ACCA Think Ahead

Shaping futures together

Consolidated financial statements and corporate governance statement
for the year ended 31 March 2017

Contents

Five Year Summary
ACCA and subsidiaries

	March 2017 £'000	March 2016 £'000	Restated March 2015 £'000	March 2014 £'000	March 2013 £'000
Operating income	**182,153**	175,696	163,952	159,026	151,672
Operating (deficit)/surplus	**(5,974)**	4,266	4,239	10,733	10,336
Other gains/(losses)	**129**	(231)	1,203	(734)	(148)
Net finance income	**1,126**	1,189	869	334	102
(Deficit)/surplus before tax	**(4,719)**	5,224	6,311	10,333	10,290
Tax	**(1,841)**	(2,368)	(1,029)	(81)	(103)
(Deficit)/surplus for the year	**(6,560)**	2,856	5,282	10,252	10,187
Other comprehensive income excluding actuarial (losses)/gains	**11,905**	3,568	7,018	3,848	4,923
Recognition of actuarial (losses)/gains	**(16,893)**	(749)	(3,585)	4,694	(381)
Total other comprehensive income	**(4,988)**	2,819	3,433	8,542	4,542
Total comprehensive income	**(11,548)**	5,675	8,715	18,794	14,729
Non-current assets	**133,865**	106,513	109,663	76,596	74,696
Current assets	**68,390**	82,505	70,305	88,467	76,354
Total assets	**202,255**	189,018	179,968	165,063	151,050
Non-current liabilities	**30,705**	15,308	16,173	13,200	20,540
Current liabilities	**108,136**	99,712	95,472	92,255	89,696
Total liabilities	**138,841**	115,020	111,645	105,455	110,236
Accumulated fund	**34,892**	46,767	41,025	39,347	24,401
Other reserves	**28,522**	27,231	27,298	20,261	16,413
Total funds and reserves	**63,414**	73,998	68,323	59,608	40,814
Total reserves and liabilities	**202,255**	189,018	179,968	165,063	151,050

Members and Students	March 2017	March 2016	March 2015	March 2014	March 2013
Members	**198,614**	188,137	178,169	169,602	161,943
Students and affiliates	**486,514**	480,813	455,778	435,824	425,897
	685,128	668,950	633,947	605,426	587,840

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 2017.

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 2016/17
Financial review*	Supplementary financial information	Our strategic performance in 2016/17
Social and environmental impact	Our approach to CSR and significant developments	Where material, embedded in the appropriate section in the Integrated Report
Outlook for next year	2017/18 strategic priorities	Our strategy to 2020

*Financial performance in the financial statements is provided in accordance with IFRS. ACCA measures its financial performance on a net operating result basis, prior to accounting for investment income, finance costs, tax and other comprehensive income.

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

Consolidated Statement of Total Comprehensive Income

For the year ended 31 March 2017

Notes		31 March 2017 £'000	31 March 2016 £'000
	Income		
6	Fees and subscriptions	**80,261**	76,183
7	Operating activities	**101,892**	99,513
	Total income	**182,153**	175,696
	Expenditure		
8	Operational expenditure	**168,861**	160,883
9	Strategic investment expenditure	**19,266**	10,547
	Total expenditure	**188,127**	171,430
	Operating (deficit)/surplus	**(5,974)**	4,266
10	Other gains/(losses)	**129**	(231)
11	Finance income from investments	**1,486**	1,588
11	Finance costs	**(360)**	(399)
	(Deficit)/surplus before tax	**(4,719)**	5,224
13	Tax	**(1,841)**	(2,368)
	(Deficit)/surplus for the year	**(6,560)**	2,856
	Other comprehensive income		
	Items that will not be reclassified to income or expenditure		
26	Gains on revaluation of land and buildings	**–**	4,048
22	Recognition of actuarial losses	**(16,893)**	(749)
		(16,893)	3,299
	Items that may be subsequently reclassified to income or expenditure		
26	Change in fair value of available-for-sale investments	**12,098**	(448)
26	Currency translation differences	**(193)**	(32)
		11,905	(480)
	Other comprehensive income for the year, net of tax	**(4,988)**	2,819
	Total comprehensive income for the year	**(11,548)**	5,675

The accompanying notes to the financial statements, on pages 8 to 34, are an integral part of this statement.

Consolidated Balance Sheet

As at 31 March 2017

Notes		31 March 2017 £'000	31 March 2016 £'000
	ASSETS		
	Non-current assets		
14	Property, plant and equipment	**18,271**	10,401
15	Intangible assets	**17,122**	13,341
16	Available-for-sale investments	**98,472**	82,771
		133,865	106,513
	Current assets		
17	Trade and other receivables	**23,593**	25,216
16	Available-for-sale investments	**25,032**	10,753
18	Derivative financial instruments	**244**	–
19	Assets held for sale	**–**	13,892
20	Cash and cash equivalents	**19,521**	32,644
		68,390	82,505
	Total assets	**202,255**	189,018
	RESERVES AND LIABILITIES		
	Funds and reserves		
	Accumulated fund	**34,892**	46,767
26	Other reserves	**28,522**	27,231
	Total funds and reserves	**63,414**	73,998
	Non-current liabilities		
21	Deferred tax liabilities	**4,307**	3,105
22	Retirement benefit obligations	**26,398**	12,203
		30,705	15,308
	Current liabilities		
23	Trade and other payables	**32,988**	29,472
	Tax payable	**1,940**	974
24	Deferred income	**68,619**	64,313
18	Derivative financial instruments	**136**	22
25	Provisions	**4,453**	4,931
		108,136	99,712
	Total liabilities	**138,841**	115,020
	Total reserves and liabilities	**202,255**	189,018

The financial statements were approved and authorised for issue by Council on 17 June 2017 and signed on its behalf by:

Brian McEnery

B McEnery President

R Stenhouse Chairman of Audit Committee

The accompanying notes to the financial statements, on pages 8 to 34, are an integral part of this statement.

Consolidated Statement Of Changes In Members' Funds

For the year ended 31 March 2017

	Currency translation £'000	Other reserves Land and buildings £'000	Available-for-sale investments £'000	Accumulated fund £'000	Total £'000
Balance at 1 April 2015	(77)	10,201	17,174	41,025	68,323
Comprehensive income					
Surplus for the financial year	–	–	–	2,856	2,856
Other comprehensive income					
Fair value gains/(losses) on revaluation:					
- available-for-sale investments	–	–	(854)	–	(854)
- property	–	5,000	–	–	5,000
Tax on fair value gains on revaluation:					
- available-for-sale investments	–	–	406	–	406
- property	–	(952)	–	–	(952)
Currency translation	(32)	–	–	–	(32)
Recognition of actuarial losses	–	–	–	(749)	(749)
Total other comprehensive income	(32)	4,048	(448)	(749)	2,819
Total comprehensive income for year	(32)	4,048	(448)	2,107	5,675
Transfer to reserves					
Realised gain on disposal – property	–	(3,761)	–	3,761	–
Tax on realised gain on disposal					
- Property	–	126	–	(126)	–
Balance at 31 March 2016	(109)	10,614	16,726	46,767	73,998
Comprehensive income					
Deficit for the financial year	–	–	–	(6,560)	(6,560)
Other comprehensive income					
Fair value gains on revaluation:					
- available-for-sale investments	–	–	14,264	–	14,264
Tax on fair value gains on revaluation:					
- available-for-sale investments	–	–	(2,166)	–	(2,166)
Currency translation	(193)	–	–	–	(193)
Recognition of actuarial losses	–	–	–	(16,893)	(16,893)
Total other comprehensive income	**(193)**	**–**	**12,098**	**(16,893)**	**(4,988)**
Total comprehensive income for year	**(193)**	**–**	**12,098**	**(23,453)**	**(11,548)**
Transfer to reserves					
Realised gain on disposal – property	–	(11,578)	–	11,578	–
Tax on realised gain on disposal					
- Property	–	964	–	–	964
Balance at 31 March 2017	**(302)**	**–**	**28,824**	**34,892**	**63,414**

The analysis of reserves is presented in note 26.

The accompanying notes to the financial statements, on pages 8 to 34, are an integral part of this statement.

