200,000 members, millions of connections

Consolidated financial statements
and corporate governance statement
for the year ended 31 March 2018

Think Ahead

Association of Chartered Certified Accountants
Consolidated financial statements for the year ended 31 March 2018

Contents

Association of Chartered Certified Accountants

Five Year Summary

ACCA and subsidiaries

	Mar 2018 £'000	Mar 2017 £'000	Mar 2016 £'000	restated Mar 2015 £'000	Mar 2014 £'000
Operating income	**201,176**	182,153	175,696	163,952	159,026
Operating (deficit)/surplus	**(8,625)**	(5,974)	4,266	4,239	10,733
Other (losses)/gains	**(108)**	129	(231)	1,203	(734)
Net finance income	**33,176**	1,126	1,189	869	334
Surplus/(deficit) before tax	**24,443**	(4,719)	5,224	6,311	10,333
Tax	**(7,724)**	(1,841)	(2,368)	(1,029)	(81)
Surplus/(deficit) for the year	**16,719**	(6,560)	2,856	5,282	10,252
Recognition of actuarial gains/(losses)	**4,600**	(16,893)	(749)	(3,585)	4,694
Other comprehensive income excluding actuarial gains/(losses)	**(23,806)**	11,905	3,568	7,018	3,848
Total other comprehensive income	**(19,206)**	(4,988)	2,819	3,433	8,542
Total comprehensive income	**(2,487)**	(11,548)	5,675	8,715	18,794
Non-current assets	**138,079**	133,865	106,513	109,663	76,596
Current assets	**69,922**	68,390	82,505	70,305	88,467
Total assets	**208,001**	202,255	189,018	179,968	165,063
Non-current liabilities	**21,176**	30,705	15,308	16,173	13,200
Current liabilities	**125,898**	108,136	99,712	95,472	92,255
Total liabilities	**147,074**	138,841	115,020	111,645	105,455
Accumulated fund	**56,211**	34,892	46,767	41,025	39,347
Other reserves	**4,716**	28,522	27,231	27,298	20,261
Total funds and reserves	**60,927**	63,414	73,998	68,323	59,608
Total reserves and liabilities	**208,001**	202,255	189,018	179,968	165,063

Members and Students	**Mar 2018**	Mar 2017	Mar 2016	Mar 2015	Mar 2014
Members	**208,549**	198,614	188,137	178,169	169,602
Students and affiliates	**503,262**	486,514	480,813	455,778	435,824
	711,811	685,128	668,950	633,947	605,426

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

Association of Chartered Certified Accountants

Foreword

These consolidated financial statements present the results for ACCA and its subsidiaries for the year ended 31 March 2018.

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

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

Management commentary – key headings	Content	Integrated Report reference
Introduction	Context and basis of preparation	Our integrated reporting journey and this year's report
Nature of ACCA's business	Mission and values Competitive environment Economic environment Regulatory environment Products and services	About ACCA Our value creation model
Strategy and strategic outcomes	Strategic priorities Mapping priorities to outcomes	Our strategy to 2020
Resources and relationships	Resources: financial, human and network; brand development Relationships: global partnerships, key employers, strategic partners, regulator	Our value creation model
Governance, risk and corporate assurance	Outline of our approach to governance Approach to risk management and major risk types	Our governance and leadership Our risks and their management
Strategic outcomes – review of performance	KPI results v target	Our strategic performance in 2017/18
Financial review*	Supplementary financial information	Our strategic performance in 2017/18
Social and environmental impact	Our approach to CSR and significant developments	Where material, embedded in the appropriate section in the Integrated Report
Outlook for next year	2018/19 strategic priorities	Our strategy to 2020

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

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

Association of Chartered Certified Accountants
Consolidated Income Statement
For the year ended 31 March 2018

Notes		31 Mar 2018 £'000	31 Mar 2017 £'000
	Income		
6	Fees and subscriptions	**90,572**	80,261
7	Operating activities	**110,604**	101,892
	Total income	**201,176**	182,153
	Expenditure		
8	Operational expenditure	**188,642**	168,861
9	Strategic investment expenditure	**21,159**	19,266
	Total expenditure	**209,801**	188,127
	Operating deficit	**(8,625)**	(5,974)
10	Other (losses)/gains	**(108)**	129
11	Income from investments	**34,468**	1,486
11	Finance costs	**(1,292)**	(360)
	Surplus/(deficit) before tax	**24,443**	(4,719)
13	Tax	**(7,724)**	(1,841)
	Surplus/(deficit) for the year	**16,719**	(6,560)

The accompanying notes to the financial statements, on pages 9 to 36, are an integral part of this statement.

