



Consolidated Financial Statements
Year ended 31 March 2021

Think Ahead

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Consolidated Five-year summary

ACCA and subsidiaries

	Mar 2021 £'000	Mar 2020 £'000	restated Mar 2019 £'000	restated Mar 2018 £'000	Mar 2017 £'000
Operating income	212,089	216,391	206,074	201,176	182,153
Operating surplus/(deficit)	10,795	8,077	(36,309)	(8,332)	(5,974)
Other (losses)/gains	(78)	(932)	112	(108)	129
Net finance income/(losses)	9,600	(4,798)	433	31,776	1,126
Surplus/(deficit) before tax	20,317	2,347	(35,764)	23,336	(4,719)
Tax	(1,802)	(917)	424	(7,724)	(1,841)
Surplus/(deficit) for the year	18,515	1,430	(35,340)	15,612	(6,560)
Recognition of actuarial (losses)/gains	(5,509)	10,285	(1,027)	4,600	(16,893)
Other comprehensive income excluding actuarial (losses)/gains	71	99	653	(23,806)	11,905
Total other comprehensive income	(5,438)	10,384	(374)	(19,206)	(4,988)
Total comprehensive income	13,077	11,814	(35,714)	(3,594)	(11,548)
Non-current assets	123,411	125,726	164,660	177,915	133,865
Current assets	123,334	106,333	62,336	68,406	68,390
Total assets	246,745	232,059	226,996	246,321	202,255
Non-current liabilities	51,623	56,084	74,332	66,211	30,705
Current liabilities	147,931	141,861	130,364	122,096	108,136
Total liabilities	199,554	197,945	204,696	188,307	138,841
Accumulated fund	47,524	34,518	22,803	59,170	34,892
Other reserves	(333)	(404)	(503)	(1,156)	28,522
Total funds and reserves	47,191	34,114	22,300	58,014	63,414
Total reserves and liabilities	246,745	232,059	226,996	246,321	202,255

Members and future members

	Mar 2021	Mar 2020	Mar 2019	Mar 2018	Mar 2017
Members	233,019	227,332	219,031	208,549	198,614
Future members	536,815	544,446	527,331	503,262	486,514
	769,834	771,778	746,362	711,811	685,128

All figures are reported based on the International Accounting Standards. Following the first-time adoption of IFRS 16 Leases in 2020, the figures for 2018 and 2019 were restated last year.

Foreword

These consolidated financial statements present the results for ACCA and its subsidiaries for the year ended 31 March 2021.

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 understand 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 2025
Resources and relationships	Resources: financial, human and network; brand development Relationships: global partnerships, key employers, strategic partners, regulators	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 2020/21
Financial review*	Supplementary financial information	Our strategic performance in 2020/21
Social and environmental impact	Our approach to CSR and significant developments	Where deemed material, it's embedded in the appropriate section in the Integrated Report
Outlook for next year	2021/22 strategic priorities	Our strategy to 2025

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

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

Consolidated Income Statement

For the year ended 31 March 2021

		31 Mar 2021 £'000	31 Mar 2020 £'000
Notes			
	Income		
6	Fees and subscriptions	110,717	105,910
7	Operating and other activities	101,372	110,481
	Total income	212,089	216,391
	Expenditure		
8	Operational expenditure	180,453	186,707
9	Strategic investment expenditure	20,841	21,607
	Total expenditure	201,294	208,314
	Operating surplus	10,795	8,077
10	Other losses	(78)	(932)
11	Income/(losses) from investments	11,351	(2,673)
11	Finance costs	(1,751)	(2,125)
12	Surplus before tax	20,317	2,347
13	Tax	(1,802)	(917)
	Surplus for the year	18,515	1,430

The accompanying notes to the financial statements, on pages 9 to 43, are an integral part of this statement.

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2021


	31 Mar 2021 £'000	31 Mar 2020 £'000
	18,515	1,430
	Other comprehensive income	
	Items that will not be reclassified to income or expenditure	
22	<u>Recognition of actuarial (losses)/gains</u>	<u>10,285</u>
	(5,509)	10,285
	Items that will be subsequently reclassified to income or expenditure	
26	<u>Currency translation differences</u>	<u>99</u>
	71	99
	(5,438)	10,384
	Other comprehensive income for the year, net of tax	10,384
	13,077	11,814
	Total comprehensive income for the year	

The accompanying notes to the financial statements, on pages 9 to 43, are an integral part of this statement.

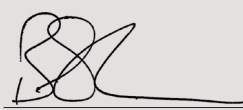
Consolidated Balance Sheet as at 31 March 2021

Notes	31 Mar 2021 £'000	31 Mar 2020 £'000
Assets		
Non-current assets		
14	Property, plant and equipment	46,682
15	Intangible assets	13,436
16	Non-current financial assets	65,608
	123,411	125,726
Current assets		
17	Trade and other receivables	33,572
16	Other current financial assets	45,560
18	Derivative financial instruments	131
19	Cash and cash equivalents	27,070
	123,334	106,333
	Total assets	246,745
Reserves and Liabilities		
Funds and reserves		
	Accumulated fund	34,518
26	Other reserves	(404)
	Total funds and reserves	34,114
Non-current liabilities		
21	Deferred tax liabilities	—
20	Lease liabilities	38,200
22	Retirement benefit obligations	17,884
	51,623	56,084
Current liabilities		
23	Trade and other payables	39,868
20	Lease liabilities	6,600
	Tax payable	8
24	Deferred income	89,805
18	Derivative financial instruments	951
25	Provisions	4,629
	147,931	141,861
	Total liabilities	197,945
	Total reserves and liabilities	232,059

The financial statements were approved and authorised for issue by Council on 3 July 2021 and signed on its behalf by:



M Millar, President



B Sheehan, Chair of Audit Committee

The accompanying notes to the financial statements, on pages 9 to 43, are an integral part of this statement.

Consolidated Statement of Changes in Members' Funds

For the year ended 31 March 2021

	Currency translation reserve £'000	Accumulated fund £'000	Total funds £'000
Balance at 1 April 2019	(503)	22,803	22,300
<i>Comprehensive income</i>			
Surplus for the financial year	—	1,430	1,430
<i>Other comprehensive income</i>			
Currency translation	99	—	99
Recognition of actuarial gains	—	10,285	10,285
Total other comprehensive income	99	10,285	10,384
Total comprehensive income for year	99	11,715	11,814
Balance at 31 March 2020	(404)	34,518	34,114
<i>Comprehensive income</i>			
Surplus for the financial year	—	18,515	18,515
<i>Other comprehensive income</i>			
Currency translation	71	—	71
Recognition of actuarial losses	—	(5,509)	(5,509)
Total other comprehensive income	71	(5,509)	(5,438)
Total comprehensive income for year	71	13,006	13,077
Balance at 31 March 2021	(333)	47,524	47,191

The analysis of reserves is presented in note 26.

Consolidated Cash Flow Statement

For the year ended 31 March 2021

	31 Mar 2021 £'000	31 Mar 2020 £'000
Notes		
	Cash flows from operating activities	
30	12,243	27,394
	(2,685)	(762)
	9,558	26,632
	Cash flows from investing activities	
14	(2,619)	(5,479)
15	(8,117)	(5,673)
16	(76,590)	(71,602)
	50	99
	96,544	71,061
11	8	75
11	689	982
	9,965	(10,537)
	Cash flows from financing activities	
	2,050	3,217
	(6,684)	(6,777)
11	(167)	(128)
11	(1,240)	(1,257)
	(6,041)	(4,945)
	13,482	11,150
	27,070	15,569
	366	351
19	40,918	27,070

The accompanying notes to the financial statements, on pages 9 to 43, are an integral part of this statement.

Notes to the Financial Statements

For the year ended 31 March 2021

1 General information

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

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

New and amended standards during the year and changes in accounting policies

There have been no new or amended standards that were effective during the year and no changes in accounting policies.

New and revised IFRS in issue but not yet effective

As at 31 March 2021, the following new standards, interpretations and amendments were issued but not yet effective and have not been applied in these financial statements, but may have an effect on ACCA's future financial statements:

- *Amendments to IAS 1*
The amendments provide a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date.
- *Small amendments to IAS 16*
The amendments clarify the treatment of proceeds from selling items produced while bringing an asset into the location and condition necessary for it to be capable of operating in the manner intended by management.
- *Amendments to IAS 37*
The amendments clarify what costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous.
- *Annual improvements to IFRSs (2018-2020) (Amendments to IFRS 1, IFRS 9, IFRS 16, IAS 41)*
The improvements in these amendments clarify the requirements of IFRSs and eliminate inconsistencies within and between standards.
- *Amendments to References to the Conceptual Framework in IFRS Standards*
The amendments support transition to the revised Conceptual Framework for companies that develop accounting policies when no IFRS Standard applies to a particular transaction.

2 Significant accounting policies

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

(a) *Basis of preparation*

The consolidated financial statements have been prepared in accordance with International Accounting Standards. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and derivative instruments at fair value through profit or loss.

Notes to the Financial Statements

For the year ended 31 March 2021

2 Significant accounting policies (continued)

(b) *Going concern*

The financial statements have been prepared on a going concern basis.

Council Board has assessed the viability of ACCA over a five-year period through the review and approval of the annual budget and five-year projections ("plan"). The plan includes forecast income statements, forecast statements of financial position, cash flow forecasts and key non-financial drivers of performance.

Scenarios in relation to the approved budget, a view of a realistic worst case and reverse stress test (designed to fail within 12 months of signing the accounts) were created to test the resilience of ACCA's plan and understand key financial risks, such as disruption to our examination process, ongoing local control orders restricting future members' ability to sit exams and retention of members and future members.

ACCA holds cash and investment reserves and has access to a revolving three-year credit facility (see note 3) to support any unexpected challenges to the plan. ACCA has not had to draw on the revolving credit facility during 2020/21 and does not expect to draw on it during 2021/22.

ACCA has policies and processes in place to manage its cash reserves and regularly considers its corporate risks in the context of exposure to liquidity risk. Council Board believes that ACCA has sufficient financial resources to manage its business risks given the current market conditions and as a result, the going concern basis is considered appropriate. Consequently, Council has a reasonable expectation that ACCA has adequate resources to continue in operational existence for the foreseeable future and that there are no material uncertainties about its ability to continue as a going concern.

(c) *Critical accounting estimates and judgements*

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

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

i) *Pension and other post-employment benefits*

ACCA accounts for pension and other post-employment benefits in accordance with IAS 19. In determining the pension cost and the defined benefit obligation of ACCA's defined benefit pension schemes, a number of assumptions are used which include the discount rate, salary growth, price inflation, the expected return on the schemes' investments and mortality rates. Further details are contained in note 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. Estimates may also be used in relation to any indirect international sales taxes which are payable. 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.

Notes to the Financial Statements

For the year ended 31 March 2021

2 Significant accounting policies (continued)

(c) Critical accounting estimates and judgements (continued)

iii) Revenue recognition

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

iv) Impairment of non-financial assets

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

v) Provision for credit loss

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

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

vi) Leased assets

ACCA applies IFRS 16 to account for its right-of-use assets and the related lease liabilities. ACCA assesses whether or not a rental contract contains a lease, whether or not an extension option will be exercised, whether or not a termination option will not be exercised and whether or not variable leased payments are truly variable or in-substance fixed. ACCA will use its judgement when making these assessments and will consider all facts and circumstances.

In applying IFRS 16, ACCA will calculate the appropriate discount rate to use, estimate the lease term and estimate variable lease payments dependant on an index or rate as appropriate.

Notes to the Financial Statements

For the year ended 31 March 2021

2 Significant accounting policies (continued)

(d) *Income*

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

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

(e) *Basis of consolidation*

The consolidated financial statements comprise the consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of changes in members' funds, and consolidated cash flow statement of ACCA and its subsidiaries (the group) as if they formed a single entity drawn up to 31 March 2020 and 31 March 2021. 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 2021

2 Significant accounting policies (continued)

(h) *Depreciation*

Depreciation is provided on all property, plant and equipment at rates calculated to write-off the cost or valuation, of each asset on a straight-line basis over its expected useful life, as follows:

- leasehold improvements - over the unexpired portion of the lease,
- plant and equipment - over 4 to 10 years,
- computer systems and equipment - over 2 to 4 years.

(i) *Intangible assets*

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

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

Where no internally generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred. Directly attributable costs that are capitalised include project employee costs and an appropriate portion of relevant overheads. Development expenditure previously recognised as an expense is not recognised as an asset in a subsequent period. Other intangible assets include development projects where the majority of the costs are the purchase of materials and services to help support the implementation of the internally generated intangible assets. The internally generated and other intangible assets are amortised over their estimated useful lives, which are usually between four and seven years. Amortisation begins when the intangible asset is available for use.

(j) *Financial instruments*

Financial instruments recognised in the balance sheet include cash and cash equivalents, financial assets, 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. After 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 a provision for any irrecoverable amounts. Provision is made in accordance with IFRS 9 using the simplified approach to lifetime expected credit loss. Bad debts are written off when identified. Terms on receivables balances range from 30 to 90 days.

Trade and other payables

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

Financial assets

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

Notes to the Financial Statements

For the year ended 31 March 2021

2 Significant accounting policies (continued)

(j) *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 cash funds, which are classified as other current financial assets. Short-term is defined as being three months or less. This definition is also used for the cash flow statement.

