiary undertakings

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

	Country of registration	Beneficial holding	Nature of business
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 *Accounting & Business*
Seacron Limited	England & Wales	Ordinary shares	Vehicle for ACCA's operations in China
ACCA Malaysia Sdn. Bhd.	Malaysia	Ordinary shares	Vehicle for ACCA's operations in Malaysia
ACCA Mauritius	Mauritius	Limited by guarantee	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

28 Principal undertakings (continued)
Subsidiary undertakings (continued)

	Country of registration	Beneficial holding	Nature of business
ACCA Russia Ltd	England & Wales	Ordinary shares	Vehicle for ACCA's operations in Russia
ACCA Ventures Ltd	England & Wales	Ordinary shares	Vehicle for providing online courses
ACCA Tanzania	Tanzania	Limited by guarantee	Vehicle for ACCA's operations in Tanzania
ACCA Turkey	Turkey	Ordinary shares	Vehicle for ACCA's operations in Turkey
ACCA Botswana	Botswana	Limited by guarantee	Vehicle for ACCA's operations in Botswana
ACCA Kenya	Kenya	Limited by guarantee	Vehicle for ACCA's operations in Kenya
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.

Notes to the Financial Statements

For the year ended 31 March 2019

		31 Mar 2019 £'000	31 Mar 2018 £'000
29	**Cash flow statement**		
(a)	*Cash generated from operations*		
	(Deficit)/surplus before tax	**(35,194)**	24,443
	Adjustments for:		
	Depreciation on property, plant and equipment	**3,711**	3,650
	Amortisation of intangible assets	**5,528**	5,037
	Loss on sale of property, plant and equipment	**22**	18
	Realised gain on sale of investments	**(2,567)**	(33,843)
	Unrealised losses on investments	**1,076**	—
	Interest received	**(148)**	(31)
	Dividends received	**(951)**	(594)
	Pension costs – net interest payable	**514**	659
	Past service costs	**12,500**	—
	Interest paid	**295**	633
	Pension contributions paid	**(2,872)**	(1,743)
	Changes in working capital (excluding the effects of exchange differences)		
	Derivative financial instruments	**(112)**	108
	Trade and other receivables	**(5,197)**	(4,076)
	Trade and other payables	**3,082**	9,572
	Deferred income	**7,268**	3,099
	Provisions	**781**	4,111
	Cash generated from operations	**(12,264)**	11,043

(b) *Disposal of property, plant and equipment*

In the statement of cash flows, proceeds from sale of property, plant and equipment comprise:

	31 Mar 2019 £'000	31 Mar 2018 £'000
Net book amount	**102**	74
Loss on disposal of property, plant and equipment	**(22)**	(18)
Proceeds from disposal of property, plant and equipment	**80**	56

Corporate Governance Statement

For the year ended 31 March 2019

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 UK Financial Reporting Council (FRC) in 2018. Council's Governance Design Committee is charged with ensuring that ACCA follows best global practice. Council confirms that, although the *UK Corporate Governance Code* relates to UK listed companies and ACCA is not obliged to comply, and does not 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. At 31 March 2019 Council had 35 members, 33 of whom are volunteers elected by the membership as a whole and two of whom were co-opted prior to the year-end. They are all subject to re-election every three years, for a maximum of three terms. 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 2018 AGM, Council now has members from 13 different countries, reflecting the diversity of ACCA and its members. Profiles of Council members are available on request from ACCA.

The office holders (Officers) of ACCA are the President (Robert Stenhouse), the Deputy President (Jenny Gu) and the Vice President (Mark Millar). The incoming Vice President is elected by Council from among its members by ballot each year. Council then formally elects each of the Officers at its first meeting following the AGM, which this year will be held in November. 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.

Diversity

ACCA supports greater diversity in the composition of company boards not only in terms of gender, but also in background and experience.

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.

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.

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 Officers receive a small honorarium for each year they serve as an officer, however during the year they waived their entitlement to this. 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 Council Members' 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 and a declaration is also made at every meeting.

Council meetings

During the year there were four 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) as adopted by the European Union, 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 period.

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, subject to any material departures disclosed and explained in the financial statements; and
- the financial statements are correctly prepared on the going concern basis.