Association of Chartered Certified Accountants

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2018

Note		31 Mar 2018 £'000	31 Mar 2017 £'000
	Surplus/(deficit) for the year	**16,719**	(6,560)
	Other comprehensive income		
	Items that will not be reclassified to income or expenditure		
21	Recognition of actuarial gains/(losses)	**4,600**	(16,893)
		4,600	(16,893)
	Items that may be subsequently reclassified to income or expenditure		
11	Reclassification to profit and loss	**(27,095)**	-
25	Change in fair value of available-for-sale investments	**4,143**	12,098
25	Currency translation differences	**(854)**	(193)
		(23,806)	11,905
	Other comprehensive income for the year, net of tax	**(19,206)**	(4,988)
	Total comprehensive income for the year	**(2,487)**	(11,548)

The accompanying notes to the financial statements, on pages 9 to 36, are an integral part of this statement.

Association of Chartered Certified Accountants

Consolidated Balance Sheet

As at 31 March 2018

Notes		31 Mar 2018 £'000	31 Mar 2017 £'000
	ASSETS		
	Non-current assets		
14	Property, plant and equipment	**16,312**	18,271
15	Intangible assets	**15,616**	17,122
16	Available-for-sale investments	**106,151**	98,472
		138,079	133,865
	Current assets		
17	Trade and other receivables	**27,669**	23,593
16	Available-for-sale investments	**25,006**	25,032
18	Derivative financial instruments	**-**	244
19	Cash and cash equivalents	**17,247**	19,521
		69,922	68,390
	Total assets	**208,001**	202,255
	RESERVES AND LIABILITIES		
	Funds and reserves		
	Accumulated fund	**56,211**	34,892
25	Other reserves	**4,716**	28,522
	Total funds and reserves	**60,927**	63,414
	Non-current liabilities		
20	Deferred tax liabilities	**435**	4,307
21	Retirement benefit obligations	**20,741**	26,398
		21,176	30,705
	Current liabilities		
22	Trade and other payables	**42,560**	32,988
	Tax payable	**3,056**	1,940
23	Deferred income	**71,718**	68,619
18	Derivative financial instruments	**-**	136
24	Provisions	**8,564**	4,453
		125,898	108,136
	Total liabilities	**147,074**	138,841
	Total reserves and liabilities	**208,001**	202,255

The financial statements were approved and authorised for issue by Council on 23 June 2018 and signed on its behalf by:

C M (Leo) Lee President

O Collins Chairman of Audit Committee

The accompanying notes to the financial statements, on pages 9 to 36, are an integral part of this statement.

Association of Chartered Certified Accountants

Consolidated Statement Of Changes In Members' Funds

For the year ended 31 March 2018

	Other reserves			Accumulated fund	
	Currency translation £'000	Land and buildings £'000	Available-for-sale investments £'000	£'000	Total £'000
Balance at 1 April 2016	(109)	10,614	16,726	46,767	73,998
Comprehensive income					
Deficit for the financial year	-	-	-	(6,560)	(6,560)
Other comprehensive income					
Fair value gains on revaluation:					
- available-for-sale investments	-	-	14,264	-	14,264
Tax on fair value gains on revaluation:					
- available-for-sale investments	-	-	(2,166)	-	(2,166)
Currency translation	(193)	-	-	-	(193)
Recognition of actuarial losses	-	-	-	(16,893)	(16,893)
Total other comprehensive income	(193)	-	12,098	(16,893)	(4,988)
Total comprehensive income for year	(193)	-	12,098	(23,453)	(11,548)
Transfer to reserves					
Realised gain on disposal – property	-	(11,578)	-	11,578	-
Tax on realised gain on disposal					
- Property	-	964	-	-	964
Balance at 31 March 2017	(302)	-	28,824	34,892	63,414
Comprehensive income					
Surplus for the financial year	-	-	-	16,719	16,719
Other comprehensive income					
Fair value gains on revaluation:					
- available-for-sale investments	-	-	4,489	-	4,489
Tax on fair value gains on revaluation:					
- available-for-sale investments	-	-	(346)	-	(346)
Realised gain on disposal – investments	-	-	(31,313)	-	(31,313)
Tax on realised gain on disposal					
- investments	-	-	4,218	-	4,218
Currency translation	(854)	-	-	-	(854)
Recognition of actuarial gains	-	-	-	4,600	4,600
Total other comprehensive income	**(854)**	**-**	**(22,952)**	**4,600**	**(19,206)**
Total comprehensive income for year	**(854)**	**-**	**(22,952)**	**21,319**	**(2,487)**
Balance at 31 March 2018	**(1,156)**	**-**	**5,872**	**56,211**	**60,927**

The analysis of reserves is presented in note 25.

The accompanying notes to the financial statements, on pages 9 to 36, are an integral part of this statement.