Cash funds

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

(k) *Impairment of financial assets*

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

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

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

(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.

Notes to the Financial Statements

For the year ended 31 March 2021

2 Significant accounting policies (continued)

(m) *Leased assets*

At the inception of a contract, ACCA assesses whether a contract is, or contains, a lease.

To assess whether a contract contains a lease, ACCA considers whether the contract conveys the right to control or use an identified asset by:

- the contract involves the use of an identified asset either explicitly or implicitly. The asset should be physically distinct or represent substantially all the capacity of the asset. If the supplier has the right of substitution, then the asset is not identified,
- ACCA has the right to obtain substantially all the economic benefits from the use of the asset throughout the period of use,
- ACCA has the right to direct the use of the asset. ACCA has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used.

ACCA applied IFRS 16 on 1 April 2019 using the full retrospective approach and also took account of Amendments to IFRS 16, Covid-19-Related Rent Concession. At inception or reassessment of a lease of land or buildings, ACCA has elected to separate non-lease components and account for the lease and non-lease components separately.

As a lessee

ACCA recognises a right-of-use asset and a lease liability at the lease commencement date.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the initial lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily identified, the Bank of England weighted monthly average index rate for non-financial institutions.

Lease payments included in the measurement of the lease liability comprise:

- fixed payments,
- variable lease payments that depend on an index or rate, and
- lease payments in an optional renewal period if ACCA is reasonably certain to exercise that option.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, or if ACCA changes its assessment of whether it will exercise a purchase, extension or termination option.

When a lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in the consolidated income statement if the carrying amount of the right-of-use asset has been reduced to zero.

ACCA presents right-of-use assets in 'property, plant and equipment' and lease liabilities within its own section in the consolidated balance sheet.

Short-term leases and leases of low-value assets

ACCA has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. ACCA recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Notes to the Financial Statements

For the year ended 31 March 2021

2 Significant accounting policies (continued)

- (n) *Tax*
Tax includes all taxes based upon the taxable profits of the group. Full provision for deferred taxation is made using the balance sheet liability method on temporary differences between the tax bases of assets and liabilities and their carrying values in the financial statements. Deferred tax movements in respect of unrealised revaluation gains are taken to the income statement. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.
- (o) *Foreign currencies*
Transactions in foreign currencies are converted into sterling, which is the presentational currency of the group, at exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies, including the financial statements of the non-UK subsidiary undertakings and non-UK branches, 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 and the non-UK branches are taken to the currency translation reserve.
- (p) *Derivative financial instruments and hedging activities*
Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. ACCA enters into forward currency contracts, whereby the exchange rate is agreed in advance and the currency is bought on a monthly basis. ACCA's forward currency contracts are classified as current assets or current liabilities as the maturity of the contracts are less than 12 months. Gains and losses on forward exchange contracts are recognised in the consolidated income statement at fair value. ACCA does not engage in any other hedging activities.
- (q) *Provisions*
Provisions for costs are recognised when either a legal or constructive obligation as a result of a past event exists at the balance sheet date, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reasonably estimated.
- (r) *Pensions*
ACCA has two closed defined benefit pension schemes, one in the UK and one in Ireland. Both schemes require contributions to be made to separately administered funds. The cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited in other comprehensive income in the period in which they arise. Past service costs are charged or credited in the consolidated income statement in the period in which they arise. The liability recognised in the balance sheet in respect of the defined benefit pension schemes is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. Interest on the liability is calculated using the discount rate and is recognised immediately in the consolidated income statement. The assets of both schemes are held separately from those of ACCA and are measured using market values. For quoted securities the market price is taken as the bid price.

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

Notes to the Financial Statements

For the year ended 31 March 2021

2 Significant accounting policies (continued)

(s) *Contingent liabilities*

Contingent liabilities are not recognised in the financial statements. They are disclosed in the notes unless the possibility of an outflow of resources embodying economic benefits is remote.

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

(t) *Reserves policy*

The Accumulated Fund includes all current and prior period retained surpluses and deficits.

3 Financial risk management

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

Credit risk management

Credit risk arises principally from cash and cash equivalents, deposits with banks and financial institutions, investments in pooled cash funds, derivative financial instruments and trade receivables. ACCA regularly monitors and reviews its exposure with key banking and investment manager suppliers, and for deposits, only independently rated banks and financial institutions with a minimum rating of 'A' are used. For working capital balances ACCA considers a figure of £20m per bank and £25m per pooled cash fund to be sufficient although this can be exceeded around times of high activity such as collection of subscription and exam income. ACCA's trade receivables relate substantially to members' and students' fees and subscriptions. The credit risk is that the customer fails to discharge its obligation in respect of the instrument. ACCA has no significant concentration of credit risk, with exposure spread over a large number of customers and countries throughout the world and a requirement to pay in advance for exams. ACCA believes that the maximum exposure equates to the carrying value of trade and other receivables. Management reviews the trade receivables balance on a regular basis and undertakes an exercise to remove students and members from the receivables ledger and members' register for non-payment of annual fees and subscriptions. The level of removals is shown in notes 12 and 17 of the consolidated financial statements. At the balance sheet date 96% of ACCA's trade and other receivables were held in sterling (2020: 89%).

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 £35m (2020: £45.6m) in short-term cash funds and £40.9m (2020: £27.1m) 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.

Secured bank facility and assets pledged as security

During the year ACCA entered into a Facility Agreement with Barclays Bank plc ("the Bank") for a Floating Rate Revolving Loan supported by the UK Government's CLBIL Scheme up to a maximum principal of £25m. The facility is a Floating Rate Revolving Loan under which the interest rate will never be less than the Margin of 2.45% per annum. Interest shall accrue at the rate per annum equal to the aggregate of the (i) Margin and (ii) Floating Rate for the relevant interest period. The agreement includes a non-utilisation fee of 1.35% per annum. The final repayment date is the date falling three years after the date of the Facility Agreement.

Notes to the Financial Statements

For the year ended 31 March 2021

3 Financial risk management (continued)

Liquidity risk (continued)

Secured bank facility and assets pledged as security (continued)

ACCA has not had to utilise the facility during the year ended 31 March 2021 and therefore incurred non-utilisation fees of £164,466 (see note 11) during the year. The loan has been secured over a part of ACCA's investment portfolio.

In addition, a cross-guarantee was granted by Certified Accountants Investment Company Limited ("CAIC") in favour of the Bank in respect of the obligations of ACCA under or pursuant to the Facility Agreement. The nature of the guarantee is that CAIC

- a) Guarantees to the Bank the punctual performance by ACCA of all its obligations from time to time under the Facility Agreement;
- b) Undertakes that whenever ACCA does not pay any amount obliged when due, it will immediately on demand pay that amount as if it were the principal obligor; and
- c) Agrees with the Bank that if, for any reason, any amount claimed hereunder is not recoverable on the basis of a guarantee, it will, as an independent and primary obligation, indemnify the Bank on demand against any cost, loss or liability it incurs as a result of the Borrower not paying any amount which would, but for such reason, have been payable by it on the date when it would have been due. The amount payable by the company under this indemnity will not exceed the amount it would have had to pay hereunder if the amount claimed had been recoverable on the basis of a guarantee.

The floating rate as defined in the agreement refers to LIBOR (London Interbank Offered Rate). LIBOR will cease being the representative Reference Rate for Sterling from 31st December 2021 and therefore the loan facility will require to be amended during 2021 so that the Reference Rate is transitioned to SONIA (Sterling Overnight Index Average).

Market risk

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

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

Currency risk relates to the risk that the fair value of future cash flows of financial instruments will fluctuate because of changes in foreign exchange risk. ACCA operates internationally and is exposed to foreign currency exchange risk arising from the transfer of foreign currency to its national offices. Where possible, ACCA will allow the national offices to settle liabilities denominated in their functional currency with the cash generated from their own operations in that currency. However, many national offices have insufficient reserves of their functional currency and rely on transfers of foreign currency from ACCA. ACCA mitigates the risk with regards to income because the vast majority of 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 74% of ACCA's cash and cash equivalents were held in sterling (2020: 68%).

Notes to the Financial Statements

For the year ended 31 March 2021

3 Financial risk management (continued)

Market risk (continued)

Other price risk relates to the risk of changes in market prices of the non-current and current financial assets and the investments held by the defined benefit pension schemes. ACCA invests in a variety of funds operated by different investment managers and in doing so exposes itself to the fluctuations in price that are inherent in such a market. The effect of a 10% increase in the value of the non-current financial assets held at the balance sheet date would have resulted in an increase in the fair value gains of £9.1m (2020: £3.9m) net of deferred tax. A 10% decrease in their value would, on the same basis, have resulted in the increase in the fair value losses by £1.7m (2020: £6.9m).

Other risks in relation to the impact of Covid-19

Covid-19 has had a major impact on the global economy. It has impacted ACCA with regards to all the above-mentioned risks in the following ways:

- Credit risk – due to lockdowns in various countries there was a risk that members and students would be unable to pay subscriptions, exam fees etc. ACCA therefore allowed more time to pay during the year and revised its retention targets. By the year-end all key markets, apart from China, exceeded the retention targets. ACCA has reviewed its expected credit losses for the year-end in light of Covid-19 and provided for further unpaid debts.
- Liquidity risk – ACCA had to cancel the whole exam session in June 2020 and other sessions in various countries in September 2020, December 2020 and March 2021 which led to reduced revenue and reduced cashflow. During the year to maintain liquidity ACCA disposed of some investments. It also looked at various scenarios, prepared a revised budget and secured loan facilities of up to £25m with its main banker, Barclays Bank plc (see above). Due to positive retention and successful concerted efforts to reduce costs, ACCA has not required to draw down on the facility.
- Market risk – during March 2020 the stock markets were very volatile and fell dramatically. ACCA's investments suffered unrealised losses in the previous year. During the current year, ACCA revised its investment strategy to reduce volatility. The markets rebounded during the year and as part of the revised strategy, some investments were disposed to realise significant gains. The portfolio also experienced strong performance during the year as per note 16. ACCA invests in a diversified portfolio of investment funds to reduce volatility and to mitigate risk.

4 Segmental reporting

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

- Fees and subscriptions: Comprise members', students' and affiliates' fees and subscriptions for the relevant period
- Qualifications and examinations: Examination and exemption income from the Professional and other qualifications
- Member and student engagement: Income generated from royalties, mailing services and advertising
- Markets: Continuing Professional Development (CPD) income, locally generated markets income and sponsorship
- Regulation and discipline: Audit, practice and other certificates

Notes to the Financial Statements

For the year ended 31 March 2021

4 Segmental reporting (continued)

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

- Chief Executive's Office: Chief Executive non-salary costs
- Strategy and Development: delivery of strategic outcomes, corporate training, market research, brand management, public relations, publishing, technical policy and research, development and maintaining of qualifications, ensuring the integrity of the syllabus and of the examination process, verifying and awarding exemptions and setting and scrutiny of exam papers
- Markets: Staff, operational and corporate marketing and promotional costs of ACCA's global operations and IFAC costs
- Governance: Regulation of members, secretariat, professional conduct, practice monitoring, legal services and internal audit
- People: Human Resources, corporate recruitment and talent and capability
- Finance and Operations: IT, pension costs, depreciation, corporate services, finance and procurement, member and student support, examinations, service improvements
- 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 2021, the Accumulated Fund represented 68 days of operating expenditure (31 March 2020: 48 days) which is above the long-term target of 60 days. This reflects the better than forecast surplus resulting mainly from reduced operating expenditure.

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

ACCA is not normally subject to any material externally imposed capital requirements, however as ACCA entered into a facility agreement with Barclays Bank plc for a Floating Rate Revolving Loan supported by the UK Government's CLBIL Scheme, it is required to comply with various financial covenants as follows:

- Minimum liquidity
ACCA shall ensure that the aggregate of Cash and Cash Equivalent Investments and the undrawn and uncanceled amount of the Facility Amount:
 - (i) for each Relevant Date ending 30 September, shall be greater than £15,000,000;
 - (ii) for each other Relevant Date, shall be greater than £25,000,000; and
 - (iii) for each other Quarter Look Forward Period, shall be greater than £10,000,000.
- Gearing
ACCA shall ensure that at all times the ratio of Gross Borrowings to Total Assets shall not exceed 60%.

These covenants have been tested as required during the year without any issue. ACCA is also required to provide regular financial information such as management and annual accounts, budgets, investment portfolio valuations and compliance certificates.

It should be noted that there has been no need to use the facility during the year.

Notes to the Financial Statements

For the year ended 31 March 2021

	31 Mar 2021 £'000	31 Mar 2020 £'000
6 Fees and subscriptions		
Members	55,490	52,035
Affiliates	8,677	8,276
Students	46,550	45,599
	110,717	105,910
7 Operating and other activities		
Qualifications and exams	86,263	98,677
Member and student engagement	1,241	1,337
Markets	2,049	4,202
Regulation and discipline	6,118	6,014
Litigation settlement income	4,850	—
Other income	851	251
	101,372	110,481
8 Operational expenditure		
Chief Executive's Office	(7)	64
Markets	40,107	48,330
Strategy and Development	19,293	20,601
Governance	14,843	15,546
People	13,438	10,940
Finance and Operations	92,779	91,226
	180,453	186,707
9 Strategic investment expenditure		
Exams Delivery	4,532	4,287
Market Development	—	196
Market Adoption	2,165	2,757
Digital Transformation	11,232	10,162
Digital	—	2,151
Workplace Transformation	1,127	—
Meet Compliance	1,295	541
Strategic Efficiency	2,491	—
Portfolio Management	(2,001)	1,513
	20,841	21,607

Included within income from operating and other activities is an amount of £4.85m received by ACCA on 7 January 2021 as proceeds of a litigation settlement, which was settled on confidential terms.