Council considers that the Integrated Report and financial statements, taken as a whole, are fair, balanced and understandable and provides information necessary for members to assess ACCA's performance, business model and strategy.

Council has delegated to the Chief Executive and the senior staff its responsibility to keep proper accounting records, that are sufficient to show and explain ACCA's transactions and 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.

Statement of Council's responsibilities (continued)

ACCA's Integrated Report sets out details of the business risks which ACCA faces and its performance and strategy in addressing these. During 2018-19, ACCA established strategic targets and measures against the Strategy to 2020 which formed the basis for developing five-year financial projections and was used to develop the 2019-20 budget. Council has approved the 2019-20 budget, which contains the detailed financial assumptions, allocations and targets to deliver the 2019-20 Strategic Delivery 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.

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 2020 Strategic Framework. 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 November or at such other time as Council determines (subject to there being not more than 15 months between AGMs), 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. As in recent years the annual review will take the form of an Integrated Report.

Council is responsible for the oversight 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 evolved 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. Council has established a number of committees to support it in delivery of its responsibilities to maintain the highest standards of corporate governance.

At the AGM in November 2017, Council proposed a series of bye-law changes to enable future governance reforms, all of which were overwhelmingly backed by members. The first phase of these reforms will be implemented in November 2019 with the creation of a Council Board.

Nominating Committee

Nominating Committee is responsible for making recommendations to Council for appointments to Council, standing committees and task forces, Council representation to International Assembly, Regulatory Board, and trustees of the pension scheme, including independent members. Nominating Committee also identifies and endorses ACCA's member nominations to external organisations. Nominating Committee also has direct responsibility to develop and keep under review succession planning arrangements for ACCA's Officers and committee chairs 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:

Chairs:	Meetings attended
Leo Lee, FCCA FCPA LLB MBA (to 15/11/18)	1/1
Robert Stenhouse, FCCA FCA CTA (from 15/11/18)	2/2

Other members:	
Matilda Crossman, FCCA MCIM CAFR HBS Alumni (to 15/11/18)	1/1
Jenny Gu, FCCA CA (CAANZ)	3/3
Japheth Katto, FCCA BCom CPAU (to 15/11/18)	1/1
Arthur Lee, FCCA (from 15/11/18)	2/2
Leo Lee, FCCA FCPA LLB MBA (from 15/11/18)	2/2
Brian McEnery, FCCA CA (CAANZ) (to 15/11/18)	1/1
Mark Millar, FCCA CA (CAANZ) FHFMA (from 15/11/18)	2/2
Joseph Owalabi, FCCA CIA CISA (to 15/11/18)	1/1
Ronnie Patton, FCCA MBA ADE FHEA (from 15/11/18)	2/2
Brendan Sheehan, FCCA (from 15/11/18)	2/2
Robert Stenhouse, FCCA FCA CTA (to 15/11/18)	0/1

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

Audit Committee
A separate Report from the Audit Committee has been presented at pages 49 to 52. This is in accordance with the revised ISA (UK) 700 Audit Report which was issued in 2016.

Governance Design Committee
ACCA's Governance Design Committee pursues continual improvement in governance design in ACCA in order to reflect best global practice. The Governance Design Committee 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.

The terms of reference for the Governance Design Committee include responsibility for reviewing and reporting to Council on matters concerning ACCA's corporate governance design, including elections and appointments to Council and committees, proceedings of Council meetings, the terms of reference and effectiveness of committees of Council, and for the continual improvement in governance design in ACCA in order to reflect best global practice. The Governance Design Committee is also responsible for reviewing, and making recommendations to Council thereon, Council's standing orders including the Code of Practice for Council members.

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

Chair:	Meetings attended
Kenneth Henry, FCCA PhD CISA CPA CGFM	3/3

Other members:	
Rosanna Choi, FCCA FCPA MBA MSc ISM (to 15/11/18)	2/2
Sharon Critchlow, FCCA APFS Chartered MCSI FRSA	3/3
John Cullen, FCCA FABRP MIPA	3/3
Joyce Evans, FCCA (from 15/11/18)	0/1
Jenny Gu, FCCA (from 15/11/18)	1/1
Michelle Hourican, FCCA MSc (to 15/11/18)	2/2
Dean Lee, FCCA CICPA MPh MBA	3/3
Marta Rejman, FCCA MEcon MBA	3/3

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. This is achieved by rewarding senior staff for 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 currently consists of six members of Council.