Association of Chartered Certified Accountants

Consolidated Cash Flow Statement

For the year ended 31 March 2018

Notes		31 Mar 2018 £'000	31 Mar 2017 £'000
	Cash flows from operating activities		
29	Cash generated from operations	**11,043**	6,875
	Tax paid	**(6,608)**	(2,075)
	Net cash from operating activities	**4,435**	4,800
	Cash flows from investing activities		
	Acquisition of property, plant and equipment	**(1,892)**	(11,216)
	Cash expended on internally developed intangible assets	**(3,531)**	(6,289)
	Acquisition of available-for-sale investments	**(112,368)**	(62,239)
	Disposal of property, plant and equipment	**56**	14,064
	Disposal of available-for-sale investments	**111,734**	46,534
	Interest received	**31**	107
	Dividends received	**594**	1,379
	Net cash used in investing activities	**(5,376)**	(17,660)
	Cash flows from financing activities		
	Interest paid	**(633)**	-
	Net cash absorbed by financing activities	**(633)**	-
	Net decrease in cash and cash equivalents	**(1,574)**	(12,860)
	Cash and cash equivalents at beginning of year	**19,521**	32,644
	Exchange losses on cash and cash equivalents	**(700)**	(263)
19	**Cash and cash equivalents at end of year**	**17,247**	19,521

The accompanying notes to the financial statements, on pages 9 to 36, are an integral part of this statement.

Association of Chartered Certified Accountants

Notes to the Financial Statements

For the year ended 31 March 2018

1 General information

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

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

Changes in accounting policies

There were no new standards adopted during the year.

New standards, interpretations and amendments not yet effective

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

- *IFRS 16: Leases*

  IFRS 16 requires lessees to recognise nearly all leases on the balance sheet which will reflect their right to use an asset for a period of time and the associated liability for payments.
- *IFRIC Interpretation 22: Foreign currency transactions and advance considerations*

  IFRIC 22 clarifies which exchange rate to use in transactions that involve advance consideration paid or received in a foreign currency.
- *IFRS 15: Revenue from contracts with customers*

  IFRS 15 requires the recognition of revenue to depict the transfer of promised goods or services to a customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services.
- *Clarifications to IFRS 15: Revenue from Contracts with Customers*

  The amendments include clarification of how companies identify a performance obligation in a contract and determine whether the revenue from granting a licence should be recognised at a point in time or over time.
- *IFRS 9: Financial Instruments*

  IFRS 9 introduced new requirements for the classification and measurement of financial assets and the classification and measurement requirements for financial liabilities along with the requirements for recognition and derecognising of financial assets and liabilities. It also introduces an 'expected credit loss model' for the impairment of financial assets. IFRS 9: Financial Instruments has replaced IAS 39 Financial Instruments: Recognition and Measurement in its entirety.
- *IFRS 14: Regulatory Deferral Accounts*

  IFRS 14 Regulatory Deferral Accounts specifies the reporting requirements for regulatory deferral account balances that arise when an entity provides goods or services to customers at a price or rate that is subject to rate regulation.
- *IFRIC Interpretation 23: Uncertainty over Income Tax Treatments*

  The Interpretation clarifies application of recognition and measurement requirements in IAS 12 Income Taxes when there is uncertainty over Income Tax Treatments.
- *Amendments to IFRS 10 and IAS 28*

  The amendments clarify the accounting for transactions where a parent loses control of a subsidiary that does not constitute a business as defined in IFRS 3: Business Combinations, by selling all or part of its interest in that subsidiary to an associate or a joint venture that is accounted for using the equity method.
- *Annual improvements to IFRSs (2015-2017)*

  The improvements in these amendments clarify the requirements of IFRSs and eliminate inconsistencies within and between standards.
- *Amendments to IAS 19: Plan Amendment, Curtailment or Settlement*

  The amendments clarify the accounting when a plan amendment, curtailment or settlement occurs.
- *Amendments to IAS 40: Transfers of investment property*

  The amendments clarify the treatment of transfers to or from investment property.

1 General information (continued)

- *Amendments to IFRS 2: Classification and Measurement Share-based Payment Transactions*
- *Amendments to IFRS 9: Prepayment features with negative compensation*

  The amendments address the concerns about how IFRS 9: Financial Instruments classifies particular prepayable financial assets.
- *Amendments to References to the Conceptual Framework in IFRS Standards*

  The amendments support transition to the revised Conceptual Framework for companies that develop accounting policies when no IFRS Standard applies to a particular transaction.

IFRS 15: 'Revenue from contracts with customers' was issued in May 2014 and has an effective date of 1 January 2018. ACCA intends to adopt IFRS 15 retrospectively in its consolidated financial statements for the year ending 31 March 2019. ACCA has completed an assessment of the impact of IFRS 15 using the five-step approach as outlined in the standard. The review included identifying the contract, identifying the performance obligations, determining the transaction price, allocating the transaction price and recognising the revenue. From the review ACCA has not identified any material differences between its current revenue recognition policy and the requirements of IFRS 15.