Consolidated Cash Flow Statement

For the year ended 31 March 2017

Notes		31 March 2017 £'000	31 March 2016 £'000
	Cash flows from operating activities		
30	Cash generated from operations	**6,875**	7,921
	Tax paid	**(2,075)**	(1,348)
	Net cash from operating activities	**4,800**	6,573
	Cash flows from investing activities		
	Acquisition of property, plant and equipment	**(11,216)**	(10,120)
	Cash expended on internally developed intangible assets	**(6,289)**	(10,975)
	Acquisition of available-for-sale investments	**(62,239)**	(42,066)
	Disposal of property, plant and equipment	**14,064**	11,550
	Disposal of available-for-sale investments	**46,534**	55,767
	Interest received	**107**	116
	Dividends received	**1,379**	1,472
	Net cash used in investing activities	**(17,660)**	5,744
	Net (decrease) / increase in cash and cash equivalents	**(12,860)**	12,317
	Cash and cash equivalents at beginning of year	**32,644**	20,450
	Exchange losses on cash and cash equivalents	**(263)**	(123)
20	**Cash and cash equivalents at end of year**	**19,521**	32,644

The accompanying notes to the financial statements, on pages 8 to 34, are an integral part of this statement.

Notes to the Financial Statements

For the year ended 31 March 2017

1 General information

ACCA is a body incorporated under Royal Charter, and with statutory recognition, in the UK. Council has concluded that as an international organisation, ACCA should prepare financial statements which comply with International Financial Reporting Standards (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.

Changes in accounting policies

There were no new standards adopted during the year.

New standards, interpretations and amendments not yet effective

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

- *Amendments to IAS 16 and IAS 38 Clarification of acceptable methods of depreciation and amortisation*
  The amendment to these standards state that a revenue-based method is not an appropriate method for which to calculate depreciation or amortisation.
- *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.
- *Amendments to IFRS 11: Acquisition of an interest in a joint operation*
  The amendment specifies that when an entity acquires an interest in a joint operation in which the activity of the joint operation constitutes a business, as defined in IFRS 3 Business Combinations, it should apply the relevant principles on business combinations accounting in IFRS 3 and other IFRSs and disclose the relevant information that is required in those IFRSs for business combinations.
- *IFRS 9 Financial Instruments*
  IFRS 9 introduced new requirements for the classification and measurement of financial assets and the classification and measurement requirements for financial liabilities along with the requirements for recognition and derecognising of financial assets and liabilities. IFRS 9 Financial Instruments has replaced IAS 39 Financial Instruments: Recognition and Measurement in its entirety.
- *Amendments to IAS 27: Equity method in equity financial statements*
  The amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate (parent only) financial statements.
- *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.
- *IAS 12 (amendment) Deferred tax: Recovery of Underlying Assets*
  IAS 12 requires an entity to measure deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. The amendment introduces a presumption that recovery will normally be through sale.
- *Annual improvements to IFRSs (2012-2016)*
  The improvements in these amendments clarify the requirements of IFRSs and eliminate inconsistencies within and between standards.
- *IFRS 12 Disclosure of Interests in Other Entities*
  The standard requires a reporting entity to disclose information that helps users to assess the nature and financial effects of the reporting entity's relationship with other entities.
- *Amendments to IAS 32 – Offsetting Financial Assets and Financial Liabilities*
  The amendments clarify the meaning of 'currently has a legally enforceable right of set-off'; and that some gross settlement systems may be considered equivalent to net settlement.

Notes to the Financial Statements

For the year ended 31 March 2017

1 General information (continued)

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

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 land and buildings, available-for-sale financial assets and derivative instruments at fair value through income and expenditure.

(b) *Going concern*

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, although actual experience may vary from these estimates.

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

(i) Pension and other post-employment benefits

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

(ii) Taxation

ACCA is required to estimate the income tax in each of the jurisdictions in which it operates. This requires an estimation of the current tax liability together with an assessment of the temporary differences which arise as a consequence of different accounting and tax treatments. These temporary differences result in deferred tax assets or liabilities which are included in the balance sheet. Deferred tax assets and liabilities are measured using tax rates 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 co-terminus 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 accrued as appropriate. An adjustment to income is made each year which reflects the anticipated value of the write-off of debt which has been invoiced in services being provided, but where a doubt exists as to collectibility.

Notes to the Financial Statements

For the year ended 31 March 2017

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 particular in relation 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

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

(d) *Income*

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

(e) *Basis of consolidation*

The consolidated financial statements comprise the 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 2016 and 31 March 2017. 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.

(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.

Notes to the Financial Statements

For the year ended 31 March 2017

2 Significant accounting policies (continued)

(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:

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

(i) *Non-current assets held for sale.*

Non-current assets classified as held-for-sale are presented separately and measured at the lower of their carrying amounts immediately prior to their classification as held for sale, and their fair value less costs to sell. Once classified as held for sale, the assets are not subject to depreciation or amortisation.

(j) *Intangible assets*

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

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

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

(k) *Financial instruments*

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

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

Trade and other receivables

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

Available-for-sale investments

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

Trade and other payables

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

Notes to the Financial Statements

For the year ended 31 March 2017

2 Significant accounting policies (continued)

(k) *Financial instruments (continued)*

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, which are classified as current available-for-sale investments. Short-term is defined as being three months or less. This definition is also used for the cash flow statement.

Certificates of deposit

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

(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) *Impairment of financial assets*

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

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

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

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

(n) *Leasing and hire purchase*

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

Notes to the Financial Statements

For the year ended 31 March 2017

2 Significant accounting policies (continued)

(o) *Tax*

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

(p) *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.

(q) *Derivative financial instruments and hedging activities*

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

(r) *Pensions*

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

ACCA operates defined contribution pension schemes for qualifying employees within the UK and Ireland and for certain employees outside the UK and Ireland. Contributions are charged in the statement of comprehensive income as they become payable in accordance with the rules of the schemes. ACCA has no further payment obligations once the contributions have been paid.

(s) *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. ACCA has exposures in respect of the payment of taxes in all the countries in which it operates, and estimated costs of known tax obligations are provided in the accounts. ACCA also recognises provisions relating to costs associated with any investigations by The Financial Reporting Council (FRC), other regulatory bodies or internally which involve ACCA members. ACCA also recognises provisions in relation to dilapidations and provides for the costs of repair over the period of the tenancy of the buildings it occupies.

(t) *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.

Notes to the Financial Statements

For the year ended 31 March 2017

3 Financial risk management

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

Credit risk management

Credit risk arises principally from cash and cash equivalents, deposits with banks and financial institutions, certificates of deposit, bonds held as available-for-sale investments, derivative financial instruments and trade receivables. ACCA regularly monitors and reviews its exposure with key banking and investment manager suppliers and for deposits, only independently rated banks and financial institutions with a minimum rating of 'A' are used. For certificate of deposits there is a restriction in place of £5m per bank and for working capital balances ACCA considers a figure of £10m per bank 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. 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 89% of ACCA's trade and other receivables were held in sterling (2016: 91%).

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 £nil (2016: nil) in term deposits, £nil (2016: £10.8m) in time deposits, £25.0m (2016: £nil) in short-term cash funds and £19.5m (2016: £32.6m) 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 71% of ACCA's cash and cash equivalents were held in sterling (2016: 92%).

Notes to the Financial Statements

For the year ended 31 March 2017

3 Financial risk management (continued)

Credit risk management (continued)

Other price risk relates to the risk of changes in market prices of the available-for-sale investments and the investments held by the defined benefit pension schemes. ACCA invests surplus cash in a managed fund and a diversified growth fund, both operated by Baillie Gifford and in doing so exposes itself to the fluctuations in price that are inherent in such a market. ACCA's Resource Oversight Committee has given Baillie Gifford discretionary management of the funds. The effect of a 10% increase in the value of the non-current available-for-sale investments held at the balance sheet date would have resulted in an increase in the fair value reserve of £10.0m (2016: £6.6m) net of deferred tax. A 10% decrease in their value would, on the same basis, have decreased the fair value reserve by the same amount.

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. A short description of the main categories are as follows:

- Fees and subscriptions: Comprise members', students' and affiliates' fees and subscriptions for the relevant period.
- Qualifications and examinations: Examination and exemption income from the Professional and other qualifications.
- 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, corporate marketing and promotion, 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 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 2017, the Accumulated Fund represented 62 days of operating expenditure (31 March 2016: 76 days) which exceeds the long-term target of 60 days. Council also monitors balance sheet liquidity, measured as the number of days of operating expenditure held in liquid assets (investments and net current assets). At March 2017, the liquidity measure was 182 days (compared to a long-term target of 120 days) ACCA's Resource Oversight Committee reviews the financial position of ACCA at each committee meeting. ACCA is not subject to any material externally imposed capital requirements.