The Committee's work plan during 2018-19 included: a review of succession planning arrangements for the senior management team; a benchmark review of remuneration within the scope of the Committee; a review of the components and objectives of the senior management reward scheme; and consideration of ACCA's people strategy as a whole.

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, market practice and corporate governance updates.

The Committee will be required to use their discretion and report on whether the remuneration policy operated as intended and what (if any) changes were required.

The Chief Executive, the Secretary (in his role as Secretary to the Committee) and other members of staff may attend meetings at the invitation of the Committee Chair. No Executive is present when their own remuneration is discussed.

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

Chair:	Meetings attended
Mohd Nasir Ahmad, FCCA CA(M) MBA	2/2

Other members:	
Orla Collins, FCCA (from 15/11/18)	0/0
Matilda Crossman, FCCA MCIM CAFR HBS Alumni (to 16/3/19)	2/2
Gustaw Duda, FCCA MBA MSc (to 15/11/18)	2/2
Dean Lee, FCCA CICPA MPh MBA (to 15/11/18)	2/2
Ayla Majid, FCCA (from 15/11/18)	0/0
Mark Millar, FCCA CA (CAANZ) FHFMA	2/2
Melanie Proffitt, FCCA MBA	2/2
Marta Rejman, FCCA MEcon MBA	2/2
Robert Stenhouse, FCCA FCA CTA (to 15/11/18)	2/2

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

Regulatory Board

ACCA's Regulatory Board brings together all of ACCA's public interest oversight functions into a single entity. The Board's public interest role sits at the heart of ACCA's oversight structure and it provides oversight over all of ACCA's public interest oversight functions – complaints and discipline, education and learning, examinations, licensing monitoring and professional and ethical standards.

The Regulatory Board has been supported in its work by three sub-boards; the Appointments, Qualifications and Standards Boards. Each is constituted as a self-standing board, with each having - with the exception of the chair who is appointed by the Regulatory Board and drawn from its membership - separate personnel to the Regulatory Board to enable the Regulatory Board to take a more detached view of the work of the sub-boards.

The remit of the Regulatory Board is to provide independent oversight of ACCA's regulatory arrangements for complaints and discipline, education and learning, examinations, licensing and practice monitoring, and to report to ACCA's Council on the fairness and impartiality of these activities. Placing oversight of ACCA's regulatory arrangements at 'arm's length' from the governance of its other activities helps to reassure stakeholders that ACCA's arrangements are operated impartially, with integrity and in the public interest. The Regulatory Board comprises two members of ACCA's Council and six independent 'lay' appointees - non-accountants - one of whom is Lay Chair.

Regulatory Board (continued)

The Regulatory Board is supported in its oversight activities by its three sub-boards:

- Appointments Board - is responsible for the appointment, assessment and removal of panel members (including chairs), disciplinary assessors, regulatory assessors and legal advisers that are required for a robust disciplinary and regulatory process. The Board has four members, including a Regulatory Board-appointed lay chair, and is entirely composed of lay members to ensure that the appointment of disciplinary and regulatory chairs, committee members, assessors and legal advisers remains at furthest possible arm's length from Council.

- Qualifications Board - is responsible for general oversight of ACCA's education and learning framework and examination arrangements. This includes ratification of the examination results and other matters relating to the integrity of the qualifications process. The Board has six members and comprises a Regulatory Board-appointed chair, three lay members and two Council members.

- Standards Board - is responsible for responsible for ensuring ACCA's *Rulebook* is compliant with ACCA's statutory obligations, Privy Council requirements and rule change decisions by Council, by providing the detailed scrutiny and due diligence to the proposed changes to ACCA's rules, regulations and the code of ethics and conduct. The Board has four members and comprises a Regulatory Board-appointed chair, two lay members and a Council member.