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

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

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

2 Significant accounting policies

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

(a) *Basis of preparation*

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

(b) *Going concern*

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

(c) *Critical accounting estimates and judgements*

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

2 Significant accounting policies (continued)

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

i) Pension and other post-employment benefits
ACCA accounts for pension and other post-employment benefits in accordance with IAS 19. In determining the pension cost and the defined benefit obligation of ACCA's defined benefit pension schemes, a number of assumptions are used which include the discount rate, salary growth, price inflation, the expected return on the schemes' investments and mortality rates. Further details are contained in note 21 to the consolidated financial statements.

ii) Taxation
ACCA is required to estimate the income tax in each of the jurisdictions in which it operates. This requires an estimation of the current tax liability together with an assessment of the temporary differences which arise as a consequence of different accounting and tax treatments. These temporary differences result in deferred tax assets or liabilities which are included in the balance sheet. Deferred tax assets and liabilities are measured using tax rates substantially enacted by balance sheet date expected to apply when the temporary differences reverse. ACCA operates in many countries in the world and is subject to many tax laws and regulations. Where the precise impact of these laws and regulations is unclear then reasonable estimates may be used to determine the tax charge included in the financial statements. If the tax eventually payable or reclaimable differs from the amounts originally estimated then the difference will be charged or credited in the financial statements of the year in which it crystallises.

iii) Revenue recognition
ACCA's main income is derived from subscription income and examination income. As ACCA's subscription year is not co-terminus with the financial year, ACCA has processes in place to ensure that the recognition of those income streams is in the correct period. In addition there are processes in place to ensure that exam fee income received in advance of providing the exam is deferred into the relevant period, and that subscription income for the year is accrued as appropriate. An adjustment to income is made each year which reflects the anticipated value of the write-off of debt which has been invoiced in services being provided, but where a doubt exists as to collectability.

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

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

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

2 Significant accounting policies (continued)

(e) *Basis of consolidation*
The consolidated financial statements comprise the consolidated statement of total 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 2017 and 31 March 2018. 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.

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

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

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

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

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

2 Significant accounting policies (continued)

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

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

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

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

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

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

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

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

2 Significant accounting policies (continued)

(k) *Impairment of financial assets (continued)*
If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in comprehensive income, the impairment loss is reversed through the 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.

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

(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 surpluses are taken to reserves. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

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

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

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

2 Significant accounting policies (continued)

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

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

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

3 Financial risk management

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

Credit risk management
Credit risk arises principally from cash and cash equivalents, deposits with banks and financial institutions, certificates of deposit, bonds held as available-for-sale investments, derivative financial instruments and trade receivables. ACCA regularly monitors and reviews its exposure with key banking and investment manager suppliers, and for deposits, only independently rated banks and financial institutions with a minimum rating of 'A' are used. For certificate of deposits there is a restriction in place of £5m per bank and for working capital balances ACCA considers a figure of £10m per bank to be sufficient although this can be exceeded around times of high activity such as collection of subscription and exam income. ACCA's trade receivables relate substantially to members' and students' fees and subscriptions. The credit risk is that the customer fails to discharge its obligation in respect of the instrument. ACCA has no significant concentration of credit risk, with exposure spread over a large number of customers and countries throughout the world. ACCA believes that the maximum exposure equates to the carrying value of trade and other receivables. Management reviews the trade receivables balance on a regular basis and undertakes an exercise to remove students and members from the receivables ledger and members' register for non-payment of annual fees and subscriptions. The level of removals is shown in notes 12 and 17 of the consolidated financial statements. At the balance sheet date 87% of ACCA's trade and other receivables were held in sterling (2017: 89%).

3 Financial risk management (continued)

Liquidity risk

Liquidity risk arises from ACCA's management of working capital. It is the risk that ACCA will encounter difficulty in meeting its financial obligations as they fall due. ACCA manages its liquidity risk by ensuring that it has adequate banking facilities and by performing cash flow forecasting on a regular basis. ACCA receives the majority of its income as subscriptions at the start of the calendar year, or as exam fees, relating to four exam sessions each year. Cash not required for short-term operating purposes is invested to maximise return with an acceptable level of risk. In addition to its own bankers, ACCA has used a specialist cash management company to invest cash surpluses with major banks of suitable credit standing to spread the risk, and currently invests in cash fund products with that company. Cash surpluses are invested in interest bearing current and call accounts, term deposits, time deposits and short-term cash funds. At the balance sheet date, ACCA held £25.0m (2017: £25.0m) in short-term cash funds and £17.2m (2017: £19.5m) in call accounts that are expected to readily generate cash inflows for managing liquidity risk. All term and time deposits are due in less than one year. Liquidity is managed to ensure investments are liquidated in a timely manner to meet operating requirements.