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. The Digital Transformation programme is transforming core business systems (finance, CRM, data, information management) to modern solutions with the aim of being more commercially agile and better attuned to customers' needs. The Exam Delivery programme is developing our exams platform to ensure it remains relevant to our future members. The Strategic Efficiency project was initiated to manage ACCA's response to Covid-19 and the changes necessary to maintain financial sustainability. The Market Adoption programme ensures that customers are ready to embrace the changes made to the qualification. Portfolio management relates to the net of portfolio overheads, capitalisation, amortisation and impairment. Negative values occur when the amount capitalised from projects exceed the cost of non-rechargeable overheads and amortisation.

Notes to the Financial Statements

For the year ended 31 March 2021

	31 Mar 2021 £'000	31 Mar 2020 £'000
10 Other gains/(losses)		
Forward currency contracts	(78)	(932)
11 Investment income/(losses) and finance costs		
Income/(losses) from investments		
Interest receivable	8	75
Dividends from investments	689	982
Realised gains on disposals of investments	4,685	758
Unrealised gains/(losses) on change of fair value of investments	5,969	(4,488)
	11,351	(2,673)
Finance costs		
Net finance interest on defined benefits pension schemes	(344)	(740)
Interest expense for leasing arrangements	(1,240)	(1,257)
Other interest payable	(3)	(128)
Non-utilisation fee (note 3)	(164)	—
	(1,751)	(2,125)
12 Surplus before tax		
Surplus before tax includes the following:		
(a) <i>Salaries and related costs</i>		
The costs of employing staff during the year were as follows:		
Salaries	64,158	62,431
Social security costs	6,532	6,650
Pension costs (note 22)	6,649	6,651
Other staff costs	4,259	2,097
	81,598	77,829
The average number of employees was 1,435 (31 March 2020: 1,420). The average annual salary was £44,709 (31 March 2020: £43,965). The figures above include the salaries and bonuses payable to the Executive Team (see note 27 for more details). It should be noted that in the previous year, because of Covid-19, the Remuneration Committee approved the Executive Team's recommendation that merit awards for the year ended 31 March 2020 would be cancelled for all staff.		
(b) <i>Income</i>		
Income from subscriptions, examination and exemption fees amounting to £193.7m (31 March 2020: £201.8m) is stated net of adjustments relating to the non-payment of subscriptions and fees amounting to £15.8m (31 March 2020: £16.4m).		
(c) <i>Depreciation, amortisation, impairment and foreign exchange losses</i>		
Depreciation of property, plant and equipment	2,803	3,804
Depreciation of right-of-use assets	5,915	6,189
Total depreciation (note 14)	8,718	9,993
Amortisation of intangible assets (note 15)	4,978	5,932
Foreign exchange losses	2,093	931

Notes to the Financial Statements

For the year ended 31 March 2021

	31 Mar 2021 £'000	31 Mar 2020 £'000
12 Surplus before tax (continued)		
(d) <i>Auditors' remuneration</i>		
Fees payable to ACCA's auditor, Grant Thornton, for the audit of		
– the parent undertaking and consolidated financial statements	79	77
– audit fees for UK subsidiaries and charities	51	45
– audit fees for the corporate KPIs	4	4
– audit fees for the ACCA Staff Pension Scheme	10	9
	144	135
Fees payable to ACCA's other auditors and their associates for		
– audit fees for non-UK subsidiaries	71	64
– non-audit services in China	6	11
13 Tax		
The amounts charged in the statement of comprehensive income are as follows:		
Current income taxes at 19% (2020: 19%) on the surplus for the year	1,838	810
(Over)/under provision in respect of prior year	(36)	107
	1,802	917
The current tax charge is split as follows:		
Domestic	807	(299)
Foreign	995	1,216
	1,802	917
Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.		
Factors affecting the tax charge for the year		
Surplus before tax	20,317	2,347
Surplus before tax multiplied by the standard rate of UK Corporation tax of 19% (2020: 19%)	3,860	446
Effects of:		
(Over)/under provision in previous years	(36)	107
Overseas withholding taxes suffered as a deduction	750	936
Non-taxable income	(2,153)	(743)
Expenditure not deductible for tax purposes	(345)	1,447
Deferred tax not recognised	(914)	(2,040)
Chargeable gains net of indexation	661	579
Differential in jurisdictions tax rates	(21)	185
	(2,058)	471
Total tax charge	1,802	917

The tax charge arises from non-mutual trading profits, investment income and gains on disposal of investments, where applicable. The subsidiary companies pay local tax based on their country of operation and this has been included in the current tax calculations.

A change to the main UK corporation tax rate, announced in the UK budget on 11 March 2020, was substantively enacted for IFRS and GAAP purposes on 17 March 2020. The rate applicable from 1 April 2020 remains at 19% and will rise to 25% from April 2023 as announced in the UK budget on 3 March 2021. The effect of this change has been included in the financial statements where relevant.

Notes to the Financial Statements

For the year ended 31 March 2021

14 Property, plant and equipment

	Right-of-use assets £'000	Leasehold improve- ments £'000	Plant & equipment £'000	Computer systems & equipment £'000	Total £'000
Cost or valuation					
At 31 March 2019	51,352	15,585	6,592	20,191	93,720
Additions	3,217	977	553	732	5,479
Disposals	(2,388)	(378)	(456)	(230)	(3,452)
Exchange difference	—	(261)	(98)	(340)	(699)
At 31 March 2020	52,181	15,923	6,591	20,353	95,048
Additions	2,050	17	100	452	2,619
Reallocation	3,770	(3,770)	—	—	—
Disposals	(3,125)	(42)	(357)	(413)	(3,937)
Exchange difference	(340)	177	217	498	552
At 31 March 2021	54,536	12,305	6,551	20,890	94,282
Accumulated depreciation					
At 31 March 2019	15,083	4,823	4,021	18,155	42,082
Depreciation charge	6,189	1,794	947	1,063	9,993
Eliminated on disposals	(2,159)	(455)	(407)	(230)	(3,251)
Exchange difference	—	(99)	(64)	(295)	(458)
At 31 March 2020	19,113	6,063	4,497	18,693	48,366
Depreciation charge	5,915	1,207	725	871	8,718
Reallocation	2,103	(2,103)	—	—	—
Eliminated on disposals	(2,866)	(42)	(338)	(376)	(3,622)
Exchange difference	(250)	431	201	469	851
At 31 March 2021	24,015	5,556	5,085	19,657	54,313
Carrying amount					
At 31 March 2021	30,521	6,749	1,466	1,233	39,969
At 31 March 2020	33,068	9,860	2,094	1,660	46,682

Depreciation £8.7m (2020: £10.0m) is included in both operational and strategic investment expenditure.

ACCA leases assets for its operations and these are treated as right-of-use assets. Included in the net carrying amount of property, plant & equipment are right-of-use assets over the following

	£'000
Property	30,521

Notes to the Financial Statements

For the year ended 31 March 2021

15 Intangible assets	Internally generated intangible assets £'000	Third party intangible assets £'000	Total £'000
Cost			
At 31 March 2019	31,508	6,040	37,548
Additions	549	5,124	5,673
At 31 March 2020	32,057	11,164	43,221
Additions	531	7,586	8,117
At 31 March 2021	32,588	18,750	51,338
Accumulated amortisation and impairment			
At 31 March 2019	23,031	822	23,853
Amortisation charge	4,668	1,264	5,932
At 31 March 2020	27,699	2,086	29,785
Amortisation charge	3,376	1,602	4,978
At 31 March 2021	31,075	3,688	34,763
Carrying amount			
At 31 March 2021	1,513	15,062	16,575
At 31 March 2020	4,358	9,078	13,436

Intangible assets relate to internally generated development costs and other third-party costs of which the vast majority relates to the delivery of the qualification and Digital Transformation. Over the last three years ACCA has been developing a complete Digital Transformation programme and has engaged one of its strategic supplier partners to lead the development of the programme. ACCA now capitalises directly attributable costs from the strategic supplier partner and other suppliers as other intangible assets and the majority of the additions over the last two years relate to other intangible assets and include related costs for the development and implementation of Software as a Service (SAAS) solutions.

Following an impairment review in accordance with IAS 36, management decided that no impairment charge (2020: £nil) was required to be accounted for either the internally generated or third-party intangible assets. Management considered the impact of Covid-19 and was satisfied that there remained sufficient headroom within the benefits.

At 31 March 2021, the net book value of the Finance System project was £4.5m and this is deemed to be material. It is not yet in use and therefore amortisation has not started. Once the asset is in use, the amortisation period will be seven years.

Notes to the Financial Statements

For the year ended 31 March 2021

	31 Mar 2021 £'000	31 Mar 2020 £'000
16 Financial assets		
<i>At valuation</i>		
At 1 April	111,168	114,357
Additions	76,590	71,602
Disposals	(91,859)	(70,303)
Unrealised gains/(losses) transferred to income	5,969	(4,488)
At 31 March	101,868	111,168
Historical cost of tradable investments	97,297	113,579

Financial assets, comprising units in Baillie Gifford's Diversified Growth Fund, Baillie Gifford's Global Stewardship Fund, Adept Investment Management's Absolute Return, Fixed Income and Diversified Liquid Credit Funds, BentallGreenOak's UK Debt II Property Fund and cash funds held by Royal London Asset Management, are fair valued annually at the close of business on the balance sheet date. Wherever possible, fair value is determined by reference to Stock Exchange quoted bid prices or to the Fund Manager's closing single price on a single swinging price basis. Financial assets are classified as non-current assets unless they are expected to be realised within twelve months of the balance sheet date.

Concentration of financial assets**Non-current assets**

UK equities	861	2,180
Overseas equities	5,749	12,342
Fixed interest government bonds	306	291
Fixed interest non-government bonds	31,149	2,494
Absolute return	—	24,168
Property	8,370	9,851
Cash and deposits	913	1,155
Inflation-linked bonds	19,238	10,174
Other	281	2,953
	66,867	65,608

Current assets

Cash funds	35,001	45,560
	101,868	111,168

Financial assets are denominated in the following currencies

UK Pound	97,384	105,873
US Dollar	2,352	5,745
Japanese Yen	1,050	2,902
Hong Kong Dollar	474	578
Other currencies	1,296	2,738
Negative positions	(688)	(6,668)
	101,868	111,168

The negative positions on currencies shown above relate to instances where the Funds have taken a negative position in relation to forward currency contracts and options.

Notes to the Financial Statements

For the year ended 31 March 2021

16 Financial assets (continued)

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

Fair value hierarchy

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

Level	Fair value input description	Financial instruments
Level 1	Quoted prices from active markets	Quoted equity instruments
Level 2	Inputs other than quoted prices in level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices)	Unquoted equity instruments included in financial assets
Level 3	Inputs that are not based on observable market data	Unquoted equity instruments included in financial assets

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

	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000
At 31 March 2020				
Quoted equity	34	—	—	34
Observable inputs	45,560	60,452	—	106,012
Unobservable inputs	—	—	5,122	5,122
Total	45,594	60,452	5,122	111,168
At 31 March 2021				
Quoted equity	45	—	—	45
Observable inputs	35,001	59,515	—	94,516
Unobservable inputs	—	—	7,307	7,307
Total	35,046	59,515	7,307	101,868

The investment managers have provided information as to which classifications each of the investment funds fall into. Council has reviewed and assessed those views of the classifications and judged that the disclosures are applicable. Council has relied on the investment managers' expertise as being well-respected investment fund managers to be able to provide that view of the classification of these investments.

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

Commitments

As part of its investment strategy ACCA has invested in a property fund managed by BentallGreenOak. Investments are made on a piecemeal basis and Council has approved investment of up to £10m in property funds directly. At the balance sheet date ACCA had a commitment to invest a further £2.7m in the BentallGreenOak property fund.

Notes to the Financial Statements

For the year ended 31 March 2021

	31 Mar 2021 £'000	31 Mar 2020 £'000
17 Trade and other receivables		
Trade receivables	23,467	23,723
Accrued income	2,283	1,057
Prepayments	8,033	7,643
Taxation recoverable	875	—
Other receivables	12,703	1,149
	47,361	33,572

Trade receivables is stated net of an adjustment of £15.7m (2020: £16.5m) to reflect historical experience of customer retention. Other receivables include £11.4m in relation to proceeds receivable from the disposal of financial assets on 31 March 2021.

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

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

The expected loss rates are based on ACCA's historical credit losses experienced over previous periods. The historical loss rates are then adjusted for current and forward-looking factors affecting ACCA's members, students and other customers e.g. retention rates and for both this year and last year, the impact of Covid-19.