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

Chair:	Meetings attended
Antony Townsend, BA	4/4

Lay members:	
Geoffrey Podger	4/4
Nora Nanayakkara, BA MBA (from 1/12/18)	0/1
David Thomas, LLB	4/4
Frances Walker, LLB Hons (to 30/11/18)	2/3
Suzy Walton, BSc PhD	4/4
Lucy Winskell, OBE DL (from 1/2/18)	1/1
Rosalind Wright, CB QC (Hon Causa)(to 30/11/18)	2/3

Members from Council:	
John Cullen, FCCA FABRP MIPA	4/4
Ronnie Patton, FCCA MBA ADE FHEA	2/4

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

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

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

International Assembly

ACCA's International Assembly is a diverse representative group of ACCA members 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 meets at an appropriate point in the period September to November each year and the meeting is timed to enable Council and Assembly members to meet and interact in a joint discussion session.

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

Senior management and remuneration
The Chief Executive, five Executive Directors (year ended 31 March 2018: four) and two independent non-executive advisors (year ended 31 March 2018: 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 salary (including bonus and allowances) and benefits of the Chief Executive in the year ended 31 March 2019 was £441,427 (year ended 31 March 2018: £415,167). 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.

The two independent non-executive advisors receive remuneration on a fixed attendance fee basis and they completed their service during the year.

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 subgroup of accountancy associations) and general industry data for organisations of a similar size.

In 2018-19 a new process of awarding annual salary increases was introduced for all employees across ACCA globally. Under this new process employees receive an annual increase based upon their performance in role and position in range. Salary increases for employees were effective from 1 April 2018. Salary increases for Executive Team members were also effective from 1 April 2018. Increases were based on external benchmarking data and followed principles similar to those underpinning the salary increases awarded to all employees.

The base salaries of the Chief Executive and Executive Directors at 31 March 2019 are shown below on a banded basis.

	Number of employees (2018-19)	Number of employees (2017-18)
£310,000 - £339,999	1	0
£280,000 - £309,999	0	1
£220,000 - £249,999	1	0
£190,000 - £219,999	2	2
£160,000 - £189,999	2	2

Pension and Benefits
The Chief Executive and 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.

Four 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, including the Chief Executive, have previously made this election.

All employees (including the Executive Team) can receive up to 9% of salary as an 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 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
- Critical illness cover

Executive Team Reward Plan

On an annual basis, Council's Remuneration Committee agrees the Key Performance Indicators (KPIs) which will determine the reward plan for the Executive Team annually. This reward solution is structured to drive behaviour and performance that is appropriate for ACCA. Remuneration Committee uses a reward framework which includes measures and targets agreed by Council, all of which are externally audited. This is a fair, transparent reward approach which has been created in line with ACCA's reward principles, supporting the achievement of our strategy and assessing performance over a meaningful period that reflects our focus on sustained performance, suitable for a long-term business. The basis of the award is transparent through the use of relevant and measurable performance targets that are clearly linked to driving value.

An element of the Reward Plan is determined by reference to personal performance rather than ACCA performance as set out above. The Committee will determine the level of award against personal performance in respect of the Chief Executive who will determine the level of award against personal performance in respect of each of the Executive Directors.

Employee Disciplinary Arrangements

A legal review of the employment contracts in place for senior staff has previously been undertaken to assess them against the fundamental principles of the ACCA Code of Ethics. The review confirmed that current employment contracts are consistent with all of the code's principles and in terms of employment law are in line with best practice in all material respects.

The review, which ACCA still considers relevant, established unequivocally that appropriate arrangements are in place to address any disciplinary issues which may arise.

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 engagement with staff are included in ACCA's Integrated Report.

General Data Protection Regulation (GDPR)

GDPR came into effect on 25 May 2018 and ACCA has amended policies, privacy statements and procedures accordingly and provided training to staff as appropriate.

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 relevant information needed by ACCA's auditor for the purposes of their audit and to establish that the auditor is aware of that information. The Council members are not aware of any relevant audit information of which the auditor is unaware.