Market risk

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

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

Currency risk relates to the risk that the fair value of future cash flows of financial instruments will fluctuate because of changes in foreign exchange risk. ACCA operates internationally and is exposed to foreign currency exchange risk arising from the transfer of foreign currency to its national offices. Where possible, ACCA will allow the national offices to settle liabilities denominated in their functional currency with the cash generated from their own operations in that currency. However, many national offices have insufficient reserves of their functional currency and rely on transfers of foreign currency from ACCA. ACCA mitigates the risk with regards to income because all fees and subscriptions charged by ACCA are in sterling. In addition, ACCA uses forward currency contracts to mitigate the risk of currency fluctuations. At the balance sheet date 66% of ACCA's cash and cash equivalents were held in sterling (2017: 71%).

Other price risk relates to the risk of changes in market prices of the available-for-sale investments and the investments held by the defined benefit pension schemes. ACCA invests 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 available-for-sale investments held at the balance sheet date would have resulted in an increase in the fair value reserve of £10.7m (2017: £10.0m) net of deferred tax. A 10% decrease in their value would, on the same basis, have decreased the fair value reserve by the same amount.

4 Segmental reporting

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

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

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

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

5 Capital

ACCA considers its capital to be its accumulated fund and its other reserves. Council's financial objective is to generate a targeted operating position, to build and maintain reserves at a sustainable level, taking into account the various competitive risks. ACCA also aims to achieve additional long-term growth in reserves through the active management of the investment portfolio. A five-year financial plan has been developed which, over the period of the plan, targets an agreed level of accumulated fund. At 31 March 2018, the Accumulated Fund represented 77 days of operating expenditure (31 March 2017: 62 days) which exceeds the long-term target of 60 days. Council also monitors balance sheet liquidity, measured as the number of days of operating expenditure held in liquid assets (investments and net current assets). At March 2018, the liquidity measure was 205 days (31 March 2017: 182 days) compared to a long-term target of 120 days. ACCA's Resource Oversight Committee reviews the financial position of ACCA at each committee meeting. ACCA is not subject to any material externally imposed capital requirements.

		31 Mar 2018 £'000	31 Mar 2017 £'000
6	**Fees and subscriptions**		
	Members	**44,998**	40,383
	Affiliates	**7,388**	6,524
	Students	**38,186**	33,354
		90,572	80,261

		31 Mar 2018 £'000	31 Mar 2017 £'000
7	**Operating activities**		
	Qualifications and exams	**98,918**	91,325
	Member and student engagement	**1,440**	1,150
	Markets	**4,648**	3,865
	Regulation and discipline	**5,598**	5,551
	Other income	**-**	1
		110,604	101,892

		31 Mar 2018 £'000	31 Mar 2017 £'000
8	**Operational expenditure**		
	Chief Executive's Office	**82**	81
	Markets	**48,746**	43,026
	Strategy and Development	**22,972**	21,420
	Governance	**16,607**	17,015
	Finance and Operations	**100,235**	87,319
		188,642	168,861

		31 Mar 2018 £'000	31 Mar 2017 £'000
9	**Strategic investment expenditure**		
	Exams Delivery	**6,172**	9,179
	Customer Service Improvements	**-**	2,111
	Market Development	**3,883**	3,548
	Renovate core capabilities	**5,292**	-
	Digital	**2,270**	-
	Information management	**713**	-
	Technology Enablers	**-**	3,863
	Portfolio Management	**2,829**	565
		21,159	19,266

Strategic investment expenditure relates to project costs within each category, and once a project has reached completion then any ongoing expenditure is treated as operational. During the year, it was agreed to invest in upgrading ACCA's core IT infrastructure to create a digital business capability that enables ACCA's 2020 strategy with the aim of being a more commercially agile ACCA better attuned to the market and its customers' needs and behaviours. The projects reflect the multi-year nature of ACCA's strategy and the Customer Service Improvements and Technology Enablers programs have been superseded by the new programs noted above to align with the Projects road map. Portfolio management relates to the net of portfolio overheads, capitalisation, amortisation and impairment.

In the previous year Market Development costs included £1.7m in relation to the development of a Strategic Alliance with Chartered Accountants Australia and New Zealand (CA ANZ). Any ongoing costs relating to the development of the Strategic Alliance are now treated as operational.