As of 31 March 2021, trade receivables of £20.0m (2020: £20.7m) were past due but not impaired. The aging analysis of these trade receivables is as follows:

	31 Mar 2021 £'000	31 Mar 2020 £'000
31-60 days	2,184	2,994
61-90 days	2,325	2,991
91-120 days	14,823	13,917
Over 121 days	670	756
	20,002	20,658

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

	31 Mar 2021 £'000	31 Mar 2020 £'000
At 1 April	1,218	470
Provision for receivables impairment	757	1,404
Receivables written off during the year as uncollectible	(669)	(394)
Amounts recovered/released which were previously provided for	(554)	(262)
At 31 March	752	1,218

Notes to the Financial Statements

For the year ended 31 March 2021

18 Derivative financial instruments

	31 Mar 2021		31 Mar 2020	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Forward foreign exchange contracts	54	(952)	131	(951)
	54	(952)	131	(951)

The contracts entered into by ACCA are principally denominated in the geographic areas in which ACCA operates. The fair value of these contracts is recorded in the balance sheet and is determined by discounting future cash flows at the prevailing market rates at the balance sheet date. These are known as mark-to-market valuations and have been valued by the providers of the contracts.

The valuation methods used are consistent with the principles in IFRS 13: Fair Value Measurement and use significant unobservable inputs, such that the fair value measurement of the contracts, has been classified as Level 3 in the fair value hierarchy. No contracts are designated as hedging instruments, as defined in IAS 39, and consequently all changes in fair value are taken to the statement of comprehensive income.

The amount recognised in the statement of comprehensive income that arises from the forward foreign exchange contracts amounted to a loss of £0.1m (31 March 2020: loss of £0.9m).

Forward foreign exchange contracts

The notional principal amounts of the outstanding forward foreign exchange contracts at 31 March 2021 was £28.2m (31 March 2020: £41.7m).

	31 Mar 2021 £'000	31 Mar 2020 £'000
19 Cash and cash equivalents		
Cash at bank and in hand	40,918	27,070

ACCA had no short-term bank deposits in place at the balance sheet date.

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.

Notes to the Financial Statements

For the year ended 31 March 2021

	31 Mar 2021 £'000	31 Mar 2020 £'000
20 Leases		
Lease liabilities are presented in the balance sheet as follows:		
Current	6,359	6,600
Non-current	33,807	38,200
	40,166	44,800

ACCA has leases for all its offices and some IT equipment. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the balance sheet as a right of-use asset and a lease liability. Variable lease payments which do not depend on an index or a rate are excluded from the initial measurement of the lease liability and asset. ACCA classifies its right-of-use assets in a consistent manner to its property, plant and equipment (see note 14).

Each lease generally imposes a restriction that, unless there is a contractual right for ACCA and its subsidiary companies to sublet the asset to another party, the right-of-use asset can only be used by ACCA and its subsidiary companies. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. Some leases contain an option to extend the lease for a further term. ACCA and its subsidiary companies is prohibited from selling or pledging the underlying leased assets as security. For all office leases, ACCA and its subsidiary companies must keep those properties in a good state of repair and return the properties to their original condition at the end of the lease. Further, ACCA must insure items of property, plant and equipment and incur maintenance fees on such items in accordance with the lease contracts.

The lease liabilities are secured by the related underlying assets. Future minimum lease payments at 31 March 2021 were as follows:

Minimum lease payments due	Within	1-2	2-3	3-4	4-5	After	Total
	1 year	years	years	years	years	5 years	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
31 March 2021							
Lease payments	7,402	6,310	5,717	4,665	6,239	14,237	44,570
Finance charges	(1,043)	(858)	(693)	(568)	(441)	(801)	(4,404)
Net present values	6,359	5,452	5,024	4,097	5,798	13,436	40,166
31 March 2020							
Lease payments	7,783	6,655	5,652	5,035	4,650	19,961	49,736
Finance charges	(1,183)	(999)	(827)	(693)	(568)	(666)	(4,936)
Net present values	6,600	5,656	4,825	4,342	4,082	19,295	44,800

Notes to the Financial Statements

For the year ended 31 March 2021

20 Leases (continued)

The table below describes the nature of ACCA's leasing activities by type of right-of-use asset recognised on the balance sheet:

Right-of-use asset	Leasehold Improvements
Number of right-of-use assets leased	45
Range of remaining term	1 month to 9 years 4 months
Average remaining lease	1 years 8 months
Number of leases with extension options	nil
Number of leases with options to purchase	nil
Number of leases with variable payments linked to an index	3
Number of leases with termination options	2

ACCA have lease contracts that include extension and termination options. These options are negotiated by ACCA to provide flexibility in managing the leased-asset and align with ACCA's business needs.

The undiscounted potential future rental payments relating to periods following the exercise date of extension and termination options that are not included in the lease term are as follows:

	£'000
Extension options expected not to be exercised	—
Termination options expected to be exercised	—

Lease payments not recognised as a liability

The group has elected not to recognise a lease liability for short term leases (leases with an expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis.

The expense relating to payments not included in the measurement of the lease liability is as follows:

	31 Mar	31 Mar
	2021	2020
	£'000	£'000
Short-term leases	286	273
Leases of low value assets	1	1
	287	274

At 31 March 2021 ACCA was committed to short-term leases and the total commitment at that date was £31k (31 March 2020: £27k).

At 31 March 2021 the group had no commitments to leases which had not yet commenced and there were therefore no future cash outflows to disclose for leases that had not yet commenced (31 March 2020: £nil).

Total cash outflow for leases for the year ended 31 March 2021 was £5.5m (2020: £6.8m).

Notes to the Financial Statements

For the year ended 31 March 2021

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 19% (2020: 19%). The major deferred tax liabilities recognised by ACCA and the movements thereon during the current period and previous years relate to the revaluation of financial assets. ACCA has no deferred tax assets.

Deferred tax liabilities

	31 Mar 2021 £'000	31 Mar 2020 £'000
At 1 April	—	299
Tax charged/(credited) to reserves:		
Current year provision on investments	—	—
Release of provision on realised gains	—	(299)
At 31 March	—	—

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. Those schemes provided benefits based on final pensionable pay and on a career average revalued earnings (CARE) basis. ACCA operates defined contribution plans which are currently administered by Aegon in the UK and Aon in Ireland. Contributions are invested with Aegon in the UK and with Irish Life in Ireland.

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

The most recent triennial valuation of the UK Scheme was at 1 January 2019. This 1 January 2019 valuation has been updated by the scheme actuary for IAS 19 purposes as at 31 March 2021. The triennial valuation was based on the following principal financial assumptions:

Rate of investment return:	past service	2.3% p.a. to retirement, 2.3% p.a. thereafter
	future service	2.3% p.a. to retirement, 2.3% p.a. thereafter
Limited price indexation of pensions in payment		3.2% p.a.
Retail price index		3.4% p.a.
Consumer price index		2.3% 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 2019, the market value of Scheme assets was £106.7m and the value of pension benefits earned was £160.1m. The funding level against technical provisions was therefore 67%. As part of the actuarial valuation ACCA and the Trustees agreed to move to a Long-Term Funding basis calculation for the calculations of the Technical Provisions.

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

Notes to the Financial Statements

For the year ended 31 March 2021

22 Retirement benefit obligations (continued)**(a) General information (continued)**

The most recent triennial valuation of the Irish Scheme was at 1 January 2018. This valuation has been updated by the scheme actuary for IAS 19 purposes as at 31 March 2021. The triennial valuation was based on the following principal financial assumptions:

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

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

The funding ratio was therefore 93%.

	31 Mar 2021	31 Mar 2020
The principal financial assumptions used for the purposes of the figures in these financial statements were as follows:		
Discount rate for UK Scheme	2.10%	2.40%
Discount rate for Irish Scheme	1.25%	2.00%
RPI - Future pension increases (UK Scheme) subject to LPI	3.10%	2.50%
CPI (UK Scheme)	2.30%	1.70%
Inflation - Future pension increases (Irish Scheme)	1.70%	1.10%

The mortality assumptions for the current year-end for the UK Scheme follows the table known as S3PXA, using 100% of the base table with mortality improvements in line with the 2020 version of the CMI model, with a long-term rate of improvement of 1% per annum (2020: 1.25% per annum). At the previous year-end mortality assumptions followed the table known as S3PXA using 100% of the base table with mortality improvements in line with the 2019 version of the CMI model. For the Irish Scheme the mortality assumptions (post retirement) are based on standard mortality tables allowing for future mortality improvements and are unchanged from previous disclosures. However, given the way the tables are compiled to take into account future mortality improvements, the actual life expectancy for members of the Irish Scheme at each age will have increased from last year.

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

	Irish Scheme		UK Scheme	
	31 Mar 2021	31 Mar 2020	31 Mar 2021	31 Mar 2020
For a male aged 65 now	21.8	21.7	21.7	21.9
At 65 for a male aged 45 now	24.1	24.0	22.7	23.2
For a female aged 65 now	24.2	24.1	24.1	24.2
At 65 for a female aged 45 now	26.2	26.1	25.2	25.6

Notes to the Financial Statements

For the year ended 31 March 2021

22 Retirement benefit obligations (continued)(b) *Pension costs*

	31 Mar 2021 £'000	31 Mar 2020 £'000
The total pension charge is made up as follows:		
Pension costs under the UK and Irish Schemes	344	740
Payments to defined contribution schemes for certain employees outside the UK and Ireland	605	533
Payments to defined contribution schemes for certain employees in the UK and Ireland	5,552	5,263
Payments for the Pensions Protection Fund levies	148	115
Pension costs	6,649	6,651

Actuarial losses/(gains) recognised in the statement of other comprehensive income for the period	5,509	(10,285)
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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.

The amounts recognised in total comprehensive income for the schemes are as follows:

Past service costs in respect of GMP equalisation	15	—
Net interest	329	740
Pension costs under the Schemes	344	740

Past service costs - GMP Equalisation

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

A High Court case concluded on 26 October 2018 which determined that GMPs should be equalised, with several methods being possible and the employer can require the minimum cost option to be adopted. The Scheme Actuary estimated the financial impact of equalising GMPs for members for the ACCA Staff Pension Scheme at £0.2m and this was accounted for as a past service cost in the accounts for the year ended 31 March 2019.

On 27 November 2020, the High Court ruled that transfer payments out of the Scheme since May 1990 will also need to be topped up to allow for GMP equalisation. The Scheme Actuary has estimated the financial impact of equalising transfer payments out of the ACCA Staff Pension Scheme since May 1990 at £0.015m and this was accounted for as a past service cost in the accounts for the year ended 31 March 2021.

Notes to the Financial Statements

For the year ended 31 March 2021

22 Retirement benefit obligations (continued)(c) *Contributions and the effect of the Schemes on the future cashflows*

ACCA is required to agree a schedule of contributions with the Trustees of the Schemes following actuarial valuations which take place every three years. In accordance with actuarial advice and with the agreement of ACCA and the UK Scheme's Trustees, a recovery plan was put in place with effect from January 2020 to which ACCA will contribute annual deficit recovery contributions of £2.65m in respect of the UK scheme increasing by 3% p.a. for a period of 13 years, subject to review at future actuarial valuations. A triennial valuation was due as at 1 January 2021 for the Irish scheme and indications are that the scheme continues to have a deficit. However, until the results of that valuation are known, employer contributions for the year ended 31 March 2022 are expected to be continue at about £96,000. In respect of other overseas schemes, it is expected that ACCA will contribute on average 9% of pensionable salary in the coming year.

	31 Mar 2021 £'000	31 Mar 2020 £'000
(d) <i>Movement in the net liability recognised in the balance sheet</i>		
At 1 April	17,884	31,889
Pension costs	344	740
Contributions paid	(5,917)	(4,471)
Recognition of actuarial losses/(gains)	5,509	(10,285)
Exchange difference	(4)	11
At 31 March	17,816	17,884
(e) <i>Pension benefits</i>		
Amounts recognised in the balance sheet to reflect funded status		
Present value of funded obligations	160,887	142,263
Fair value of plan assets	(143,071)	(124,379)
Net liability in the balance sheet at 31 March	17,816	17,884
(f) <i>Change in benefit obligation</i>		
Present value of benefit obligation at 1 April	142,263	151,302
Interest on obligation	3,362	3,729
Benefits paid	(4,186)	(2,398)
Past service costs	15	—
Gain from change in demographic assumptions	(2,220)	(2,526)
Loss/(gain) from change in financial assumptions	23,097	(7,603)
Gain from experience	(1,302)	(359)
Exchange difference	(142)	118
Present value of benefit obligation at 31 March	160,887	142,263
The defined benefit obligation is split as follows		
Deferred pensioners	126,501	107,818
Pensioners	34,386	34,445
Present value of benefit obligation at 31 March	160,887	142,263

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

Notes to the Financial Statements

For the year ended 31 March 2021

22 Retirement benefit obligations (continued)

	31 Mar 2021 £'000	31 Mar 2020 £'000
(g) <i>Change in plan assets</i>		
Fair value of plan assets at 1 April	124,379	119,413
Interest income	3,034	2,989
Actual return on assets less interest	14,067	(203)
Actual return on plan assets	17,101	2,786
Contributions - employer	5,917	4,472
Benefits paid	(4,186)	(2,398)
Exchange difference	(140)	106
Fair value of plan assets at 31 March	143,071	124,379

(h) *Plan assets*

The major categories of plan assets are as follows:

	31 Mar 2021		31 Mar 2020	
	£'000	%	£'000	%
UK equities	1,937	1.4	1,807	1.5
North American equities	27,430	19.2	18,676	15.0
European equities	6,175	4.3	4,732	3.8
Japanese equities	3,341	2.3	2,594	2.1
Asia Pacific equities	2,474	1.7	1,830	1.5
Emerging markets equities	5,199	3.6	3,290	2.6
Equities	46,556	32.5	32,929	26.5
LDIs	26,574	18.6	31,818	25.6
Diversified Growth Funds	11,976	8.4	18,460	14.9
Bonds	10,100	7.1	9,253	7.4
Multi Asset Credit Funds	34,701	24.2	15,555	12.5
Property	257	0.2	292	0.2
Cash	12,907	9.0	16,072	12.9
	143,071	100.0	124,379	100.0

Assets are invested in a range of funds operated by Legal & General, NinetyOne (formerly Investec) (until May 2020), Barings, Royal London Asset Management and CVC Credit Partners (from May 2020) 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.