Notes to the Financial Statements

For the year ended 31 March 2017

		31 March 2017 £'000	31 March 2016 £'000
6	**Fees and subscriptions**		
	Members	**40,383**	36,832
	Affiliates	**6,524**	5,659
	Students	**33,354**	33,692
		80,261	76,183
7	**Operating activities**		
	Qualifications and exams	**91,325**	89,229
	Member and student engagement	**1,150**	1,619
	Markets	**3,865**	3,432
	Regulation and discipline	**5,551**	5,228
	Other income	**1**	5
		101,892	99,513
8	**Operational expenditure**		
	Chief Executive's Office	**81**	66
	Markets	**43,026**	42,440
	Strategy and Development	**21,420**	19,158
	Governance	**17,015**	15,090
	Finance and Operations	**87,319**	84,129
		168,861	160,883
9	**Strategic investment expenditure**		
	Exams Delivery	**9,179**	10,762
	Customer Service Improvements	**2,111**	3,090
	Market Development	**3,548**	–
	Technology Enablers	**3,863**	4,792
	Portfolio Management	**565**	(8,097)
		19,266	10,547

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. Portfolio management relates to the net of portfolio overheads, capitalisation, amortisation and impairment.

Market development costs include £1.7m in relation to the development of a Strategic Alliance with Chartered Accountants Australia and New Zealand (CA ANZ) which ACCA entered into during the year.

10	**Other gains/(losses)**		
	Forward currency contracts	**129**	(231)

Notes to the Financial Statements

For the year ended 31 March 2017

		31 March 2017 £'000	31 March 2016 £'000
11	**Finance income and costs**		
	Finance income		
	Interest receivable	**107**	116
	Dividends from investments	**1,379**	1,472
		1,486	1,588
	Finance costs		
	Net finance interest on pension scheme	**(360)**	(399)

12 Surplus before tax

Surplus before tax includes the following:

(a) *Salaries and related costs*

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

	31 March 2017 £'000	31 March 2016 £'000
Salaries	**51,521**	48,322
Social security costs	**5,342**	5,090
Pension costs (note 22)	**5,571**	4,499
Other staff costs	**3,907**	2,130
	66,341	60,041

The average number of employees was 1,272 (31 March 2016: 1,199). The average annual salary was £40,500 (31 March 2016: £40,300). The figures above include the salaries and bonuses payable to the Executive Team (see note 28 for more details).

(b) *Income*

Income from subscriptions, examination and exemption fees amounting to £168.7m (31 March 2016: £163.8m) is stated net of adjustments relating to the non-payment of subscriptions and fees amounting to £12.9m (31 March 2016: £11.5m).

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

	31 March 2017 £'000	31 March 2016 £'000
Depreciation of property, plant and equipment	**3,328**	3,896
Amortisation of intangible assets	**2,143**	983
Impairment of property, plant and equipment	**–**	892
Impairment of intangible assets	**365**	141
Foreign exchange losses/(gains)	**961**	(294)

(d) *Auditors' remuneration*

	31 March 2017 £'000	31 March 2016 £'000
Fees payable to ACCA's auditor, Grant Thornton, for the audit of		
- the parent undertaking and consolidated financial statements	**59**	54
- audit fees for UK subsidiaries	**34**	32
- audit fees for the corporate KPIs	**3**	3
- audit fees for the ACCA Staff Pension Scheme	**8**	8
	104	97
Fees payable to ACCA's other auditors and their associates for		
- audit fees for non-UK subsidiaries	**57**	56

Notes to the Financial Statements

For the year ended 31 March 2017

		31 March 2017 £'000	31 March 2016 £'000
13	**Tax**		
	The amounts charged in the statement of comprehensive income are as follows:		
	Current income taxes at 20% (2016: 20%) on the surplus for the year	**2,253**	2,359
	(Over)/underprovision in respect of prior year	**(412)**	9
		1,841	2,368
	The current tax charge is split as follows:		
	Domestic	**641**	945
	Foreign	**1,200**	1,423
		1,841	2,368

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

	31 March 2017 £'000	31 March 2016 £'000
Factors affecting the tax charge for the year		
(Deficit)/surplus before tax	**(4,719)**	5,224
(Deficit)/surplus before tax multiplied by the standard rate of UK Corporation tax of 20% (2016: 20%)	**(944)**	1,045
Effects of:		
(Over)/underprovision in previous years	**(412)**	9
Non-taxable income	**(43,332)**	(35,650)
Expenditure not deductible for tax purposes	**46,341**	36,663
Depreciation	**35**	34
Capital allowances	**–**	(16)
Losses carried forward	**153**	288
Utilisation of prior years unrecognised losses	**–**	(5)
	2,785	1,323
Total tax charge	**1,841**	2,368

The tax charge arises from non-mutual trading profits, investment income and gains on disposal of property and investments, where applicable. The group tax charge has been reduced by £225,000 (31 March 2016: £201,000) as a result of charitable donations to the Certified Accountants Educational Trust.

The UK Corporation tax rate of 20% took effect from 1 April 2015. Further changes to the UK Corporation tax rates were substantively enacted as part of the Finance (No.2) Act 2015 on 26 October 2015. These include changes to reduce the main rate of corporation tax to 19% from 1 April 2017 and to 18% from 1 April 2020. As these changes have been substantively enacted at the balance sheet date their effects have been included in these financial statements.
A further change was announced in the Finance (No.2) Bill 2016 which will reduce the main rate of corporation tax to 17% from 1 April 2020 rather than the 18% previously announced. This bill has not yet been substantively enacted and so the effect of this change has not been included in the financial statements.

Notes to the Financial Statements

For the year ended 31 March 2017

14 Property, plant and equipment

	Freehold property £'000	Leasehold improvements £'000	Plant & equipment £'000	Computer systems & equipment £'000	Total £'000
Cost or valuation					
At 31 March 2015	16,900	3,854	8,523	32,684	61,961
Additions	–	4,511	3,271	2,338	10,120
Disposals	(7,750)	(346)	(4,580)	(5,213)	(17,889)
Revaluation surplus	4,900	–	–	–	4,900
Transferred to assets held for sale	(14,050)	–	–	–	(14,050)
Exchange difference	–	(38)	(106)	(73)	(217)
At 31 March 2016	**–**	**7,981**	**7,108**	**29,736**	**44,825**
Additions	–	7,608	1,730	1,878	11,216
Disposals	–	(2,575)	(2,331)	(11,676)	(16,582)
Exchange difference	–	83	338	130	551
At 31 March 2017	**–**	**13,097**	**6,845**	**20,068**	**40,010**
Accumulated depreciation					
At 31 March 2015	–	2,069	6,529	29,259	37,857
Depreciation charge	141	648	945	2,162	3,896
Impairment loss	–	874	18	–	892
Eliminated on disposals	(40)	(238)	(3,211)	(4,413)	(7,902)
Eliminated on revaluation	(101)	–	–	–	(101)
Exchange difference	–	(35)	(91)	(92)	(218)
At 31 March 2016	**–**	**3,318**	**4,190**	**26,916**	**34,424**
Depreciation charge	–	1,201	913	1,214	3,328
Eliminated on disposals	–	(2,462)	(2,315)	(11,641)	(16,418)
Exchange difference	–	50	206	149	405
At 31 March 2017	**–**	**2,107**	**2,994**	**16,638**	**21,739**
Carrying amount					
At 31 March 2017	**–**	**10,990**	**3,851**	**3,430**	**18,271**
At 31 March 2016	**–**	**4,663**	**2,918**	**2,820**	**10,401**

The freehold property at 29 Lincoln's Inn Fields was due to be sold in the previous year however there was a delay in finalising the completion contract and the property was eventually sold on 21 April 2016 for £14,050,000. For disclosure purposes in the previous year Council deemed the fair value of the property to be £14,050,000 which was the price agreed with the buyer prior to the year-end. Fair value has been defined as 'the price that would be received to sell the properties in orderly transactions between market participants at the balance sheet date'. Council believed that the property, when placed on the open market, met the criteria of IFRS 5 and was treated as assets held for sale. The carrying value was therefore transferred from property, plant and equipment to assets held for sale. The increase in value of the property was transferred to the property revaluation reserve together with any movement in deferred tax.

Notes to the Financial Statements

For the year ended 31 March 2017

15 Intangible assets

	£'000
Cost	
At 31 March 2015	13,146
Additions	10,975
At 31 March 2016	24,121
Additions	6,289
At 31 March 2017	**30,410**
Accumulated amortisation and impairment	
At 31 March 2015	9,656
Amortisation charge	983
Impairment	141
At 31 March 2016	10,780
Amortisation charge	2,143
Impairment	365
At 31 March 2017	**13,288**
Carrying amount	
At 31 March 2017	**17,122**
At 31 March 2016	13,341

All intangible assets relate to internally generated development costs. Following an impairment review in accordance with IAS38, an impairment charge of £0.4m (2016: £0.1m) has been accounted for. The impairment related to ACCA-X.