		31 Mar 2018 £'000	31 Mar 2017 £'000
10	**Other (losses)/gains**		
	Forward currency contracts	**(108)**	129

		31 Mar 2018 £'000	31 Mar 2017 £'000
11	**Finance income and costs**		
	Income from investments		
	Interest receivable	**31**	107
	Dividends from investments	**594**	1,379
	Realised gains on disposals of investments	**33,843**	-
		34,468	1,486
	Finance costs		
	Net finance interest on pension scheme	**(659)**	(360)
	Other interest payable	**(633)**	-
		(1,292)	(360)

Under IAS 1 the net realised gains of £27.095m has been shown as a reclassification adjustment in other comprehensive income. These gains relate to unrealised gains net of tax as at 31 March 2017 which had previously been transferred to reserves.

12 Surplus/(deficit) before tax

Surplus/(deficit) before tax includes the following:

(a) *Salaries and related costs*

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

	31 Mar 2018 £'000	31 Mar 2017 £'000
Salaries	**56,869**	51,521
Social security costs	**5,898**	5,342
Pension costs (note 21)	**6,365**	5,571
Other staff costs	**6,474**	3,907
	75,606	66,341

The average number of employees was 1,358 (31 March 2017: 1,272). The average annual salary was £41,877 (31 March 2017: £40,500). The figures above include the salaries and bonuses payable to the Executive Team (see note 27 for more details).

(b) *Income*

Income from subscriptions, examination and exemption fees amounting to £186.6m (31 March 2017: £168.7m) is stated net of adjustments relating to the non-payment of subscriptions and fees amounting to £13.9m (31 March 2017: £12.9m).

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

	31 Mar 2018 £'000	31 Mar 2017 £'000
Depreciation of property, plant and equipment	**3,650**	3,328
Amortisation of intangible assets	**5,037**	2,143
Impairment of intangible assets	**-**	365
Foreign exchange losses	**1,020**	961

(d) *Auditors' remuneration*

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

	31 Mar 2018 £'000	31 Mar 2017 £'000
– the parent undertaking and consolidated financial statements	**60**	59
– audit fees for UK subsidiaries	**36**	34
– audit fees for the corporate KPIs	**3**	3
– audit fees for the ACCA Staff Pension Scheme	**8**	8
	107	104

		31 Mar 2018 £'000	31 Mar 2017 £'000
12	**Surplus/(deficit) before tax (continued)**		
(d)	*Auditors' remuneration (continued)*		
	Fees payable to ACCA's other auditors and their associates for		
	– audit fees for non-UK subsidiaries	**52**	57
	– non-audit services in China	**24**	6

13 Tax

The amounts charged in the statement of comprehensive income are as follows:

	31 Mar 2018 £'000	31 Mar 2017 £'000
Current income taxes at 19% (2017: 20%) on the surplus for the year	**3,074**	2,253
Under/(over) provision in respect of prior year	**4,650**	(412)
	7,724	1,841

The current tax charge is split as follows:

	31 Mar 2018 £'000	31 Mar 2017 £'000
Domestic	**7,396**	641
Foreign	**328**	1,200
	7,724	1,841

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

	31 Mar 2018 £'000	31 Mar 2017 £'000
Factors affecting the tax charge for the year		
Surplus/(deficit) before tax	**24,443**	(4,719)
Surplus/(deficit) before tax multiplied by the standard rate of UK Corporation tax of 19% (2017: 20%)	**4,644**	(944)
Effects of:		
Under/(over) provision in previous years	**4,650**	(412)
Non-taxable income	**(112)**	(43,332)
Expenditure not deductible for tax purposes	**609**	46,341
Deferred tax not recognised	**(6,709)**	188
Chargeable gains net of indexation	**4,615**	-
Differential in tax rates	**27**	-
	3,080	2,785
Total tax charge	**7,724**	1,841

The tax charge arises from non-mutual trading profits, investment income and gains on disposal of property and investments, where applicable. The group tax charge has been reduced by £171,000 (31 March 2017: £225,000) as a result of charitable donations to the Certified Accountants Educational Trust.

In the ordinary course of business ACCA undertook a review of its various income streams and ascertained during the year that there was additional income chargeable to corporation tax, which had not been provided in the prior years of £4.2m. This was disclosed and agreed with the UK tax authorities and the liability settled in the year.