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

Notes to the Financial Statements

For the year ended 31 March 2021

22 Retirement benefit obligations (continued)

(i) Sensitivity of overall pension liabilities

	31 Mar 2021 £'000	31 Mar 2020 £'000
Increase in liability through 0.25% reduction in discount rate	8,044	7,113
Increase in liability through 0.25% increase in inflation assumption	4,827	4,268
Increase in liability through increase in rate of mortality by 1 year	6,435	4,268

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

(j) *Defined benefit obligation trends*

	31 Mar 2021 £'000	31 Mar 2020 £'000	31 Mar 2019 £'000	31 Mar 2018 £'000	31 Mar 2017 £'000
Scheme assets	143,071	124,379	119,413	114,450	111,633
Scheme liabilities	(160,887)	(142,263)	(151,302)	(135,191)	(138,031)
Scheme deficit	(17,816)	(17,884)	(31,889)	(20,741)	(26,398)

	31 Mar 2021 £'000	31 Mar 2020 £'000
23 Trade and other payables		
Trade and other creditors	15,965	13,135
Social security and other taxes	5,625	5,261
Accrued expenses	24,617	21,472
	46,207	39,868

24 Deferred income

Deferred income	88,351	89,805
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Deferred income comprises fees and subscriptions from members, affiliates and students accounted for in advance, exam fees paid in advance by students and monitoring contract income paid in advance.

Notes to the Financial Statements

For the year ended 31 March 2021

25 Provisions

	31 Mar 2020 £'000	Utilised in year £'000	Released in year £'000	Provided in year £'000	31 Mar 2021 £'000
Legal costs and claims	2,877	(1,291)	(983)	1,463	2,066
End of service	890	(16)	(96)	197	975
Tax	762	—	—	418	1,180
Restructuring	100	(2)	(98)	1,841	1,841
Total	4,629	(1,309)	(1,177)	3,919	6,062

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

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

The tax provision relates to potential liabilities for transfer pricing, GST and VAT in various jurisdictions throughout the world. As more and more jurisdictions review their tax laws, ACCA continues to manage the settlement of any liabilities with assistance from in-country third party tax advisors. An additional amount was provided during the year as a result of further work carried out in various jurisdictions.

During the year ACCA carried out an efficiency review, and as a result, a number posts were made redundant. The restructuring provision is management's best estimate of ACCA's liability relating to the costs associated with the roles which were made redundant.

26 Other reserves

	Currency translation £'000	Total £'000
Balance at 31 March 2019	(503)	(503)
Currency translation differences	99	99
Balance at 31 March 2020	(404)	(404)
Currency translation differences	71	71
Balance at 31 March 2021	(333)	(333)

The currency translation reserve represents the exchange differences arising on the translation of the assets and liabilities of the non-UK subsidiary undertakings and the non-UK branches.

Notes to the Financial Statements

For the year ended 31 March 2021

27 Related party transactions

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

Relationships

Council members as office holders

Mark Millar (President)

Orla Collins (Deputy President)

Joseph Owolabi (Vice President)

The office holders receive a small honorarium for each year they serve as an officer. 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.

Other Council members

(in post during the year ended 31 March 2021)

Maryam Abisola Adefarati, Susan Allan, Liz Blackburn, Carol-Ann Boothe, Ben Catlin, Hidy Chan, Natalie Chan, Rosanna Choi, Sharon Critchlow, John Cullen, Matt Dolphin, Joyce Evans, Kevin Fitzgerald, Jenny Gu, Cristina Gutu, Datuk Zaiton Mohd Hassan, Lorraine Holleway, Michelle Hourican, Babajide Ibrinke, Paula Kensington, Lock Peng Kuan, Arthur Lee, Dean Lee, Oxana Losevskaya, Ayla Majid, Gillian McCreadie, Nauman Asif Mian, Brigitte Nangoyi Muyenga, Mohd Nasir Ahmad, Amos Ng, Taiwo Oyedele, Siobhan Pandya, Ronnie Patton, Melanie Proffitt, Marta Rejman, Brendan Sheehan, Robert Stenhouse, Sallah-ud-din (Den) Surfraz, Dinusha Weerawardane, Matthew Wong, Alice Yip and Phoebe Hao Yu

Key management personnel

(in post during the year ended 31 March 2021)

Helen Brand (Chief Executive), Alan Hatfield, Julie Hotchkiss, Raymond Jack, Maggie McGhee, Lucia Real-Martin and Soo Yee Leong

Defined benefit schemes

The UK and Ireland defined benefit schemes are related parties. ACCA's transactions with the defined benefit schemes relate to contributions paid to the Schemes (see note 22)

Notes to the Financial Statements

For the year ended 31 March 2021

27 Related party transactions (continued)

	31 Mar 2021 £'000	31 Mar 2020 £'000
Related party transactions		
Honorarium to the office holders	16	10

In the previous year the President donated her honorarium to the Chartered Certified Accountants' Benevolent Fund.

Reimbursement of expenses directly incurred by Council members	10	477
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Key management personnel are remunerated as shown below.

Salaries and other short-term employee benefits	2,142	1,726
Post-employment benefits	98	87
	2,240	1,813

The post-employment benefits are the pension contributions payable for those Executive Team members who are members of the defined contribution pension scheme. Two (2020: two) members of the Executive Team receive an allowance in lieu of pension contributions. The value of those allowances is included in 'Salaries and other short-term employee benefits'.

	Owed	Owed
Related party balances		
Reimbursement of expenses directly incurred by Council members	—	15
Bonuses payable to key management personnel	402	—

In view of the global impact of Covid-19 on employees, members, students, stakeholders and all their families, in the previous year, the Executive Team recommended to Remuneration Committee that no performance bonus should be awarded for the year ended 31 March 2020. The Committee approved these proposals.

Notes to the Financial Statements

For the year ended 31 March 2021

28 Principal undertakings

The Association of Chartered Certified Accountant is the principal undertaking and is incorporated by Royal Charter. It is registered in England & Wales and is limited by guarantee. It is a global professional accountancy body.

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 <i>Accounting & Business</i>
Seacron Limited	England & Wales	Ordinary shares	Vehicle for ACCA's operations in China
ACCA Malaysia Sdn. Bhd.	Malaysia	Ordinary shares	Vehicle for ACCA's operations in Malaysia
ACCA Mauritius	Mauritius	Limited by guarantee	Vehicle for ACCA's operations in Mauritius
ACCA Pakistan	Pakistan	Limited by guarantee	Vehicle for ACCA's operations in Pakistan
ACCA Singapore Pte Ltd.	Singapore	Ordinary shares	Vehicle for ACCA's operations in Singapore
ACCA South Africa	South Africa	Limited by guarantee	Vehicle for ACCA's operations in South Africa
Seacron Educational Nigeria Ltd	Nigeria	Ordinary shares	Vehicle for ACCA's operations in Nigeria
ACCA (Shanghai) Consulting Co. Ltd	China	Paid-in capital	Vehicle for ACCA's operations in China
ACCA Canada	Canada	Limited by guarantee	Vehicle for ACCA's operations in Canada
ACCA Romania	Romania	Limited by guarantee	Vehicle for ACCA's operations in Romania
ACCA Malawi Ltd	Malawi	Limited by guarantee	Vehicle for ACCA's operations in Malawi
ACCA Australia and New Zealand Ltd	Australia	Limited by guarantee	Vehicle for ACCA's operations in Australia

Notes to the Financial Statements

For the year ended 31 March 2021

28 Principal undertakings (continued)
Subsidiary undertakings (continued)

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

29 Contingent liabilities

In the course of the year ACCA undertook an in-depth analysis of its various income streams in international markets to confirm or identify exposure to international sales taxes. This analysis was in parallel to a systematic review of the tax profile of various national offices in international markets who provide supporting services to ACCA. This proactive review is to determine whether historical tax practices remain appropriate or accurately reflect how ACCA now operates in international markets. This work is ongoing and will continue in the year to March 2022.

Given the increased scale of digital delivery and the reach of ACCA this is a considerable exercise which has required extensive use of external advisors and remains ongoing in a number of areas. Where ACCA has identified areas where we consider there is tax exposure, we have engaged with the appropriate authorities to determine the matter and ensure continuing compliance. There are however a number of possible jurisdictions where this work remains in progress and there is the possibility that ACCA will be exposed to additional tax liabilities, some of which may have historic application, with interest and penalties thereon. At this stage the overall outcome remains speculative and as such it is not possible to quantify this liability.

Notes to the Financial Statements

For the year ended 31 March 2021

	31 Mar 2021 £'000	31 Mar 2020 £'000
30 Cash flow statement		
(a) <i>Cash generated from operations</i>		
Surplus before tax	20,317	2,347
Adjustments for:		
Depreciation on property, plant and equipment	8,718	9,993
Amortisation of intangible assets	4,978	5,932
Loss on disposal of property, plant and equipment	265	102
Realised gain on sale of investments	(4,685)	(758)
Unrealised (gains)/losses on investments	(5,969)	4,488
Interest received	(8)	(75)
Dividends received	(689)	(982)
Pension costs – net interest payable	329	740
Past service costs	15	—
Interest paid	167	128
Interest expense for leasing arrangements	1,240	1,257
Pension contributions paid	(5,917)	(4,471)
Changes in working capital (excluding the effects of exchange differences)		
Derivative financial instruments	78	932
Trade and other receivables	(12,914)	(2,585)
Trade and other payables	6,339	2,206
Deferred income	(1,454)	9,822
Provisions	1,433	(1,682)
Cash generated from operations	12,243	27,394
(b) <i>Disposal of property, plant and equipment</i>		
In the statement of cash flows, proceeds from sale of property, plant and equipment comprise:		
Net book amount	315	201
Loss on disposal of property, plant and equipment	(265)	(102)
Proceeds from disposal of property, plant and equipment	50	99

Corporate Governance Statement

For the year ended 31 March 2021

The UK Corporate Governance Code

Council is committed to the highest standards of corporate governance. It supports the framework for corporate governance in the UK set out in the UK Corporate Governance Code as revised and re-issued by the UK Financial Reporting Council (FRC) in 2018. Council's Nominating and Governance Committee is charged with ensuring that ACCA follows best global practice. Council confirms that, although the UK Corporate Governance Code relates to UK listed companies and ACCA is not obliged to comply, and does not comply, with it, ACCA nevertheless follows its guidance as far as this is, in Council's opinion, relevant to ACCA.

Principles of good governance

Council and the Chief Executive

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

Council has adopted a Code of Practice for Council members. This Code of Practice, a link to which is circulated to members with the material for the Annual General Meeting (AGM), applies to Council members when acting in their capacity as Council members and provides a framework for the operation of Council's business. Council is a collegial body and expects all of its members to recognise their collective responsibilities and to comply with the Code. Whatever their geographical or sectoral bases, Council members do not represent particular areas or functions. At 31 March 2021 Council had 40 volunteer members, 39 of whom were elected by the membership as a whole and one of whom was co-opted prior to the year-end. They are all subject to re-election every three years, for a maximum of three terms. The immediate past president also attends Council. 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 2020 AGM, Council now has members from 18 different countries, reflecting the diversity of ACCA and its members. Profiles of Council members are available on the ACCA website at www.accaglobal.com

Following the changes made at the 2017 AGM, ACCA is implementing changes to Council's composition, increasing the number of seats to a maximum of 45 and introducing a series of measures to support Council in being reflective of ACCA's global membership.

The office holders (Officers) of ACCA are the President (Mark Millar), the Deputy President (Orla Collins) and the Vice President (Joseph Owolabi). The incoming Vice President is elected by Council from among its members by ballot each year. Council then formally elects each of the Officers at its first meeting following the AGM, which this year will be held in November. In the normal course of events, in the two succeeding years Council elects the Vice President to serve as Deputy President and then President of ACCA.

Diversity

ACCA supports greater diversity in the composition of 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.

Corporate Governance Statement

For the year ended 31 March 2021

Principles of good governance (continued)

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.

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. 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, usually in August, 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. The meeting scheduled for March 2020 took place in April 2020 due to the impact of Covid-19.

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 Accounting Standards, 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 fair accounting estimates are made;
- International Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- the financial statements are correctly prepared on the going concern basis.

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

Corporate Governance Statement

For the year ended 31 March 2021

Statement of Council's responsibilities (continued)

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.