Amortisation of £2.1m (2016:£1.0m) is included in both operational and strategic investment expenditure while the impairment charge of £0.4m (2016:£0.1m) is included in strategic investment expenditure.

16 Available-for-sale investments

	31 March 2017 £'000	31 March 2016 £'000
At valuation		
At 1 April	**93,524**	108,088
Additions	**62,239**	42,066
Disposals	**(46,534)**	(55,767)
Net gains/(losses) transferred to fair value reserves	**14,264**	(854)
Realised gains/(losses) transferred to income	**11**	(9)
At 31 March	**123,504**	93,524
Historical cost of tradable investments	**90,372**	74,657

Notes to the Financial Statements

For the year ended 31 March 2017

16 Available-for-sale investments (continued)

Available-for-sale investments, comprising units in one of Baillie Gifford's managed funds, units in Baillie Gifford's Diversified Growth Fund, units in cash funds held by Royal London Asset Management and certificates of deposits held by Royal London Cash Management for the previous year, 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. Available-for-sale investments are classified as non-current assets unless they are expected to be realised within twelve months of the balance sheet date.

	31 March 2017 £'000	31 March 2016 £'000
Concentration of available-for-sale investments		
Non-current assets		
UK equities	**20,446**	22,447
Overseas equities	**40,009**	34,174
UK bonds	**6,970**	4,165
Overseas bonds	**13,668**	8,027
Cash and deposits	**9,593**	6,430
Inflation-linked bonds	**2,251**	674
Other	**5,535**	6,854
	98,472	82,771
Current assets		
Cash funds	**25,032**	–
Certificates of deposit	–	10,753
	25,032	10,753
	123,504	93,524

Available-for-sale investments are denominated in the following currencies		
UK pound	**82,656**	61,175
US dollar	**14,866**	15,097
Swedish Krona	**5,727**	4,804
Japanese Yen	**4,517**	5,268
Euro	**2,305**	1,439
Swiss Franc	**2,089**	1,832
Hong Kong Dollar	**1,314**	1,232
Danish Krona	**1,206**	804
Other currencies	**8,824**	1,873
	123,504	93,524

Notes to the Financial Statements

For the year ended 31 March 2017

16 Available-for-sale investments (continued)

ACCA monitors its exposures by way of regular reports from Baillie Gifford who have discretionary management of the investment portfolio. The effective interest rate on the certificates of deposit was nil (2016: 0.55%) and these deposits have an average maturity of 0 days (2016: 30 days).

Fair value hierarchy

ACCA classifies financial instruments measured at fair value in available-for-sale investments 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 available-for-sale investments
Level 3	Inputs that are not based on observable market data	Unquoted equity instruments included in available-for-sale investments

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

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
At 31 March 2016				
Quoted equity	44	–	–	44
Observable inputs	10,753	82,727	–	93,480
Unobservable inputs	–	–	–	–
Total	**10,797**	**82,727**	**–**	**93,524**
At 31 March 2017				
Quoted equity	**55**	**–**	**–**	**55**
Observable inputs	**25,032**	**98,417**	**–**	**123,449**
Unobservable inputs	**–**	**–**	**–**	**–**
Total	**25,087**	**98,417**	**–**	**123,504**

Following a review by Baillie Gifford of the underlying investments in the funds, they have assessed that all of the investments held in their funds are in level 2. Council has assessed and reviewed Baillie Gifford's view of the classification and have judged that the disclosure as level 2 is applicable for 2017. Council has relied on Baillie Gifford's expertise as being a well-respected investment fund manager to be able to provide that view of the classification of these investments.

Notes to the Financial Statements

For the year ended 31 March 2017

	31 March 2017 £'000	31 March 2016 £'000
17 Trade and other receivables		
Trade receivables	**14,287**	16,360
Accrued income	**1,852**	2,308
Prepayments	**6,501**	5,936
Other receivables	**953**	612
	23,593	25,216

Trade receivables is stated net of an adjustment of £13.9m (2016:£12.9m) 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.

As of 31 March 2017, trade receivables of £11.5m (2016: £13.7m) were past due but not impaired. The aging analysis of these trade receivables is as follows:

	31 March 2017 £'000	31 March 2016 £'000
31-60 days	**1,682**	1,643
61-90 days	**199**	1,626
91-120 days	**9,419**	10,354
Over 121 days	**171**	123
	11,471	13,746

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

	31 March 2017 £'000	31 March 2016 £'000
At 1 April	**509**	262
Provision for receivables impairment	**563**	588
Receivables written off during the year as uncollectible	**(448)**	(181)
Amounts recovered/released which were previously provided for	**(165)**	(160)
At 31 March	**459**	509

18 Derivative financial instruments

	31 March 2017		31 March 2016	
	Assets £'000	**Liabilities £'000**	**Assets £'000**	**Liabilities £'000**
Forward foreign exchange contracts	244	136	–	22
	244	136	–	22

Notes to the Financial Statements

For the year ended 31 March 2017

18 Derivative financial instruments (continued)

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 amounts to a gain of £0.1m (31 March 2016: loss of £0.2m).

Forward foreign exchange contracts

The notional principal amounts of the outstanding forward foreign exchange contracts at 31 March 2017 were £22.9m (31 March 2016: £0.1m).

	31 March 2017 £'000	31 March 2016 £'000
19 Assets held for sale		
Assets held for sale	–	14,050
Selling expenses	–	(158)
	–	13,892

The freehold property at 29 Lincoln's Inn Fields was due to be sold on 29 March 2016, however due to a delay in finalising the completion contract, the sale did not take place until 21 April 2016. Council was of the view that the property should be classified as assets held for sale at the balance sheet date as it met the criteria of IFRS 5. The assets were accounted for at the selling price of the property less marketing and legal expenses.

20 Cash and cash equivalents		
Cash at bank and in hand	**19,521**	32,644

The effective interest rate on short term bank deposits was nil% (2016: nil%) and these deposits have an average maturity of nil days (2016: nil days).

21 Deferred tax liabilities

Deferred tax liabilities are calculated in full on temporary differences under the balance sheet liability method using a principal tax rate of 20% (2016: 20%). The major deferred tax liabilities recognised by ACCA and the movements thereon during the current period and previous years relate to the revaluation of available-for-sale investments and freehold property. ACCA has no deferred tax assets.

Deferred tax liabilities

	Total £'000
At 1 April 2015	2,685
Tax credited to reserves	420
At 31 March 2016	3,105
Tax credited to reserves	1,202
At 31 March 2017	**4,307**

Notes to the Financial Statements

For the year ended 31 March 2017

22 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. From that date members of those schemes, which provided benefits based on final pensionable pay and on a career average revalued earnings (CARE) basis, were entitled to join defined contribution plans which were operated by Zurich Assurance Ltd and Irish Life. Blackrock were appointed as new UK administrators following a tender process in 2015, and since 1 January 2016 all new contributions from UK staff are invested with Blackrock. Irish contributions are invested with Irish Life.

The most recent triennial valuation of the UK Scheme was at 1 January 2016. This 1 January 2016 valuation has been updated by the scheme actuary for IAS 19 purposes as at 31 March 2017. 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 prices 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%.

The most recent triennial valuation of the Irish Scheme was at 1 January 2015. This valuation has been updated by the scheme actuary for IAS 19 purposes as at 31 March 2017. 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 2011, the market value of the Scheme assets was £3.3m and the value of pension benefits earned was £3.8m. The funding ratio was therefore 87%.

	31 March 2017	31 March 2016
The principal financial assumptions used for the purposes of the figures in these financial statements were as follows:		
Discount rate for UK Scheme	**2.60%**	3.50%
Discount rate for Irish Scheme	**2.05%**	2.10%
Future pension increases (UK Scheme) subject to Limited Price Indexation	**3.00%**	2.90%
Future pension increases (Irish Scheme)	**1.75%**	1.75%

The mortality assumptions for the current year-end for the UK Scheme follows the table known as S2PXA, using 90% of the base table with mortality improvements in line with the 2016 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. For the Irish Scheme the mortality assumptions are based on standard mortality tables allowing for future mortality improvements. Assuming retirement at 65, the life expectancy in years are as follows:

	Irish Scheme		UK Scheme	
	31 March 2017	31 March 2016	**31 March 2017**	31 March 2016
For a male aged 65 now	**21.2**	21.1	**22.9**	22.8
At 65 for a male aged 45 now	**23.7**	23.6	**24.3**	24.6
For a female aged 65 now	**23.7**	23.6	**24.7**	25.2
At 65 for a female aged 45 now	**25.8**	25.7	**26.2**	27.1

Notes to the Financial Statements

For the year ended 31 March 2017

		31 March 2017 £'000	31 March 2016 £'000
22	**Retirement benefit obligations (continued)**		
(a)	*General information (continued)*		
	The total pension charge is made up as follows:		
	Pension costs under the UK and Irish Schemes (see note 22c)	**360**	10
	Death-in-service premiums	**136**	130
	Payments to defined contribution schemes for certain employees outside the UK and Ireland	**462**	277
	Payments to defined contribution schemes for certain employees in the UK and Ireland	**4,498**	4,011
	Payments for the Pensions Protection Fund levies	**115**	71
	Pension costs	**5,571**	4,499
	Actuarial losses recognised in the statement of other comprehensive income for the period	**16,893**	749

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.