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

14 Property, plant and equipment

	Leasehold improvements £'000	Plant & equipment £'000	Computer systems & equipment £'000	Total £'000
Cost or valuation				
At 31 March 2016	**7,981**	**7,108**	**29,736**	**44,825**
Additions	7,608	1,730	1,878	11,216
Disposals	(2,575)	(2,331)	(11,676)	(16,582)
Exchange difference	83	338	130	551
At 31 March 2017	**13,097**	**6,845**	**20,068**	**40,010**
Additions	1,119	484	289	1,892
Disposals	(119)	(214)	(160)	(493)
Exchange difference	(185)	(93)	(265)	(543)
At 31 March 2018	**13,912**	**7,022**	**19,932**	**40,866**
Accumulated depreciation				
At 31 March 2016	**3,318**	**4,190**	**26,916**	**34,424**
Depreciation charge	1,201	913	1,214	3,328
Eliminated on disposals	(2,462)	(2,315)	(11,641)	(16,418)
Exchange difference	50	206	149	405
At 31 March 2017	**2,107**	**2,994**	**16,638**	**21,739**
Depreciation charge	1,277	1,029	1,344	3,650
Eliminated on disposals	(82)	(188)	(149)	(419)
Exchange difference	(55)	(64)	(297)	(416)
At 31 March 2018	**3,247**	**3,771**	**17,536**	**24,554**
Carrying amount				
At 31 March 2018	**10,665**	**3,251**	**2,396**	**16,312**
At 31 March 2017	10,990	3,851	3,430	18,271

15 Intangible assets

	£'000
Cost	
At 31 March 2016	24,121
Additions	6,289
At 31 March 2017	30,410
Additions	3,531
At 31 March 2018	**33,941**
Accumulated amortisation and impairment	
At 31 March 2016	10,780
Amortisation charge	2,143
Impairment	365
At 31 March 2017	13,288
Amortisation charge	5,037
At 31 March 2018	**18,325**
Carrying amount	
At 31 March 2018	**15,616**
At 31 March 2017	17,122

All intangible assets relate to internally generated development costs, the vast majority of which relates to the delivery of the exams qualifications. Following an impairment review in accordance with IAS38, management decided that no impairment charge (2017: £0.4m) was required to be accounted for.

Amortisation of £5.0m (2017: £2.1m) is included in both operational and strategic investment expenditure. In the previous year an impairment charge of £0.4m was included in strategic investment expenditure.

16 Available-for-sale investments

	31 Mar 2018 £'000	31 Mar 2017 £'000
At valuation		
At 1 April	**123,504**	93,524
Additions	**112,368**	62,239
Disposals	**(77,891)**	(46,534)
Net gains transferred to fair value reserves	**4,489**	14,264
Realised (gains)/losses transferred to income	**(31,313)**	11
At 31 March	**131,157**	123,504
Historical cost of tradable investments	**124,850**	90,372

16 Available-for-sale investments (continued)

During the year, in conjunction with external investment consultants, ACCA implemented a new investment strategy which resulted in the disposal of investments held in Baillie Gifford's Managed Fund and the partial disposal of units held in Baillie Gifford's Diversified Growth Fund. The new strategy is intended to further diversify the portfolio and reduce the levels of volatility. Available-for-sale investments, comprising units in Baillie Gifford's Diversified Growth Fund, Baillie Gifford's Global Select Fund, Adept Investment Management's Absolute Return and Fixed Income Funds, GreenOak's UK Debt II Property Fund and cash funds held by Royal London Asset Management, are fair valued annually at the close of business on the balance sheet date. Wherever possible, fair value is determined by reference to Stock Exchange quoted bid prices or to the Fund Manager's closing single price on a single swinging price basis. Available-for-sale investments are classified as non-current assets unless they are expected to be realised within twelve months of the balance sheet date.

	31 Mar 2018	31 Mar 2017
	£'000	£'000
Concentration of available-for-sale investments		
Non-current assets		
UK equities	**4,364**	20,446
Overseas equities	**32,172**	40,009
UK bonds	**1,463**	6,970
Overseas bonds	**5,496**	13,668
Absolute return	**41,167**	1,869
Property	**3,164**	1,635
Cash and deposits	**1,808**	9,593
Inflation-linked bonds	**15,306**	2,251
Other	**1,211**	2,031
	106,151	98,472
Current assets		
Cash funds	**25,006**	25,032
	25,006	25,032
	131,157	123,504

Available-for-sale investments are denominated in the following currencies		
UK pound	**107,656**	82,656
US dollar	**12,875**	14,866
Japanese Yen	**3,086**	4,517
Swiss Franc	**1,543**	2,089
Hong Kong Dollar	**1,376**	1,314
Swedish Krona	**1,203**	5,727
Other currencies	**3,418**	12,335
	131,157	123,504

16 Available-for-sale investments (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 available-for-sale investments according to the following hierarchy:

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

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

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
At 31 March 2017				
Quoted equity	55	-	-	55
Observable inputs	25,032	98,417	-	123,449
Unobservable inputs	-	-	-	-
Total	25,087	98,417	-	123,504
At 31 March 2018				
Quoted equity	**29,310**	**-**	**-**	**29,310**
Observable inputs	**25,006**	**74,698**	**-**	**99,704**
Unobservable inputs	**-**	**-**	**2,143**	**2,143**
Total	**54,316**	**74,698**	**2,143**	**131,157**

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.