ACCA's Integrated Report sets out details of the business risks which ACCA faces and its performance and strategy in addressing these. During 2020-21, ACCA established strategic targets, which were agreed by Council Board, and also established measures against the Strategy to 2025 which formed the basis for developing five-year financial projections and were used to develop the 2021-22 budget. Council Board approved the 2021-22 budget in February 2021, which contained the detailed financial assumptions, allocations and targets to deliver the 2021-22 Strategic Delivery Plan. Despite the global uncertainty Council remains 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. Financial and non-financial performance is reviewed regularly against target. Regular internal audit reviews of key processes in ACCA's offices are carried out by a combination of internal staff and external consultants.

Relations with members

The AGM, held annually in November or at such other time as Council determines (subject to there being not more than 15 months between AGMs), is the formal platform for communications with members. Member networks provide the opportunity for communications between ACCA and its members at a local level, throughout the world. Members are encouraged to take part in a wide range of business and social events. Council also distributes to all members an annual review of activities together with a summary of financial and other information. As in recent years the annual review will take the form of an Integrated Report.

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

Governance structure

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

At the AGM in November 2017, Council proposed a series of bye-law changes to enable future governance reforms, all of which were overwhelmingly backed by members. The first phase of these reforms was implemented in November 2019 with the creation of the Nominating and Governance Committee and a Council Board. Phase two implementation started from November 2020 with three additional places on Council. As part of phase two, ACCA's Council will increase to 45 over a three-year period.

Corporate Governance Statement

For the year ended 31 March 2021

Council Board

The Council Board was established during the year ended 31 March 2020. It meets six times a year and has responsibility for the holistic oversight of the implementation of ACCA's strategy and to support agile decision making.

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

Chairs:	Meetings attended
Jenny Gu, FCCA CA (CAANZ) CICPA (to 19/11/20)	4/4
Mark Millar, FCCA CA (CAANZ) FHFMA (from 19/11/20)	2/2

Other members:

Mohd Nasir Ahmad, FCCA CA(M) MBA	6/6
Helen Brand, BA OBE	6/6
Orla Collins, FCCA MSc LCOI QFA LIB	5/6
Lorraine Holleway, FCCA MBA	6/6
Ayla Majid, FCCA (to 19/11/20)	4/4
Mark Millar, FCCA CA (CAANZ) FHFMA (to 19/11/20)	4/4
Joseph Owolabi, FCCA CIA CISA (from 19/11/20)	2/2
Marta Rejman, FCCA MEcon MBA (from 19/11/20)	2/2

The Council Board also includes the following non-Council members who were appointed following a global search and who bring diverse insights from their extensive global careers.

Non-Council members:

Anand Aithal	6/6
Daryl Fielding	6/6

Details of the terms of reference for the Council Board are available from secretariat@accaglobal.com

Nominating and Governance Committee

Nominating and Governance Committee is responsible for making recommendations to Council for appointments to Council, Council Board, standing committees and task forces, Council representation to International Assembly, Regulatory Board, and trustees of the pension scheme, including independent members. The Committee also identifies and endorses ACCA's member nominations to external organisations. The Committee also has direct responsibility to develop and keep under review succession planning arrangements for ACCA's Officers and committee chairs and to play a proactive role in the identification of potential Council members. Appointments to committees are made annually by Council. The Committee will pursue continual improvement in governance design in ACCA in order to reflect best global practice. It 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 members of Nominating and Governance Committee during the year and their attendance at meetings were

Chair:	Meetings attended
Jenny Gu, FCCA CA (CAANZ) CICPA (to 19/11/20)	1/1
Mark Millar, FCCA CA (CAANZ) FHFMA (from 19/11/20)	1/1

Other members:

Liz Blackburn, FCCA Chartered MCSI (from 19/11/20)	1/1
Orla Collins, FCCA MSc LCOI QFA LIB	2/2
Sharon Critchlow, FCCA APFS Chartered MCSI FRSA (from 19/11/20)	1/1
John Cullen, FCCA FABRP MIPA	2/2
Jenny Gu, FCCA CA (CAANZ) CICPA (from 19/11/20)	1/1
Arthur Lee, FCCA HKICPA ACMA CPA (to 19/11/20)	1/1
Mark Millar, FCCA CA (CAANZ) FHFMA (to 19/11/20)	1/1
Joseph Owolabi, FCCA CIA CISA (from 19/11/20)	1/1

Corporate Governance Statement

For the year ended 31 March 2021

Nominating and Governance Committee (continued)

Other members:

Brendan Sheehan, FCCA (to 19/11/20)	1/1
Robert Stenhouse, FCCA FCA CTA (to 19/11/20)	1/1

Non-Council members:

Anand Aithal	2/2
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Details of the terms of reference for Nominating and Governance Committee are available from secretariat@accaglobal.com

Audit Committee

A separate Report from the Audit Committee has been presented at pages 53 to 56. This is in accordance with the revised ISA (UK) 700 Audit Report which was issued in 2020.

Remuneration Committee

Remuneration Committee is responsible for determining and agreeing a policy framework for the remuneration of the Chief Executive and senior staff that is clearly aligned to the delivery of ACCA's strategic objectives. This is achieved by rewarding senior staff for high standards of performance and their contribution to the success of ACCA whilst ensuring that the framework adheres to the principles of good corporate governance. The Committee currently consists of eight members of Council and an external adviser.

The Committee's work plan during 2020-21 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 Aon. This advice related to external benchmarking data and market practice.

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

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

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

Chair:	Meetings attended
Melanie Proffitt, FCCA MBA	2/2
Other members:	
Liz Blackburn, FCCA Chartered MCSI	2/2
Natalie Chan, FCCA HKICPA CICPA CFA (from 19/11/20)	0/0
Joyce Evans, FCCA FCPA FCGA C.Dir MPA	2/2
Ayla Majid, FCCA (from 19/11/20)	0/0
Mark Millar, FCCA CA (CAANZ) FHFMA (to 19/11/20)	2/2
Datuk Zaiton Mohd Hassan, FCCA (from 19/11/20)	0/0
Amos Ng, FCCA ISCA	2/2
Taiwo Oyedele, FCCA ICAN CITN (to 19/11/20)	2/2
Marta Rejman, FCCA MEcon MBA (to 19/11/20)	2/2
Matthew Wong, FCCA CICPA HKICPA	2/2
External adviser:	
Jackie Waller	2/2

Details of the terms of reference for Remuneration Committee are available from secretariat@accaglobal.com

Corporate Governance Statement

For the year ended 31 March 2021

Regulatory Board

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

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

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

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

- Appointments Board – is responsible for the appointment, assessment and removal of panel members (including chairs), disciplinary assessors, regulatory assessors and legal advisers that are required for a robust disciplinary and regulatory process. The Board has four members, including a Regulatory Board-appointed lay chair, and is entirely composed of lay members to ensure that the appointment of disciplinary and regulatory chairs, committee members, assessors and legal advisers remains at furthest possible arm's length from Council.
- Qualifications Board – is responsible for general oversight of ACCA's education and learning framework and examination arrangements. This includes ratification of the examination results and other matters relating to the integrity of the qualifications process. The Board has six members and comprises a Regulatory Board-appointed chair, three lay members and two Council members.
- Standards Board is responsible for ensuring ACCA's *Rulebook* is compliant with ACCA's statutory obligations, Privy Council requirements and rule change decisions by Council, by providing the detailed scrutiny and due diligence to the proposed changes to ACCA's rules, regulations and the code of ethics and conduct. The Board has four members and comprises a Regulatory Board-appointed chair, two lay members and a Council member.

Corporate Governance Statement

For the year ended 31 March 2021

Regulatory Board (continued)

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

Chair:	Meetings attended
Lucy Winkell, OBE DL	4/4
Lay members:	
Richard Cooper, IEE/IET	4/4
William Matthews, C.Eng, MIET, MCIM	3/4
Nora Nanayakkara, BA MBA	4/4
Geoffrey Podger	4/4
Suzy Walton, BSc PhD	4/4
Members from Council:	
Sharon Critchlow, FCCA APFS Chartered MCSI FRSA	4/4
Ronnie Patton, FCCA MBA ADE FHEA (to 30/11/20)	3/3
Dinusha Weerawardane, FCCA PhD MSc BSc LLB SFHEA CMgr MCMI (from 1/12/20)	1/1

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

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

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

International Assembly

ACCA's International Assembly is a diverse representative group of ACCA members whose role is to provide input into strategy and development through its advisory role to Council. The International Assembly was formed in recognition of ACCA's growth with an increasingly diverse and mobile membership. There are 54 representatives on the International Assembly, representing all regions where there are ACCA members. The International Assembly meets at an appropriate point in the period September to November each year and the meeting is timed to enable Council and Assembly members to meet and interact in a joint discussion session.

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

Senior management and remuneration

The chief executive and six executive directors (year ended 31 March 2020: four) 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. In the previous year, two Lead Market Directors were also part of the Executive Team and they were formally appointed as executive directors with effect from 1 April 2020.

The total salary (including bonus and allowance paid) and benefits of the chief executive in the year ended 31 March 2021 was £394,074 (year ended 31 March 2020: £417,424). 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.

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 workforce and external benchmark data. External benchmark data is obtained on pay in other professional membership associations (including a subgroup of accountancy associations) and general industry data for organisations of a similar size.

Corporate Governance Statement

For the year ended 31 March 2021

Senior management and remuneration (continued)

Contribution-based pay was fully embedded within ACCA in 2019-20. This new process of awarding annual salary increases was introduced in 2018 for all employees across ACCA globally. Under this new process employees' salaries are reviewed based upon their performance in role and position in range. In March 2020, in light of the economic environment and uncertainty created by the Covid-19 outbreak, the chief executive recommended to the Remuneration Committee that the Executive Team would forgo any performance-related remuneration in respect of 2019-20 performance and their salaries would be frozen for the 2020-21 financial year. The Committee approved these proposals.

The base salaries of the chief executive and executive directors at 31 March 2021 are shown below on a banded basis.

	Number of employees (2020-21)	Number of employees (2019-20)
£310,000 - £349,999	1	1
£230,000 - £269,999	1	1
£190,000 - £229,999	5	5

Pension and Benefits

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

Three of the Executive Team are members of the defined contribution pension plan in the UK. All employees close to the lifetime allowance may elect to take a non-consolidated cash allowance in lieu of employer pension contributions and two Executive Team members, including the Chief Executive, have previously made this election.

All UK employees (including the Executive Team UK members) 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 UK-based employees.

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

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

The non-UK members of the Executive Team are provided with similar benefits, as applicable, aligned to their geographic location.

Executive Team Reward Plan

On an annual basis, the Remuneration Committee uses the corporate strategic measures and targets agreed by Council Board to determine the reward plan for the Executive Team for that year. This arrangement is structured to reward behaviour and performance that is appropriate for ACCA and focus the organisation on those elements of ACCA's Strategy which Council Board believes require the greatest focus at a particular point in time.

Under the reward plan, members of the Executive Team are eligible to receive a maximum payment of 25% of base salary per annum of which 20% is assessed against ACCA performance over the financial year and the remaining 5% is determined by personal performance. The Remuneration Committee determines the level of award up to 20% achieved against ACCA targets for all executive directors alongside the level of award against personal targets for the chief executive. In turn, the chief executive determines how much of the 5% personal performance award is allocated to each of the executive directors. The chief executive is not present when her remuneration is discussed.

Corporate Governance Statement

For the year ended 31 March 2021

Executive Team Reward Plan (continued)

This is a fair, transparent reward approach which has been created in line with ACCA's reward principles, supporting the achievement of our strategy and assessing performance over a meaningful period that reflects our focus on sustained performance, suitable for a long-term business. The basis of the award is transparent through the use of relevant and measurable performance targets, which are subject to external audit and are clearly linked to driving value.

The Remuneration Committee has complete and sole discretion to moderate (up or down – including to 0%) the level of award determined if it does not believe the level adequately reflects underlying corporate performance or for any other reason.

Employee Disciplinary Arrangements

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

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

Employees

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

ACCA's commitments to the UN Sustainable Development Goals

ACCA's purpose, values and strategy to 2025 already closely align to the UN Sustainable Development Goals (SDGs). In December 2020, ACCA set out its commitments to the SDGs, which will be delivered by 2030 in line with the UN's decade of action.

ACCA believes that it can make the most significant contribution by supporting and empowering our proud, connected community. It is in a strong position to positively influence governments, policy makers and regulators on sustainability matters, and develop the profession in alignment with the SDGs. Commitments are being made as an employer and in relation to operations, including the commitment to becoming Net Zero by 2030.

In March 2021, ACCA agreed its approach to embedding the commitments and using them to inform how the strategy is delivered. In Q1 of 2021-22, ACCA will start to build a holistic picture of existing and planned cross-organisation activity and use this to identify synergies and opportunities. As this is developed, the integrated report will be used to update stakeholders on progress against these commitments. Further details can be found in this year's Integrated Report.

General Data Protection Regulation (GDPR)

ACCA has policies, privacy statements and procedures to comply with the GDPR and provides training to all staff as appropriate.