Report from the Audit Committee

For the year ended 31 March 2019

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 Chair 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

Orla Collins chairs the Audit Committee. She is a fellow of ACCA and has been a member of Council since 2012. Orla is the Head of Compliance with Aberdeen Standard Investments Ireland Ltd. Prior to this Orla has held a number of senior roles within the financial services sector, most recently as Chief Risk Officer with Standard Life International. Orla's 25+ years' experience includes roles in risk management, compliance, branch banking, financial control, internal audit and asset management. She currently is also a member of the Remuneration Committee and the ACCA Ireland Committee. Council therefore considers that she 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:

Chair:	Meetings attended
Orla Collins, FCCA MSc LCOI QFA LIB	4/4

Other members:	
Mohd Nasir Ahmad, FCCA CA(M) MBA	3/4
Susan Allan, FCCA (to 15/11/18)	3/3
Matilda Crossman, FCCA MCIM CAFR HBS Alumni (to 16/3/19)	4/4
Gustaw Duda, FCCA MBA MSc (to 15/11/18)	1/3
Paula Kensington, FCCA (from 15/11/18)	1/1
Datuk Zaiton Mohd Hassan, FCCA (from 15/11/18)	1/1
Joseph Owolabi, FCCA CIA CISA (to 15/11/18)	3/3
Siobhan Pandya, FCCA (from 15/11/18)	1/1
Brendan Sheehan, FCCA	4/4
Alice Yip, FCCA (from 15/11/18)	1/1

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

Appointments to the Committee are made by the Nominating Committee and are for a one year term. The Chair of the Committee may serve for a maximum of three years. 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 auditor and the Head of Internal Audit have direct access to the Chair and are entitled to attend Committee meetings.

Report from the Audit Committee

For the year ended 31 March 2019

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

Following the issuance of the revised ISA (UK) 700 Audit Report in 2016, the Committee requested that its external auditor adopt the enhanced audit 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. In arriving at its view of these matters, the Committee made appropriate challenges of management to receive the required assurances.

- **Revenue recognition, including the completeness, existence and accuracy of income 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. Following the implementation of IFRS 15 Revenue from Contracts with Customers the Committee has challenged management that proper processes are in place to ensure that income is recognised in the correct period. In particular the Committee challenged the treatment of the member's admission fee following an update from the International Financial Reporting Interpretations Committee (IFRIC) in September 2018. This resulted in a change to ACCA's revenue recognition policy for members' admission fees and students' registration fees as shown in note 1 to the financial statements. The Committee has also placed reliance on the historic accuracy of income cut-off and an adjustment to income is made each year which reflects the anticipated value of income reversed due to the removal of students and members. Based on scrutiny of this adjustment by the Committee, it is satisfied that these removals relate mainly to students and members billed in advance of services being provided. The Committee agrees with management's representation of income.

- **Existence and valuation of intangible assets** – ACCA capitalises intangible assets where the criteria of IAS 38 are met. The Committee is satisfied that management have put appropriate processes in place to only capitalise those items which meet the criteria. Management carry out an annual impairment review of those assets that are capitalised. That impairment review identified that there were no intangible assets requiring impairment at the balance sheet date. Management's view is that this approach to impairment addresses the risk of intangible assets being held at inappropriate carrying values. The Committee is satisfied with the approach adopted by management.

- **Valuation and presentation of retirement benefit scheme liabilities** – the assumptions used by management for the IAS 19 valuation are derived in consultation with ACCA's external pension consultant. The consultant undertakes appropriate benchmarking to ensure that the assumptions fall within an acceptable range. Accounting disclosures required by IAS 19 are provided by the Scheme Actuaries of the UK and Irish Schemes using the assumptions agreed by management. During the year, ACCA has recognised additional liabilities for its UK Defined Benefit Pension Scheme following a legal review of the validity of certain scheme documents and treated the additional liabilities as past service costs. Those accounting disclosures are reviewed by the pension consultant for reasonableness. The Committee is satisfied that the reliance of management on the pension consultant and Scheme Actuaries results in appropriate accounting for and disclosure of pension matters.

External Audit

In keeping with good governance practice, ACCA's policy is to conduct a tender for the provision of external audit services every five years, and tenders have previously been undertaken in 2006, 2011 and 2015. Grant Thornton UK LLP were appointed in November 2015 following a robust tender process. This was subsequently ratified by Audit Committee under delegated authority from Council, in line with bye-law 40, until the close of the 2016 Annual General Meeting when Grant Thornton UK LLP were reappointed.