		31 March 2017 £'000	31 March 2016 £'000
(b)	*Pension benefits*		
	Amounts recognised in the balance sheet to reflect funded status		
	Present value of funded obligations	**138,031**	109,904
	Fair value of plan assets	**(111,633)**	(97,701)
	Net liability in the balance sheet at 31 March	**26,398**	12,203
(c)	*Pension costs*		
	The amounts recognised in total comprehensive income for the schemes are as follows:		
	Net interest	**360**	399
	Gain on settlement	**–**	(389)
	Pension costs under the Schemes	**360**	10
(d)	*Movement in the net liability recognised in the balance sheet*		
	At 1 April	**12,203**	13,488
	Pension costs	**360**	10
	Contributions paid	**(3,134)**	(2,200)
	Recognition of actuarial losses	**16,893**	749
	Exchange difference	**76**	156
	At 31 March	**26,398**	12,203

Notes to the Financial Statements

For the year ended 31 March 2017

		31 March 2017 £'000	31 March 2016 £'000
22	**Retirement benefit obligations (continued)**		
(e)	*Change in benefit obligation*		
	Present value of benefit obligation at 1 April	**109,904**	112,614
	Interest on obligation	**3,723**	3,801
	Benefits paid	**(4,411)**	(1,809)
	Settlements made	**–**	(1,390)
	Gain from change in demographic assumptions	**(2,355)**	(836)
	Loss/(gain) from change in financial assumptions	**28,818**	(995)
	Loss/(gain) from experience	**2,085**	(1,928)
	Exchange difference	**267**	447
	Present value of benefit obligation at 31 March	**138,031**	109,904
	The defined benefit obligation is split as follows		
	Deferred pensioners	**114,882**	93,992
	Pensioners	**23,149**	15,912
	Present value of benefit obligation at 31 March	**138,031**	109,904

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

		31 March 2017 £'000	31 March 2016 £'000
(f)	*Change in plan assets*		
	Fair value of plan assets at 1 April	**97,701**	99,126
	Interest income	**3,363**	3,402
	Actual return on assets less interest	**11,655**	(4,508)
	Actual return on plan assets	**15,018**	(1,106)
	Contributions - employer	**3,134**	2,200
	Benefits paid	**(4,411)**	(2,810)
	Exchange difference	**191**	291
	Fair value of plan assets at 31 March	**111,633**	97,701
(g)	*Sensitivity of overall pension liabilities*		
	Increase in liability through 0.25% reduction in discount rate	**8,282**	6,594
	Increase in liability through 0.25% increase in inflation assumption	**5,521**	4,396
	Increase in liability through increase in rate of mortality by 1 year	**4,141**	3,297

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

Notes to the Financial Statements

For the year ended 31 March 2017

22 Retirement benefit obligations (continued)

(h) *Plan assets*

Plan assets are comprised as follows:

	31 March 2017 £'000	31 March 2017 %	31 March 2016 £'000	31 March 2016 %
UK equities	**21,150**	**19.0**	17,297	17.7
North American equities	**5,576**	**5.0**	4,542	4.6
European equities	**5,034**	**4.5**	4,114	4.2
Japanese equities	**2,598**	**2.3**	2,120	2.2
Asia Pacific equities	**2,252**	**2.0**	1,822	1.9
Emerging markets equities	**219**	**0.2**	177	0.2
Equities	**36,829**	**33.0**	30,072	30.8
Diversified Growth Funds	**19,064**	**17.1**	17,416	17.8
Bonds	**44,095**	**39.5**	38,782	39.7
Property	**11,516**	**10.3**	11,057	11.3
Cash	**129**	**0.1**	374	0.4
	111,633	**100.0**	97,701	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.

(i) *Defined benefit obligation trends*

	31 March 2017 £'000	31 March 2016 £'000	31 March 2015 £'000	31 March 2014 £'000	31 March 2013 £'000
Scheme assets	**111,633**	97,701	99,126	87,301	78,814
Scheme liabilities	**(138,031)**	(109,904)	(112,614)	(98,656)	(97,204)
Scheme deficit	**(26,398)**	(12,203)	(13,488)	(11,355)	(18,390)

(j) *Contributions*

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. A triennial valuation was prepared as at 1 January 2015 for the Irish scheme and due to the increased deficit a new recovery plan was put in place which aims to clear the deficit within 7 years. It is expected that for the year ending 31 March 2018 ACCA will contribute annual deficit contributions of £85,000 in respect of the Irish scheme. In addition it is expected that ACCA will contribute on average 9% of pensionable salary in respect of other overseas schemes.

23 Trade and other payables

	31 March 2017 £'000	31 March 2016 £'000
Trade payables	**5,796**	2,884
Social security and other taxes	**1,864**	3,912
Accrued expenses	**25,328**	22,676
	32,988	29,472

Notes to the Financial Statements

For the year ended 31 March 2017

24 Deferred income

	31 March 2017 £'000	31 March 2016 £'000
Deferred income	**68,619**	64,313

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.

25 Provisions

	31 March 2016 £'000	**Utilised in year £'000**	**Released in year £'000**	**Provided in year £'000**	**31 March 2017 £'000**
Tax	2,206	(1,459)	(205)	220	**762**
Legal costs	412	(153)	(1)	–	**258**
Research	247	(247)	–	–	**–**
Claims	101	(61)	–	26	**66**
Commercial frameworks	466	(404)	(62)	349	**349**
Strategic alliance	–	–	–	367	**367**
Dilapidations	1,499	(731)	(480)	2,363	**2,651**
Total	4,931	(3,055)	(748)	3,325	**4,453**

The tax provision relates to potential liabilities for tax in China, VAT and tax on transfer pricing in Malaysia and Singapore. ACCA continues to manage the settlement of any liabilities with assistance from in-country third party tax advisors. During the year the provision for the potential liability for GST in Singapore was fully utilised and paid as was the provision for tax of £1.2m in China.

The legal costs provision represents costs which ACCA may be liable for when undertaking investigations into any ACCA members' conduct relating to the collapse of Anglo Irish Bank. Costs provided in the previous year relating to the court case in Canada were utilised during the year following settlement of the case.

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

The claims provision represents management's best estimate of ACCA's liability relating to the costs associated with ongoing Financial Reporting Council (FRC) investigations against ACCA members. The FRC is responsible for operating and administering an independent disciplinary scheme, the Accountancy Scheme, covering members of the six professional accountancy bodies in the UK and Ireland. It is possible that some of this provision will be incurred in 2017/18. There is no expected reimbursement from actual costs accounted for to date.

The commercial frameworks provision represents management's best estimate of the costs to pay approved learning partners in respect of them meeting specific 2016-17 performance targets to register students likely to progress to the ACCA qualification.

The Strategic Alliance provision represents the committed costs required to complete the work in developing the relationship with CA ANZ.

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.

Notes to the Financial Statements

For the year ended 31 March 2017

26 Other reserves

	Currency translation £'000	Land and buildings £'000	Available-for-sale investments £'000	Total £'000
Balance at 1 April 2015	(77)	10,201	17,174	27,298
Revaluation – gross	–	5,000	(854)	4,146
Revaluation – tax	–	(952)	406	(546)
Transfer to accumulated fund – realised gain	–	(3,761)	–	(3,761)
Transfer to accumulated fund – tax on gain	–	126	–	126
Currency translation differences	(32)	–	–	(32)
Balance at 31 March 2016	(109)	10,614	16,726	27,231
Revaluation – gross	–	–	14,264	14,264
Revaluation – tax	–	–	(2,166)	(2,166)
Transfer to accumulated fund – realised gain	–	(11,578)	–	(11,578)
Transfer to accumulated fund – tax on gain	–	964	–	964
Currency translation differences	(193)	–	–	(193)
Balance at 31 March 2017	**(302)**	**–**	**28,824**	**28,522**

The land and buildings fair value reserve represented the excess of the open market value over the depreciated historic cost of the Group's properties, net of deferred taxation. As ACCA no longer owns property this is now nil. The available-for-sale investments fair value reserve represents the excess of unrealised gains and losses on available-for-sale investments over their historic costs, net of deferred taxation. The currency translation reserve represents the exchange differences arising on the translation of the assets and liabilities of the non-UK subsidiary undertakings.