Council members' confirmation

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

Report from the Audit Committee

For the year ended 31 March 2021

Role of the Committee

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

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

The Chair of the Committee provides an annual report to Council and reports to the Council Board following each meeting 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

Brendan Sheehan chairs the Audit Committee. He is a fellow of ACCA and has been a member of Council since 2014. Brendan is the CEO of White Squires, a company which provides Finance Transformation Management services in Australia. Prior to this, Brendan led the National Commercial Management Team at Colliers International in Sydney. He has almost 30 years' experience working with businesses in many industries in Ireland, Australia and Asia Pacific. Council therefore considers that he has had recent relevant financial experience. The remaining Committee members, noted below, are all fellows of ACCA and also have extensive business experience.

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

Chair:	Meetings attended
Brendan Sheehan, FCCA	3/3
Other members:	
Susan Allan, FCCA	3/3
Carol-Ann Boothe, FCCA AICPA CGMA NABA (from 19/11/20)	1/1
Paula Kensington, FCCA GIA	3/3
Arthur Lee, FCCA HKICPA ACMA CPA	3/3
Lock Peng Kuan, FCCA	3/3
Datuk Zaiton Mohd Hassan, FCCA (to 19/11/20)	2/2
Siobhan Pandya, FCCA	3/3
Alice Yip, FCCA HKICPA CIA	3/3

The Audit Committee met three times during the year.

Appointments to the Committee are made by the Nominating and Governance Committee and are for a one-year term. The Chair of the Committee may serve for a maximum of three years. Meetings are scheduled to ensure that matters in Council's annual work plan which relate to Audit Committee responsibilities are considered on a timely basis.

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

Report from the Audit Committee

For the year ended 31 March 2021

In making appointments to the Audit Committee, Nominating and Governance 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

The Committee considered the following matters, which it considers to be significant, in its review of the financial statements. In arriving at its view of these matters, the Committee made appropriate challenges of management to receive the required assurances.

- **Revenue recognition, including the completeness, existence and accuracy of income recognised in the year** – ACCA's main income is derived from subscription income and examination income. A key risk is that recognition of those income streams is incorrect due to timing differences in the key business processing dates and the financial year-end. Following the implementation of IFRS 15 *Revenue from Contracts with Customers* the Committee has challenged management that proper processes are in place to ensure that income is recognised in the correct period. The Committee has also placed reliance on the historic accuracy of income cut-off and an adjustment to income is made each year which reflects the anticipated value of income reversed due to the removal of students and members. Due to the impact of Covid-19, the Committee challenged management in relation to IFRS 9 *Financial Instruments* and the possibility of higher expected credit losses. Under IFRS 9, ACCA has reviewed its expected credit losses in relation to members and students being unable to pay fees and subscriptions and has recognised further losses to reflect the uncertainty of this. Based on scrutiny of this adjustment by the Committee, it is satisfied that these removals relate mainly to students and members billed in advance of services being provided. The Committee agrees with management's representation of income.
- **Existence and valuation of intangible assets** – ACCA capitalises intangible assets where the criteria of IAS 38 are met. The Committee is satisfied that management have put appropriate processes in place to only capitalise those items which meet the criteria. Management carry out an annual impairment review of those internally generated intangible assets that are capitalised. That impairment review, which included assessing the impact of Covid-19, identified that there were no intangible assets requiring impairment at the balance sheet date. Management's view is that this approach to impairment addresses the risk of intangible assets being held at inappropriate carrying values. Third party intangible assets are reviewed for indicators of impairment. The Committee is satisfied with the approach adopted by management.
- **Valuation and presentation of retirement benefit scheme liabilities** – the assumptions used by management for the IAS 19 valuation are derived in consultation with ACCA's external pension consultant. The consultant undertakes appropriate benchmarking to ensure that the assumptions fall within an acceptable range. Accounting disclosures required by IAS 19 are provided by the Scheme Actuaries of the UK and Irish Schemes using the assumptions agreed by management. 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 2021

Significant issues related to the financial statements (continued)

- **Impact of Covid-19** – The management has considered the ongoing impact of Covid-19 on the financial statements of ACCA. The Committee challenged management in their accounting and assessment of the Covid-19 impacts on the financial statements which includes:
 - a) Appropriateness of going concern in the preparation of financial statements in Accordance with IAS 1 Presentation of Financial Statements
 - b) Impairment indication and test on non-financial assets in accordance with IAS 36 Impairment of Assets
 - c) Changes in expected credit losses on financial assets in accordance with IFRS 9 Financial Instruments.
 - d) Other considerations such as breach of the terms of contracts and effect of changes in circumstances which may affect recognition and measurement of revenue, deferred tax liabilities, intangible assets as well as disclosure and presentation of financial statements.

Based on the evidence provided and audit scrutiny the Committee is satisfied with the approach adopted by management and that the financial statements can be prepared on the going concern basis.

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. Grant Thornton UK LLP were proposed for reappointment in July 2020 following a tender process and ratified by Council, in line with bye-law 40. They were formally reappointed at the 2020 Annual General Meeting.

Prior to recommending reappointment to Council, the Committee undertakes a detailed performance review of the external auditor, which includes consideration of the FRC Audit Quality Review reports as available. A resolution regarding reappointment is considered at each AGM.

Auditor's independence, effectiveness and objectivity

The Audit Committee monitors regularly any non-audit services being provided to ACCA by the external auditor to ensure that any services provided do not impair their independence or objectivity. All non-audit services are required to be pre-approved by the Committee. Details of the amounts paid to the external auditor during the year for the audit of ACCA, its pension schemes, additional audit services relating to the audit of the corporate key performance indicators and non-audit services are set out in note 12 to the financial statements.

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

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

Risk management

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

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 2021

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 2025. 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 2021.

Activity during the year

During the year ended 31 March 2021, Audit Committee has:

- reviewed the annual accounts for the year ended 31 March 2020 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 the corporate risk register risks
- reviewed the effectiveness of ACCA's internal controls
- reviewed ACCA's whistleblowing policy
- received reports from the external auditor
- received reports from the Corporate Assurance function and monitored progress with the implementation of the recommendations arising from those
- agreed the fees and terms of appointment of the external auditor and considered audit quality and effectiveness
- conducted a tender process to appoint the external auditor
- reviewed the Committee's own effectiveness and submitted an annual report on its performance to Nominating and Governance Committee
- met with both internal audit and the external auditor without management present
- 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 the Council Board that it recommends to Council, that Council approves the annual accounts for the year ended 31 March 2021. 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. The Committee will be concluding its recommendation on the appointment of auditors in advance of the AGM in November.

Summary

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



Brendan Sheehan, Chair of the Audit Committee

3 July 2021

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

Opinion

Our opinion on the group financial statements is unmodified

We have audited the group financial statements of the Association of Chartered Certified Accountants and its subsidiary undertakings (the 'group') for the year ended 31 March 2021 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Statement of Changes in Members' Funds, the Consolidated Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International accounting standards.

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 2021 and of its surplus for the year then ended;
- have been properly prepared in accordance with International accounting standards.

Basis for opinion

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

Conclusions relating to going concern


We are responsible for concluding on the appropriateness of the Council's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the group to cease to continue as a going concern.

A description of our evaluation of management's assessment of the ability to continue to adopt the going concern basis of accounting, and the key observations arising with respect to that evaluation is included in the Key Audit Matters section of our report.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Council's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the Council with respect to going concern are described in the 'Statement of Council's responsibilities' section of this report.



Overview of our audit approach

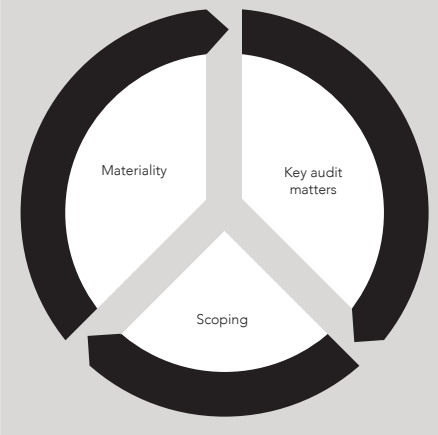
- Overall materiality: is £3,302k, which represents 1.6% of the group's total operating income.

Key audit matters were identified as

- Revenue recognition (same as previous year); and
- Valuation of intangibles (same as previous year); and
- Valuation of defined benefit pension scheme liabilities (same as previous year); and
- Going concern (same as previous year)

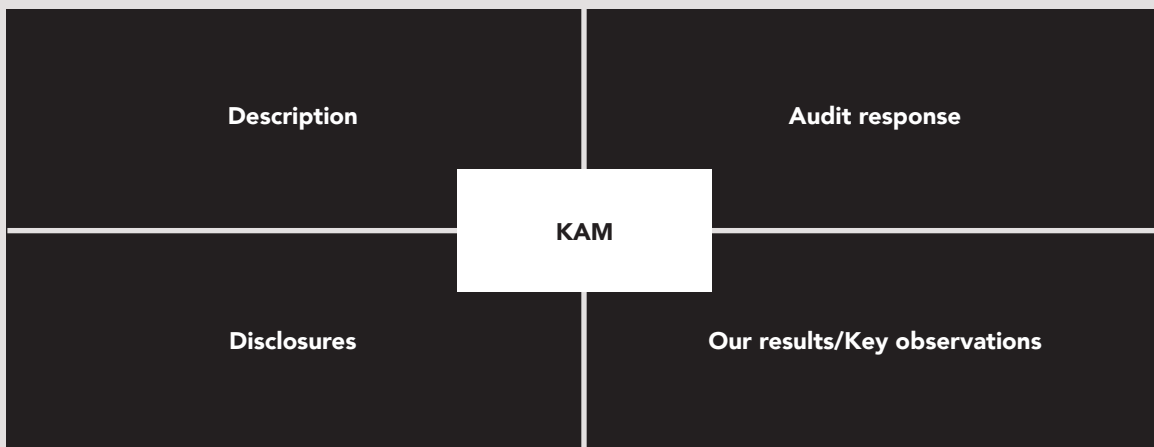
We undertook full scope audit procedures on the significant group components being ACCA company and Certified Accountants Investment Company Limited. We undertook specified or analytical procedures on the remaining components. There was no change in the scope of the group audit from the prior year.

In total 99% of group revenues and 93% of total assets were subject to full scope audit procedures with the remaining being subject to analytical review procedures.

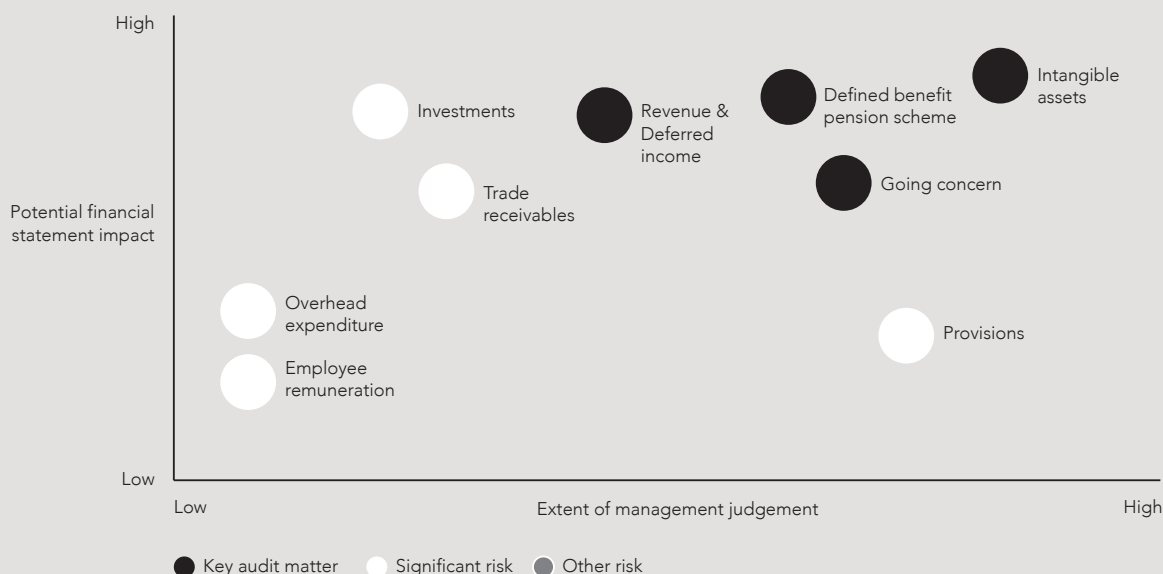


Key audit matters

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



In the graph below, we have presented the key audit matters, significant risks and other risks relevant to the audit.



Key audit matter

How our scope addressed the matter

Revenue recognition

We identified revenue recognition as one of the most significant assessed risks of material misstatement due to fraud. Revenue from fees and subscriptions, together with qualifications and exams, totalled £196,980k for the year ended 31 March 2021.

The ACCA make an annual adjustment to income to reflect the anticipated value of income reversed due to the removal of students and members. There is therefore a risk that the significant income streams are not recognised in the correct financial year.

In responding to the key audit matter, we performed the following audit procedures:

- performed substantive analytical procedures on fees, subscriptions, qualification and exam income, with robust expectations set with reference to our interrogation of data and publicly available pricing as adjusted for accrued income, deferred income, discounts and exemptions;
- recalculated accrued and deferred income and compared to management calculations;
- tested a sample of deferred income at year end to supporting documentation
- tested a sample of discounts in the year to supporting documentation;
- performed analytical procedures and sampling to assess and challenge judgement made by management in relation to the adjustment to income for the removal of student and members;
- assessed whether the relevant accounting policies and disclosures within the financial statements were in all material respects in accordance with IFRS 15.