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.

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. Details of the amounts paid to the external auditor during the year for the audit of ACCA, its pension schemes, additional audit services relating to the audit of the corporate key performance indicators and non-audit services are set out in note 12 to the financial statements.

The Audit Committee is responsible to Council for ensuring that the external auditor remains 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 Grant Thornton UK LLP's effectiveness and independence, since appointment in November 2015, and is recommending it for reappointment at the 2019 AGM.

The external auditor is required to rotate the audit partner responsible for ACCA audits in accordance with Financial Reporting Council (FRC) guidance.

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 hierarchy of risk registers. Risk registers are regularly reviewed by the Executive Team and, where appropriate, risks are escalated to the overarching Corporate Risk register. The Audit Committee reviews the Corporate 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.

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.

Internal Audit produces a risk based annual plan which sets out its priorities and audit programme for the year ahead. The key driver of the plan is ACCA's Corporate Risk Register and the Strategy to 2020. The plan 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 the implementation of 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 2019.

Report from the Audit Committee

For the year ended 31 March 2019

Activity during the year

During the year ended 31 March 2019, Audit Committee has:

- reviewed the annual accounts for the year ended 31 March 2018 and recommended to Council that they be approved
- considered the appropriate accounting treatment of income streams under IFRS 15
- reviewed the structure and content of the Integrated Report
- considered ACCA's strategic risks and underlying risk management procedures, and risk 'deep dives' into the corporate risk register risks
- reviewed the effectiveness of ACCA's internal controls
- reviewed ACCA's whistleblowing policy
- 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 auditor and considered 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 2019 and that a resolution reappointing Grant Thornton UK LLP as auditor be put to the AGM in November. The Committee has also considered that the Integrated Report and financial statements, taken as a whole, are fair, balanced and understandable and provides information necessary for members to assess ACCA's performance, business model and strategy.

Summary

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

Orla Collins, Chair of the Audit Committee

22 June 2019

Independent auditor's report to the members of the Association of Chartered Certified Accountants

Opinion

Our opinion on the group financial statements is unmodified

We have audited the group financial statements of the Association of Chartered Certified Accountants ('the group') for the year ended 31 March 2019, which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in members' funds, the consolidated cash flow statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the group financial statements:

- give a true and fair view of the state of the group's affairs as at 31 March 2019 and of its deficit for the year then ended; and
- have been properly prepared in accordance with IFRSs as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the group financial statements' section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- Council's use of the going concern basis of accounting in the preparation of the group financial statements is not appropriate; or
- Council have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Overview of our audit approach

- Overall materiality: £3,300,000, which represents 1.6% of the group's total revenue;
- Key audit matters were identified as revenue recognition, valuation of intangible assets and valuation of retirement benefit scheme liabilities; and
- In establishing the overall approach to the group audit, we determined the type of work that needed to be performed at the reporting units by us, as the group engagement team. Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those reporting units to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the group financial statements as a whole. In total, 97% of group revenues and 98% of total assets were subject to full scope audit, with the remaining revenues and total assets being subject to analytical review procedures.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the group financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the group financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters	How the matter was addressed in the audit
Risk 1 Revenue recognition Revenue from fees and subscriptions, together with qualifications and exams totalled £192,394,000 for the year ended 31 March 2019. The ACCA make an annual adjustment to income to reflect the anticipated value of income reversed due to the removal of students and members. There is therefore an occurrence risk that the significant income streams are not recognised in the correct financial year, with fees being received in advance of providing the exam service, requiring deferment to the period in which the exam is taken. Subscriptions income entitling membership over a calendar year also requires appropriate allocation to the Group's financial year. In addition, the transition to International Financial Reporting Standards (IFRS) 15 'Revenue from Contracts with Customers' requires the application of significant judgement by management, in particular the treatment of admission fees paid by members upon joining ACCA. We therefore identified revenue recognition as a significant risk, with an elevated inherent risk of a material misstatement impacting the financial statements.	Our audit work included, but was not restricted to: • performing proof in total calculations, with robust expectations set with reference to our interrogation of members, exam databases and published fee rates as adjusted for accrued and deferred income and discounts; • recalculating accrued and deferred income and comparing it to management's assessment; • testing a sample of discounts in the year to supporting documentation; • performing analytical procedures and sample testing to assess judgements made by management in respect of the adjustment to income for removal of students and members; • challenging management's assumptions relating to the application of IFRS 15 to material income streams to ensure they were in accordance with the requirements of the standard; • identifying the performance obligations and in particular assessing the transfer of a promised good or service in return for the admission fees to membership; and • checking whether the accounting policy and disclosures within the financial statements were in all material respects in accordance with the requirements of IFRS 15. The group's accounting policy on income is shown in note 2(d) to the financial statements and related disclosures are included in notes 6 and 7. The Audit Committee identified revenue recognition as a significant issue in its report on page 50, where the Audit Committee also described the action that it has taken to address this issue. **Key observations** Overall, our testing did not identify any evidence of material misstatement in respect of revenue recognition.