27 Commitments

	31 March 2017 £'000	31 March 2016 £'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	**3,667**	10,043

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 March 2017 £'000	31 March 2016 £'000	**31 March 2017 £'000**	31 March 2016 £'000
Within one year	**5,220**	6,186	**100**	100
In two to five years	**16,881**	17,134	**–**	100
More than 5 years	**33,550**	37,419	**–**	–
	55,651	60,739	**100**	200

Operating lease rentals charged to the statement of comprehensive income in the year amounted to £6.9m (31 March 2016: £5.2m).

Notes to the Financial Statements

For the year ended 31 March 2017

28 Related party transactions

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

Relationships

Council members as office holders	Brian McEnery (President) Leo Lee (Deputy President) Robert Stenhouse (Vice President)
Other Council members	Susan Allan, Stephen Bailey, Rhonda Best, Rosanna Choi, Orla Collins, Sharon Critchlow, Matilda Crossman, John Cullen, Gustaw Duda, Jenny Gu, Datuk Zaiton Mohd Hassan, Anthony Harbinson, Kenneth Henry, Pauline Hobson, Lorraine Holleway, Michelle Hourican, Hemraz Hoolash, Lynne Hunt, Nur Jazlan Mohamed, Japheth Katto, Arthur Lee, Dean Lee, James Lee, Ayla Majid, Mark Millar, Tom Murray, Kholeka Mzondeki, Mohd Nasir Ahmad, Joseph Owolabi, Taiwo Oyedele, Ronnie Patton, Laura Perrin, Melanie Proffitt, Marta Rejman, Brendan Sheehan, Katerina Sipkova, Marcin Sojda, Robert Stenhouse, Fergus Wong, Belinda Young and Phoebe Yu
Key management personnel	Helen Brand (Chief Executive), Alan Hatfield, Stephen Heathcote, Raymond Jack and Peter Large

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

	31 March 2017 £'000	31 March 2016 £'000
Related party transactions		
Honorarium to the office holders	**14**	13
Reimbursement of expenses directly incurred by Council members	**444**	414

Key management personnel are remunerated as shown below.

	31 March 2017 £'000	31 March 2016 £'000
Salaries and other short-term employee benefits	**1,257**	1,206
Post-employment benefits	**42**	60
	1,299	1,266

The post-employment benefits are the pension contributions payable for those Executive Team members who are members of the pension scheme. Two (2016: 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'.

Notes to the Financial Statements

For the year ended 31 March 2017

28 Related party transactions (continued)

	31 March 2017 £'000 Owed	31 March 2016 £'000 Owed
Related party balances		
Reimbursement of expenses directly incurred by Council members	**3**	26
Bonuses payable to key management personnel	**125**	111

29 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	Ordinary shares	Vehicle for ACCA's operations in Mauritius
ACCA Pakistan	Pakistan	Limited by guarantee	Vehicle for ACCA's operations in Pakistan
ACCA Singapore Pte Ltd.	Singapore	Ordinary shares	Vehicle for ACCA's operations in Singapore
ACCA South Africa	South Africa	Limited by guarantee	Vehicle for ACCA's operations in South Africa
Seacron Educational Nigeria Ltd	Nigeria	Ordinary shares	Vehicle for ACCA's operations in Nigeria
ACCA (Shanghai) Consulting Co. Ltd	China	Paid-in capital	Vehicle for ACCA's operations in China
ACCA Canada	Canada	Limited by guarantee	Vehicle for ACCA's operations in Canada

Notes to the Financial Statements

For the year ended 31 March 2017

29 Principal undertakings (continued)

Subsidiary undertakings (continued)

	Country of registration	Beneficial holding	Nature of
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
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
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 2017

		31 March 2017 £'000	31 March 2016 £'000
30	**Cash flow statement**		
(a)	*Cash generated from operations*		
	(Deficit)/surplus before tax	**(4,719)**	5,224
	Adjustments for:		
	Depreciation on property, plant and equipment	**3,328**	3,896
	Amortisation of intangible assets	**2,143**	983
	Gain on sale of property, plant and equipment	**(13,900)**	(1,564)
	Fair value (gains)/losses on valuation of available-for-sale investments	**(11)**	9
	Interest received	**(107)**	(116)
	Dividends received	**(1,379)**	(1,472)
	Impairment adjustment - intangibles	**365**	141
	Impairment adjustment – property, plant & equipment	**–**	892
	Pension costs	**360**	399
	Gain on settlement	**–**	(389)
	Pension contributions paid	**(3,134)**	(2,200)
	Changes in working capital (excluding the effects of exchange differences)		
	Assets held for sale	**14,050**	–
	Derivative financial instruments	**(129)**	231
	Trade and other receivables	**1,623**	(1,729)
	Trade and other payables	**3,357**	10,445
	Deferred income	**4,306**	(8,775)
	Provisions	**722**	1,946
	Cash generated from operations	**6,875**	7,921

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

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

	31 March 2017 £'000	31 March 2016 £'000
Net book amount	**164**	9,986
Gain on disposal of property, plant and equipment	**13,900**	1,564
Proceeds from disposal of property, plant and equipment	**14,064**	11,550

Corporate Governance Statement
For the year ended 31 March 2017

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 2014. 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. The latest Corporate Governance Code was issued by the FRC 2016 which applies to accounting periods beginning on or after 17 June 2016 and is therefore not relevant for these financial statements

Principles of good governance

Council and the Chief Executive

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

Council has adopted a Code of Practice for Council members. This Code of Practice, a link to which is circulated to members with the material for the Annual General Meeting (AGM), applies to Council members when acting in their capacity as Council members and provides a framework for the operation of Council's business. Council is a collegial body and expects all of its members to recognise their collective responsibilities and to comply with the Code. Whatever their geographical or sectoral bases, Council members do not represent particular areas or functions. Council has 36 members, all of whom are volunteers elected by the membership as a whole and 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 2016 AGM, Council now has members from 14 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 (Brian McEnery), the Deputy President (Leo Lee) and the Vice President (Robert Stenhouse). The incoming Vice President is elected by Council from among its members by ballot, in March 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. Each standing committee is also asked to organise, as early as possible in the Council year, a training session for its members on key areas falling within the remit of the committee.

Mentoring

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

Corporate Governance Statement
For the year ended 31 March 2017

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. 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 five meetings of Council.

Statement of Council's responsibilities

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

Corporate Governance Statement
For the year ended 31 March 2017

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 2016-17, ACCA prepared a five-year Corporate Plan which provided an indication of the likely strategic priorities over each financial year, formed the basis for developing five-year financial projections and was used to develop the 2017-18 budget. Council has approved the 2017-18 budget, which contains the detailed financial assumptions, allocations and targets to deliver the 2017-18 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 five-year Corporate Plan. Actual financial and non-financial performance is reviewed regularly against target. Regular internal audit reviews of key processes in ACCA's offices are carried out by a combination of internal staff and external consultants.

Relations with members
The AGM, held annually in September 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 maintenance and integrity of the corporate and financial information included on ACCA's website. Legislation in the United Kingdom governing the preparation and dissemination of accounts may differ from legislation in other jurisdictions.

Governance structure
The current structure has developed organically over the years. Council continues to review regularly the roles, responsibilities and effectiveness of Council, Regulatory Board and Committees to ensure that they remain fit for purpose. Council has established a number of committees to support it in delivery of its responsibilities to maintain the highest standards of corporate governance.

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

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

		Meetings attended
Chairmen:	Alexandra Chin, FCCA CA(M) FCTIM (to 15/9/16)	1/1
	Brian McEnery, FCCA (from 15/9/16)	1/1
Other members:	Steve Bailey, FCCA (from 15/9/16)	1/1
	Alexandra Chin, FCCA CA(M) FCTIM (from 15/9/16)	0/1
	Orla Collins, FCCA MSc (to 15/9/16)	1/1
	Anthony Harbinson, FCCA MBA (to 15/9/16)	1/1
	Pauline Hobson, FCCA FCMI MBA (from 15/9/16)	1/1
	Kenneth Henry, FCCA PhD CISA CPA CGFM (to 15/9/16)	1/1
	Leo Lee, FCCA FCPA LLB MBA	2/2
	Brian McEnery, FCCA (to 15/9/16)	1/1
	Robert Stenhouse, FCCA FCA CTA (from 15/9/16)	0/1
	Belinda Young, FCCA	2/2

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

Corporate Governance Statement
For the year ended 31 March 2017

Audit Committee
In 2014, the Committee considered whether it wished to voluntarily adopt the enhanced audit report following the issuing of the revised ISA (UK&I) 700 Audit Report. Following consultation with the external auditor, the Committee concluded that it did wish to adopt the new style report, and, as a result, a separate Report from the Audit Committee has been presented at pages 43 to 46.