Relevant disclosures in the Consolidated Financial Statements

- Financial statements: Notes 6 and 7, Fees and subscriptions and Operating activities
- Financial statements: Note 2ciii Significant accounting estimates and judgements relating to revenue recognition, Note 2d, Significant accounting policies (income), Audit committee report: Significant issues related to the financial statements, Revenue recognition including the completeness, existence and accuracy of income recognised in the year.

Our results

Overall, our testing did not identify any evidence of material misstatement in respect of revenue recognition.

Valuation of intangible assets

We identified the valuation of intangible assets as one of the most significant assessed risks of material misstatements due to fraud and error. The Group's intangible assets were valued at £16,575k as at 31 March 2021, in accordance with International Accounting Standard (IAS) 38 'Intangible Assets.' There have been material additions of £8,117k.

The identification of impairment events and associated charge, together with initial measurement require the application of significant management judgement and therefore susceptible to management bias, in particular the assessment of future economic benefits. There is a risk that the initial measurement of intangible assets is inappropriate, or management fail to identify any impairment event or indicators of impairment and the charge reported is therefore inappropriate.

Relevant disclosures in the Consolidated Financial Statements

- Financial statements: Note 15, Intangible assets disclosure
- Financial statements: Note 2civ Critical accounting estimates and judgements relating to the impairment of non-financial assets, Note 2i Significant accounting policies (intangible assets), Note 2l Impairment of non-financial assets
- Audit committee report: Significant issues related to the financial statements, Existence and valuation of intangible assets.

Valuation of defined benefit pension scheme liabilities

We identified the valuation defined benefit pension scheme liabilities as one of the most significant assessed risks of material misstatements due to error.

Defined benefit pension scheme liabilities were valued at £17,816k as at 31 March 2021.

The assessment of actuarial assumptions required the application of significant judgement by management and therefore susceptible to management bias. There is a risk that management apply incorrect assumptions and therefore the reported liabilities are incorrectly stated in accordance with IAS19 'Employee Benefits.'

In responding to the key audit matter, we performed the following audit procedures:

Initial measurement:

- tested a sample of intangible assets capitalised in the year, challenged management's assumptions relating to the timing and recognition thereof and corroborated items to underlying data such as timesheet records and purchase invoices to ensure they were capitalised in accordance with IAS 38.

Impairment:

- assessed whether there is any evidence of indicators of material impairment of third-party intangible assets that management have failed to identify by analysing sensitivities to identify any changes in key parameters;
- performed sensitivity analysis on growth rates and margins to assess and challenge management's judgement regarding future economic benefits on internally generated intangible assets;
- determined whether the relevant accounting policy and disclosures within the financial statements were in all material respects in accordance with IAS 36.

Our results

We have not identified any material misstatement from the testing performed.

In responding to the key audit matter, we performed the following audit procedures:

- used our internal valuation specialists as auditor experts to challenge the key actuarial assumptions used by management's actuaries, including the financial assumptions and mortality rates, the discount rate on the yields available on AA-rated corporate bonds, the retail price inflation with reference to the base inflation rates per the Bank of England's inflation curve, the consumer price inflation based on a downward adjustment and mortality rates in reference to base tables (S3PA)
- interest charges disclosed within IAS19 reports were reconciled into underlying records.
- obtained confirmations for all underlying assets held in the pension scheme to corroborate valuations as at year end;

Relevant disclosures in the Consolidated Financial Statements

- Financial statements: Note 2r to the financial statements and related disclosures are included in note 22.
- Financial statements: The Audit Committee identified valuation and presentation of retirement benefit scheme liabilities as a significant issue in its report on, where the Audit Committee also describe the action that it has taken to address this issue.

Going concern

We identified going concern as one of the most significant assessed risks of material misstatement due to fraud and error.

Covid-19 is one of the most significant economic events faced by the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. This event could adversely impact the future trading of ACCA and as such increases the extent of judgement and estimation uncertainty associated with forecasting, specifically key areas such as revenue growth in relation to volumes.

- tested a sample of contributions paid in the year to bank statements;
- performed a work of experts review on the pension scheme provider, asset holders and actuaries to gain comfort over the expertise, competencies and integrity of the provider; and
- assessed whether the relevant accounting policy and disclosures within the financial statements were in all material respects in accordance with IAS19.

Our results

We have not identified any material misstatements from the testing performed in relation to the valuation of the defined benefit pension scheme liabilities.

In responding to the key audit matter, we performed the following audit procedures:

- challenged management's assumptions in relation to forecasts and scenario planning, including provision of projected exams, cost savings and external financing facilities;
- In our evaluation of Council's conclusions, we considered the inherent risks associated with the group's business model including effects arising from macro-economic uncertainties such as Covid-19, we assessed and challenged the reasonableness of estimates made by Council and the related disclosures and analysed how those risks might affect the group's financial resources or ability to continue operations over the going concern period.
- performed sensitivity analysis to assess management's judgement regarding future scenarios, which included a reverse stress test;
- challenged management's minimum cash requirement projections and evaluated the conclusion that liquidity headroom remains in all scenarios with the exception of the reverse stress test.
- Reviewed prior year management forecasting to actual results to establish the accuracy of forecasting in a pandemic; and
- assessed whether the relevant accounting policy and disclosures within the financial statements were in all material respects adequate and appropriate in respect of Covid-19 implications on going concern.

Key audit matter

How our scope addressed the matter

Relevant disclosures in the Consolidated Financial Statements

- Financial statements: Note 2b, Significant accounting policies (going concern). Note 3, Financial risk management.
- Audit committee report: Significant issues related to the financial statements, Impact of Covid-19
- Foreword, Impact of Covid-19

Our results

We have nothing to report in addition to that stated in the 'Conclusions relating to going concern' section in our report.

Our application of materiality

We apply the concept of materiality both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements and in forming the opinion in the auditor's report.

Materiality was determined as follows:

Materiality measure

Group

Materiality for financial statements as a whole

We define materiality as the magnitude of misstatement in the financial statements that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of these financial statements. We use materiality in determining the nature, timing and extent of our audit work.

Materiality threshold

£3,302k which is 1.6% of the group's total operating income.

Significant judgements made by auditor in determining the materiality

In determining materiality, we made the following significant judgements: Total operating income was considered the most appropriate benchmark given the focus on vision (i.e. member retention) and value (i.e. progression of exam entries, percentage of passed exams on an annual basis and percentage of affiliates achieving membership within four year). The more recent shift to the focus of non-core deliverables (diplomas etc.) and marketing/training programmes was also a significant judgement considered when selecting income as the most appropriate benchmark. 1.6% is our utilised benchmark and is reduced from the maximum benchmark allowance due to the risk appetite of the Audit Committee and also in relation to benchmarking reviewed (compared to similar entities who ranged from 1.5%-2%).

Materiality for the current year is lower than the level that we determined for the year ended 2020 to reflect reduced income.

Materiality measure

Group

Performance materiality used to drive the extent of our testing

We set performance materiality at an amount less than materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.

Performance materiality threshold

£2,476k which is 75% of financial statement materiality.

Significant judgements made by auditor in determining the performance materiality

In determining materiality, we considered a number of factors that may lead to a lower or higher probability that the aggregate of uncorrected and undetected misstatements exceeds materiality. Examples of these factors include objectives, strategies, business risk, fraud risk, prior identified misstatements and internal control components. In addition to these we have assessed our risk assessment of controls and utilised prior year knowledge and experience from the audit to determine materiality.

Specific materiality

No specific materiality for one or more particular classes of transactions, account balances or disclosures has been considered necessary. This is not a change from the prior year audit report.

Communication of misstatements to the audit committee

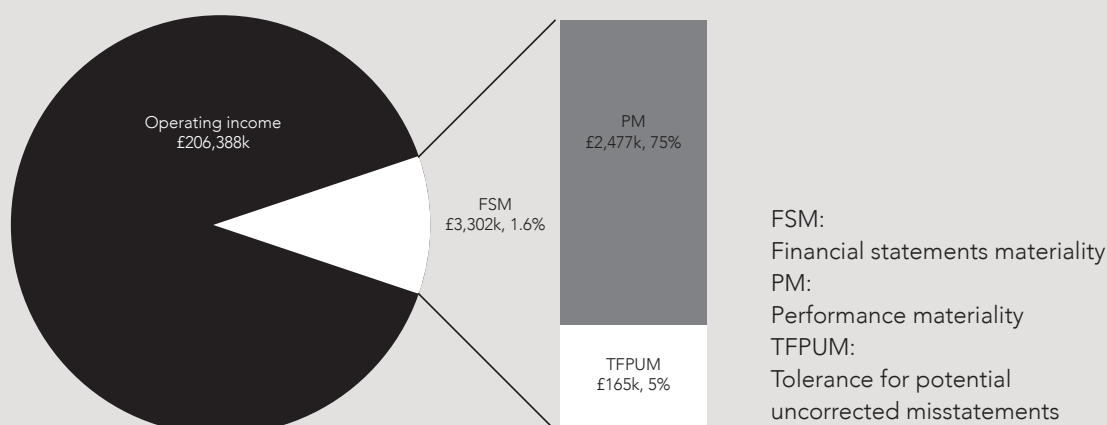
We determine a threshold for reporting unadjusted differences to the audit committee.

Threshold for communication

£165k and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

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

Overall materiality



An overview of the scope of our audit

We performed a risk-based audit that requires an understanding of the group's business and in particular matters related to:

Understanding the group, its components, and their environments, including group-wide controls

- Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determines our scope of each entity within the group which, when taken together, enable us to form an opinion on the group financial statements. 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;
- Of all components, 2 are considered significant to the group. All work performed on all components was completed Grant Thornton UK LLP.
- We have obtained an understanding of the entity-level controls of the group as a whole which assisted us in identifying and assessing risk of material misstatement due to fraud or error, as well as assisting us in determining the most appropriate audit strategy

Identifying significant components

- Significant of group components was determined by looking at benchmark percentages with anything identified above 15% of key benchmarks considered a significant component. Benchmarks considered included revenue, profit before tax, assets and total expenditure.
- For those that exceeded our benchmark, full scope audit procedures were completed. For those entities that did not, analytical reviews were completed.

Type of work to be performed on financial information of parent and other components (including how it addressed the key audit matters)

- We have tailored our audit response accordingly, and for key audit matters, audit procedures were undertaken directly by the group audit team;
- In responding to 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 financial information of the parent entity and Certified Accountants Investment Company Limited, this covered 94% of revenue and 93% of assets. In respect of overseas subsidiaries, we performed other procedures including analytical reviews, substantive testing of payroll and revenue, testing of consolidation journals and intercompany eliminations.

Performance of our audit

- In total 99% of group revenues and 93% of total assets were subject to full scope audit procedures, with the remaining revenues and total assets being subject to analytical procedures.

Other information

Council is responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Responsibilities of Council for the financial statements

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

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

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

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

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and determined that the most significant are those related to the reporting framework (International Accounting Standards). We communicated this framework and potential fraud risks to all engagement team members and remained alert to any indicators of fraud or non-compliance with laws and regulations throughout. Detailed reviews of internal audit reports were also undertaken to identify any control deficiencies, non-compliance with regulatory framework, use of whistleblowing facilities and alleged instances of fraud;
- We understood how the group is complying with those legal and regulatory frameworks by making enquiries of management, internal audit and those responsible for legal and compliance procedures such as the in-house legal department. We corroborated our enquiries through our review of board minute papers, enquiries of management, internal audit and the Audit Committee. All parties confirmed they were not aware of any instances of non-compliance and whether they had any knowledge of actual, suspected or alleged fraud.

- We assessed the susceptibility of the group's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to journal entries relating to judgmental areas of income (for example deferred income), potential management bias in determine estimates specifically in relation to intangibles and provisions. Audit procedures performed by the group engagement team included:
 - evaluation of the design effectiveness of controls around journals testing and journal entry testing;
 - utilise specialists for areas of high judgement (specifically pension assumptions, namely financial assumptions relating to discount rate applied and discount rates applied, life expectancies and projected improvements);
 - challenging judgement, assumptions and estimates utilised within intangible assets and provisions;
 - in addition to this we completed audit procedures in relation to the estimates and judgements that make up the financial statements (the framework) including the financial statements being prepared on a going concern basis.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. However, detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as those irregularities that from fraud may involve collusion, deliberate concealment forgery or intentional misrepresentations. Also, the further removed the non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- Assessment of the appropriateness of the collective competence and capabilities of the engagement team included:
 - consideration of the engagement team's: understanding of, and practical experience with the audit engagement of similar nature and complexity through appropriate training and participation, knowledge of the industry in which the client operates;
 - understanding of the legal and regulatory requirements specific to the group; including: the provision of the applicable legislation, the regulators rules and related guidance and the applicable statutory provisions.
- In assessing the potential risk of material misstatement, we obtained an understanding of the entity's operations (including the nature of its income streams, account balances, expected disclosures and business risks) and the entities control environment. No component auditors were used as part of this group audit.

Use of our report

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

Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
 Glasgow
 3 July 2021

For more information please visit us at:
www.accaglobal.com

Think Ahead