Key Audit Matters	How the matter was addressed in the audit
Risk 2 Valuation of intangible assets The group's internally generated intangible assets were valued at £13,695,000 as at 31 March 2019, in accordance with International Accounting Standard (IAS) 38 'Intangible Assets'. There have been material additions in the year arising from investment in new core IT applications as well as continued investment in the Deliver the Qualification programme. The identification of impairment events and associated charge, together with initial measurement require the application of significant management judgement, in particular the assessment of future economic benefits. There is a risk that the initial measurement of intangible assets is inappropriate, or management fail to identify an impairment event and the charge reported is therefore inappropriate. We therefore identified valuation of intangible assets as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: • testing a sample of intangibles capitalised in the year, challenging management's assumptions relating to timing and recognition thereof and corroborating items to underlying data such as timesheet records, purchase invoices and market research; • recalculating amortisation; • performing sensitivity analysis on growth rates and margins to assess management's judgement regarding future economic benefits; • comparing actual outcomes against prior period to assess the adequacy of management's process for estimating the value of intangible assets; • assessing whether there is any evidence of material impairment that management have failed to identify; and • checking whether the accounting policy and disclosures within the financial statements were in all material respects in accordance with IAS 38. The group's accounting policy on intangible assets is shown in note 2(i) to the financial statements and related disclosures are included in note 15. The Audit Committee identified existence and valuation of intangible assets as a significant issue in its report on page 50, where the Audit Committee also described the action that it has taken to address this issue. **Key observations** We have not identified any material misstatements or deficiencies from the testing performed.

Key Audit Matters	How the matter was addressed in the audit
Risk 3 Valuation of retirement benefit scheme liabilities Retirement benefit obligations were valued at £31,889,000 as at 31 March 2019. The assessment of actuarial assumptions requires the application of significant judgement by management. There is a risk that management apply incorrect assumptions and therefore the reported liability is incorrectly recorded in accordance with IAS 19 'Employee Benefits'. We therefore identified valuation of retirement benefit scheme liabilities as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: • using our internal valuation experts to challenge the key actuarial assumptions used by management's actuary, including discount rate to yield on AA rated corporate bonds, price inflation to Bank of England's inflation curve, pension increases to inflation assumptions, and mortality / life expectancy to S2PA and ILT15 tables. We also used our internal valuation experts to challenge the methodology used to assess the impact of GMP equalisation and the treatment and calculations in respect of one-off past service costs of the UK pension scheme; reconciling the opening and closing liability given the figures and general approach taken by management's actuary; • performing reasonableness checks on interest cost and income against management's actuary's assessment of the discount rate; • testing a sample of contributions paid in the year to bank and agreeing underlying value of assets to investment confirmations; and • checking whether the accounting policy and disclosures within the financial statements were in all material respects in accordance with IAS 19. The group's accounting policy on pensions is shown in note 2(r) to the financial statements and related disclosures are included in note 21. The Audit Committee identified valuation and presentation of retirement benefit scheme liabilities as a significant issue in its report on page 50, where the Audit Committee also described the action that it has taken to address this issue. **Key observations** Based on our audit work, we found the valuation methodologies and the actuarial assumptions to be reasonable.