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:

		Meetings attended
Chairmen:	Kenneth Henry, FCCA PhD CISA CPA CGFM (from 15/9/16)	2/2
	Pauline Hobson, FCCA FCMI MBA (to 15/9/16)	1/1
Other members:	Rosanna Choi, FCCA FCPA MBA MSc ISM (from 15/9/16)	2/2
	John Cullen, FCCA	3/3
	Kenneth Henry, FCCA PhD CISA CPA CGFM (to 15/9/16)	1/1
	Pauline Hobson, FCCA FCMI MBA (from 15/9/16)	2/2
	Lynne Hunt, FCCA (to 15/9/16)	1/1
	Leo Lee, FCCA FCPA LLB MBA	3/3
	Tom Murray, FCCA (to 15/9/16)	1/1
	Ronnie Patton, FCCA MBA (from 15/9/16)	2/2
	Nasir Ahmad, FCCA CA(M) MBA	3/3
	Nur Jazlan Mohamed, FCCA MIA AFA	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 by rewarding senior staff for the achievement of high standards of performance and their contribution to the success of ACCA whilst ensuring that the framework adheres to the principles of good corporate governance. The Committee consists of seven members of Council and an independent member appointed by its Nominating Committee.

The Committee's work plan during 2016-17 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, survey data, market practice and corporate governance updates.

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 Chairman. No Executive is present when their own remuneration is discussed.

Corporate Governance Statement

For the year ended 31 March 2017

Remuneration Committee (continued)

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

		Meetings attended
Chairman:	Leo Lee, FCCA FCPA LLB MBA	2/2
Other members:	Gustaw Duda, FCCA MBA MSC (from 15/9/16)	1/1
	Anthony Harbinson, FCCA MBA (to 15/9/16)	1/1
	Hemraz Hoolash, FCCA (to 15/9/16)	1/1
	Mark Millar, FCCA	2/2
	Kholeka Mzondeki, FCCA BComm (to 15/9/16)	1/1
	Nasir Ahmad, FCCA CA(M) MBA	2/2
	Melanie Proffitt, FCCA (from 15/9/16)	1/1
	Marta Rejman, FCCA (from 15/9/16)	1/1
	Robert Stenhouse, FCCA FCA CTA	2/2

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

Regulatory Board

ACCA's Regulatory Board, which was launched in September 2008, 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 chairman 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 Chairman.

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

- Appointments Board – is responsible for the appointment, appraisal and removal of panel members (including chairmen), 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 chairman, and is entirely composed of lay members to ensure that the appointment of disciplinary and regulatory chairmen, 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 chairman, 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 chairman, two lay members and a Council member.

Corporate Governance Statement

For the year ended 31 March 2017

Regulatory Board (continued)

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

		Meetings attended
Chairman:	Antony Townsend, BA	4/4
Lay members:	David Lock, BSc FCSA (to 15/9/16)	2/2
	Geoffrey Podger (from 15/9/16)	2/2
	David Thomas, LLB	4/4
	Frances Walker, LLB Hons	4/4
	Suzy Walton, BSc, PhD	4/4
	Rosalind Wright, CB QC (Hon Causa)	4/4
Members from Council:	John Cullen, FCCA	4/4
	Ronnie Patton, FCCA MBA	3/4

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 was formed in 1997. It remains a unique resource to ACCA and no other body has such a diverse representative group whose role is to provide input into strategy and development through its advisory role to Council. The International Assembly was formed in recognition of ACCA's growth with an increasingly diverse and mobile membership. There are 54 representatives on the International Assembly, representing all regions where there are ACCA members. The International Assembly 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, four Executive Directors (year ended 31 March 2016: four) and two independent non-executive advisers (year ended 31 March 2016: 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 2017 was £383,915 (year ended 31 March 2016: £370,746). This includes a fixed non-pensionable allowance in lieu of pension benefits, introduced in August 2013 when the Chief Executive agreed to vary her contract of employment following the closure of the defined benefit pension scheme and an additional allowance in lieu of pension contributions – see 'Pensions and Benefits' below. Excluding the 'pension' allowances referred to above, and to give a 'like for like' comparison, the total salary and benefits for the Chief Executive in the year ended 31 March 2017 was £343,082 (year ended 31 March 2016: £330,284).

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

When reviewing the salaries of the members of the Executive Team, the Remuneration Committee takes into account the salary increases applying to the rest of the work force and external benchmark data. External benchmark data is obtained on pay in other professional membership associations (including a sub group of accountancy associations) and general industry data for organisations of a similar size. Following this review two members of the Executive Team had their salaries increased between 11.1% and 13.3%.

Corporate Governance Statement

For the year ended 31 March 2017

Senior management and remuneration (continued)

The annual salary review for all staff occurs in April. The salaries of the other Executive Team members increased by 1.5%, in line with other employees. This came into effect from 1 April 2016.

The base salaries of the Chief Executive and Executive Directors at 31 March 2017 are shown below on a banded basis.

	Number of employees (2016-17)	Number of employees (2015-16)
£280,000 – £309,999	1	1
£250,000 – £279,000	Nil	Nil
£220,000 – £249,000	Nil	Nil
£190,000 – £219,999	2	2
£160,000 – £189,999	2	Nil
£130,000 – £159,999	Nil	2

Pension and Benefits

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

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

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 is to provide the following Group funded benefits to each member of the Executive Team:

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

Executive Team Reward Plan

On an annual basis, Council's Remuneration Committee agrees the Key Performance Indicators (KPIs) which will determine the bonus payment 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 all the measures and targets agreed by Council, all of which are externally audited. This is a fair, transparent reward solution which has been created in line with ACCA's reward principles by 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.

The Committee would retain the discretion to moderate (up or down - including to 0%) the level of bonus determined if they do not believe it adequately reflects underlying corporate performance.

The Committee will determine the level of award against personal performance in respect of the Chief Executive.

Corporate Governance Statement
For the year ended 31 March 2017

Employee Disciplinary Arrangements
A legal review of the employment contracts in place for senior staff was 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 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.

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

Report From The Audit Committee
For the year ended 31 March 2017

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 auditors, ensuring that appropriate processes are in place for the appointment and remuneration of the auditors and that the auditors' independence is not compromised. The Committee is also responsible for reviewing the effectiveness of ACCA's risk management processes and processes for ensuring compliance with governance arrangements across its operations globally.

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

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

Committee membership
Robert Stenhouse chairs the Audit Committee. He is a fellow of ACCA and has been a member of Council since 2009. He is a member of ACCA's Nominating Committee as well as being the chairman of the Global Forum for Audit and Assurance. He has had business experience of almost 30 years and is currently Director - National Accounting and Audit at Deloitte in the UK. Council therefore considers that he has had recent relevant financial experience. The remaining Committee members, noted below, are all fellows of ACCA and have also had extensive business experience.

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

		Meetings attended
Chairman:	Robert Stenhouse, FCCA FCACTA	4/4
Other members:	Rosanna Choi, FCCA FCPA MBA MSc ISM (to 15/9/16)	2/2
	Orla Collins, FCCA MSc	4/4
	Matilda Crossman, FCCA CIM HBS (from 15/9/16)	2/2
	Lorraine Holleway, FCCA (from 15/9/16)	2/2
	Hemraz Hoolash, FCCA (to 15/9/16)	2/2
	Dean Lee, FCCA CICPA MPh MBA	4/4
	Joseph Owolabi FCCA (from 15/9/16)	2/2
	Brendan Sheehan, FCCA	4/4
	Marcin Sojda FCCA, MSc (to 15/9/16)	2/2
Independent member:	Romny Gray, LLB Hons (resigned 8 February 2017)	2/4

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

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

Both the external auditors and the Head of Internal Audit have direct access to the Chairman and are entitled to attend Committee meetings.

Report From The Audit Committee

For the year ended 31 March 2017

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

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

The Committee considered the following matters, which it considers to be significant, in its review of the financial statements. 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. The Committee has challenged management that proper processes are in place to ensure that income is recognised in the correct period, and the Committee has also placed reliance on the historic accuracy of income cut-off. 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 IAS38 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 qualitative or quantifiable benefits arising from one of the intangible assets, and management has fully impaired the asset. 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 IAS19 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 IAS19 are provided by the Scheme Actuaries of the UK and Irish Schemes using the assumptions agreed by management. 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.