Our application of materiality

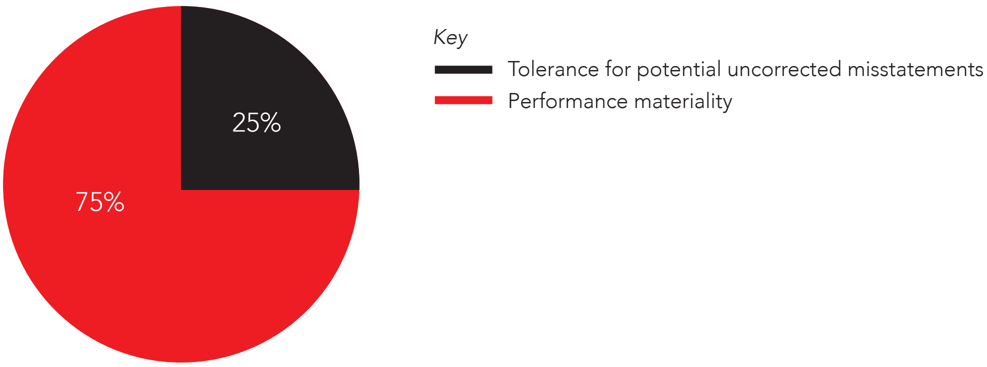
We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature, timing and extent of our audit work and in evaluating the results of that work.

We determined materiality for the audit of the group financial statements as a whole to be £3,300,000, which is approximately 1.6% of total revenues. This benchmark is considered the most appropriate because total revenue is the result of the students, affiliates and members participation which is a key performance indicator and driver of success.

Materiality for the current year is higher than the level that we determined for the year ended 31 March 2018 to reflect the increase in the group's total revenues and our enhanced knowledge and experience of the business. We use a different level of materiality, performance materiality, to drive the extent of our testing and this was set at 75% of financial statement materiality for the audit of the group financial statements.

The graph below illustrates how performance materiality interacts with our overall materiality and the tolerance for potential uncorrected misstatements.

Overall materiality



We determined the threshold at which we will communicate misstatements to the Audit Committee to be £165,000. In addition, we will communicate misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

An overview of the scope of our audit

Our audit approach was a risk-based approach founded on a thorough understanding of the group's business, its environment and risk profile and in particular included:

- Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determines our scope of each entity within the group which, when taken together, enable us to form an opinion on the group financial statements under International Standards on Auditing (UK). We take into account size, risk profile, changes in business environment and other factors when assessing the level of work to be performed at each entity;
- We have obtained an understanding of the entity-level controls of the group as a whole which assisted us in identifying and assessing risks of material misstatement due to fraud or error, as well as assisting us in determining the most appropriate audit strategy;
- We have tailored our audit response accordingly, and for key audit matters, audit procedures were undertaken directly by the group audit team; and
- In assessing the risk of material misstatement to the group financial statements, and to ensure we had adequate coverage of significant accounts, full scope audits were undertaken on the parent entity and all UK based subsidiaries. In respect of the overseas subsidiaries, we performed other procedures, including analytical review, substantive testing of payroll and revenue, testing of consolidation journals and intercompany eliminations to respond to any potential risks of misstatements to the group financial statements.

Other information

Council is responsible for the other information. The other information comprises the five-year summary and foreword set out on pages 2 and 3, together with the corporate governance statement and report from the Audit Committee set out on pages 49 to 52. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the group financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the group financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement of the group financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Council for the financial statements

As explained more fully in the Statement of Council's responsibilities statement set out on pages 42 to 43, Council is responsible for the preparation of the group financial statements and for being satisfied that they give a true and fair view, and for such internal control as Council determine is necessary to enable the preparation of group financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the group financial statements, Council is responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Council either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the group financial statements

Our objectives are to obtain reasonable assurance about whether the group financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these group financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to ACCA's members of Council, as a body, in accordance with our terms of engagement. Our audit work has been undertaken so that we might state to ACCA's members of Council 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 ACCA and ACCA's members of Council as a body, for our audit work, for this report, or for the opinions we have formed.

Grant Thornton UK LLP

Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Glasgow
22 June 2019

ACCA Think Ahead