Report From The Audit Committee

For the year ended 31 March 2017

Significant issues related to the financial statements (continued)

- **Contingent liability in relation to the UK Pension Scheme** – In 2016, ACCA and the trustees of the ACCA Pension Scheme identified some issues which relate to the legality of the passing of resolutions to make changes to the Pension Scheme Trust Deed. Both parties sought legal advice and worked together to resolve the situation, although due to the complexity of the matter, both parties had been advised that the Courts may need to rule on the issue. The Committee is pleased to note that this is almost at a conclusion and that the majority of the changes made have been validated by a QC. Management believes that there is likely to be no financial impact and has therefore not disclosed the appropriate information as a contingent liability in a note to the accounts. The Committee agrees with this approach and is satisfied that no contingent liability is required in the accounts.

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 auditors, 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 auditors 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 auditors during the year for the audit of ACCA, its pension schemes and additional audit services relating to the audit of the corporate key performance indicators are set out in note 12 to the financial statements.

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

Audit Committee remains satisfied with Grant Thornton UK LLP's effectiveness and independence, since appointment in November 2015, and is recommending it for reappointment at the 2017 AGM.

The external auditors are 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.

Report From The Audit Committee
For the year ended 31 March 2017

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 2017.

Activity during the year

During the year to 31 March 2017, Audit Committee has:

- reviewed the annual accounts as at 31 March 2016 and recommended to Council that they be approved
- reviewed the structure and content of the Integrated Report
- considered ACCA's strategic risks and underlying risk management procedures, and risk 'deep dives' into each executive directorate
- reviewed the effectiveness of ACCA's internal controls
- reviewed ACCA's whistleblowing policy
- received reports from the external auditors
- received reports from the Corporate Assurance function and monitored progress with the implementation of the recommendations arising from those
- agreed the fees and terms of appointment of the external auditors and considered 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 2017 and that a resolution re-appointing Grant Thornton UK LLP as auditors 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.

Robert Stenhouse
Chairman of the Audit Committee
17 June 2017

Independent Auditor's Report to the Members of the Association of Chartered Certified Accountants

Our opinion on the group financial statements is unmodified
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 2017 and of its deficit for the year then ended; and
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Who we are reporting to
This report is made solely to the Association of Chartered Certified Accountants' (ACCA's) members, 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 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 as a body, for our audit work, for this report, or for the opinions we have formed.

What we have audited
ACCA's group financial statements for the year ended 31 March 2017 comprise the consolidated statement of total comprehensive income, the consolidated balance sheet, the consolidated statement of changes in members' funds, the consolidated cash flow statement and the related notes.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union.

Overview of our audit approach

- Overall group materiality: £2,500,000, which represents approximately 1.4% of the group's total revenues;
- We performed full scope audits on the parent entity and on all UK subsidiaries, and targeted audit procedures on overseas subsidiaries; and
- Key audit risks were identified as revenue recognition, valuation of intangible assets, valuation of retirement benefit scheme liabilities and retirement benefit scheme potential contingent liability.

Our assessment of risk
In arriving at our opinions set out in this report, we highlight the following risks that, in our judgement, had the greatest effect on our audit.

<table>
<tr><th>Audit risk</th><th>How we responded to the risk</th></tr>
<tr><td>Revenue recognition
Fees and subscriptions represented £80,261,000 for the year ended 31 March 2017.

There is a risk that the significant income streams of fees and subscriptions are recognised in the incorrect financial year, with fees being income received in advance of providing the exam service, requiring deferment to the period in which the exam is taken and subscriptions income being determined on a calendar year basis as opposed to the group's financial year. We therefore identified revenue recognition as a significant risk requiring special audit consideration.</td><td>Our audit work included, but was not restricted to:
• performing proof in total calculations, with expectations set with reference to our interrogation of members and exam databases and published fee rates as adjusted for accrued and deferred income and discounts;
• recalculating accrued and deferred income;
• testing a sample of discounts in the year; and
• performing analytical procedures to assess management's judgement regarding the adjustment to income for removal of students and members.

The group's accounting policy on income is shown in note 2(d) and related disclosures are included in note 6. The Audit Committee identified revenue recognition as a significant issue in its report on page 44, where the Committee also described the action that it has taken to address this issue.</td></tr>
<tr><td>Valuation of intangible assets
The group's internally generated intangible assets represented £17,122,000 for the year ended 31 March 2017, in accordance with International Accounting Standard (IAS) 38 'Intangible Assets'.

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 management record an intangible or impairment thereof that did not exist, or they fail to identify an impairment event and the charge reported is therefore incomplete. We therefore identified valuation of intangible assets as a risk requiring particular audit consideration.</td><td>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 to assess management's judgement regarding future economic benefits; and
• assessing actual outcomes against prior period management estimates for indicators of impairment.

The group's accounting policy on intangible assets is shown in note 2(j) 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 44, where the Committee also described the action that it has taken to address this issue.</td></tr>
</table>

Audit risk	How we responded to the risk
Valuation of retirement benefit scheme liabilities Retirement benefit obligations represented £26,398,000 in the year ended 31 March 2017. The assessment of actuarial assumptions requires the application of significant judgment by management. There is a risk that management fail to identify 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 risk requiring particular audit consideration.	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, of 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; • 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 discount rate; and • testing a sample of contributions paid in the year to bank. The group's accounting policy on pensions is shown in note 2(r) and related disclosures are included in note 22. The Audit Committee identified valuation and presentation of retirement benefit scheme liabilities as a significant issue in its report on page 44, where the Committee also described the action that it has taken to address this issue.
Retirement benefit scheme potential contingent liability The identification of the potential invalidity of legal documents in respect of the retirement benefit scheme requires the application of significant management judgement. There is a risk that management fail to identify a liability in accordance with IAS 37 'Provisions, Contingent Liabilities and Contingent Assets'. We therefore identified the retirement benefit scheme potential contingent liability as a risk requiring particular audit consideration.	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 to assess management's judgement regarding future economic benefits; and • assessing actual outcomes against prior period management estimates for indicators of impairment. The group's accounting policy on intangible assets is shown in note 2(j) 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 44, where the Committee also described the action that it has taken to address this issue.

Independent Auditor's Report to the Members of the Association of Chartered Certified Accountants

Our application of materiality and an overview of the scope of our audit

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 £2,500,000, which is approximately 1.4% of the group's total revenues. This benchmark is considered the most appropriate because the success of ACCA is determined by the number of students, affiliates and members which is represented by revenue in the financial statements.

Materiality for the current year is higher than the level that we determined for the year ended 31 March 2016 to reflect the increase in the group's total revenues, the increase in our benchmarking percentage 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. We also determine a lower level of specific materiality for certain areas such as senior management and executive team remuneration.

We determined the threshold at which we will communicate misstatements to the audit committee to be £113,000. In addition we will communicate misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

Overview of the scope of our audit

A description of the generic scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

We conducted our audit in accordance with International Standards on Auditing (ISAs) (UK and Ireland). Our responsibilities under those standards are further described in the 'Responsibilities for the financial statements and the audit' section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the group in accordance with the Auditing Practices Board's Ethical Standards for Auditors, and we have fulfilled our other ethical responsibilities in accordance with those Ethical Standards.

Our audit approach was based on a thorough understanding of the group's business and is risk based, and included the following:

- Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each entity within the Group which, when taken together, enable us to form an opinion on the Consolidated Financial Statements under International Standards on Auditing (UK and Ireland). 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. These materiality levels were set individually for each such component and ranged from £1,000 to £1,875,000;
- The ACCA Group has centralised processes and controls over the key areas of our audit focus with responsibility lying with group management for judgemental and significant risk areas;
- 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 our focus areas, 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 significant risks of misstatement to the Group Financial Statements.

Independent Auditor's Report to the Members of the Association of Chartered Certified Accountants

Matters on which we are required to report by exception

We have nothing to report in respect of the following:
Under the ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

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

In particular, we are required to report to you if:

- we have identified any inconsistencies between our knowledge acquired during the audit and Council's statement that they consider the annual report is fair, balanced and understandable; or
- the annual report does not appropriately disclose those matters that were communicated to the audit committee which we consider should have been disclosed.

Responsibilities for the financial statements and the audit

What Council are responsible for:
As explained more fully in the Statement of Councils' Responsibilities set out on page 36, Council is responsible for the preparation of the group financial statements and for being satisfied that they give a true and fair view.

What we are responsible for:
Our responsibility is to audit and express an opinion on the group financial statements in accordance with applicable law and ISAs (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Glasgow
17 June 2017

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Think Ahead