Commitments

As part of the change in investment strategy ACCA has invested in a property fund managed by GreenOak. Investments are made on a piecemeal basis and Council has approved investment of up to £10m in property funds directly. At the balance sheet date ACCA had a commitment to invest a further £7.9m in the GreenOak property fund.

17 Trade and other receivables

	31 Mar 2018 £'000	31 Mar 2017 £'000
Trade receivables	**16,811**	14,287
Accrued income	**2,019**	1,852
Prepayments	**7,748**	6,501
Other receivables	**1,091**	953
	27,669	23,593

Trade receivables is stated net of an adjustment of £12.7m (2017:£13.9m) to reflect historical experience of customer retention.

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

As of 31 March 2018, trade receivables of £11.3m (2017: £11.5m) were past due but not impaired. The aging analysis of these trade receivables is as follows:

	31 Mar 2018 £'000	31 Mar 2017 £'000
31-60 days	**1,038**	1,682
61-90 days	**959**	199
91-120 days	**9,247**	9,419
Over 121 days	**37**	171
	11,281	11,471

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

	31 Mar 2018 £'000	31 Mar 2017 £'000
At 1 April	**459**	509
Provision for receivables impairment	**959**	563
Receivables written off during the year as uncollectible	**(111)**	(448)
Amounts recovered/released which were previously provided for	**(431)**	(165)
At 31 March	**876**	459

18 Derivative financial instruments

	31 Mar 2018 Assets £'000	**31 Mar 2018 Liabilities £'000**	31 Mar 2017 Assets £'000	31 Mar 2017 Liabilities £'000
Forward foreign exchange contracts	**-**	**-**	244	136
	-	**-**	244	136

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 2017: gain of £0.1m).

Forward foreign exchange contracts

The notional principal amounts of the outstanding forward foreign exchange contracts at 31 March 2018 was £nil (31 March 2017: £22.9m) as they have been placed after the year-end.

	31 Mar 2018 £'000	31 Mar 2017 £'000
19 Cash and cash equivalents		
Cash at bank and in hand	**17,247**	19,521

ACCA had no short-term bank deposits in place at the balance date. The effective interest rate on short-term bank deposits was nil% (2017: nil%) and these deposits have an average maturity of nil days (2017: nil days).

20 Deferred tax liabilities

Deferred tax liabilities are calculated in full on temporary differences under the balance sheet liability method using a principal tax rate of 19% (2017: 20%). The major deferred tax liabilities recognised by ACCA and the movements thereon during the current period and previous years relate to the revaluation of available-for-sale investments. ACCA has no deferred tax assets.

Deferred tax liabilities

	31 Mar 2018 £'000	31 Mar 2017 £'000
At 1 April	**4,307**	3,105
Tax charged/(credited) to reserves:		
Current year provision on investments	**346**	2,166
Release of provision on realised gains	**(4,218)**	(964)
At 31 March	**435**	4,307

21 Retirement benefit obligations

(a) *General information*

The financial statements include the financial impact of defined benefit pension schemes operated in the UK and Ireland, and which closed to future accrual on 31 July 2013. From that date members of those schemes, which provided benefits based on final pensionable pay and on a career average revalued earnings (CARE) basis, were entitled to join defined contribution plans which were operated by Zurich Assurance Ltd and Irish Life. Blackrock were appointed as new UK administrators following a tender process in 2015, and since 1 January 2016 all new contributions from UK staff are invested with Blackrock. Irish contributions are invested with Irish Life.

The most recent triennial valuation of the UK Scheme was at 1 January 2016. This 1 January 2016 valuation has been updated by the scheme actuary for IAS 19 purposes as at 31 March 2018. The triennial valuation was based on the following principal financial assumptions:

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

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

The most recent triennial valuation of the Irish Scheme was at 1 January 2015. This valuation has been updated by the scheme actuary for IAS 19 purposes as at 31 March 2018. 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 2015, the market value of the Scheme assets was £4.2m and the value of pension benefits earned was £4.8m. The funding ratio was therefore 87%.

	31 Mar 2018	31 Mar 2017
The principal financial assumptions used for the purposes of the figures in these financial statements were as follows:		
Discount rate for UK Scheme	**2.70%**	2.60%
Discount rate for Irish Scheme	**1.80%**	2.05%
Future pension increases (UK Scheme) subject to LPI	**3.00%**	3.00%
Future pension increases (Irish Scheme)	**1.75%**	1.75%

The mortality assumptions for the current year-end for the UK Scheme follows the table known as S2PA, using 90% of the base table with mortality improvements in line with the 2017 version of the CMI model, with a long-term rate of improvement of 1.25% per annum. The same mortality assumptions were used at the previous year end based on the 2016 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.

21 Retirement benefit obligations (continued)

(a) *General information (continued)*

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

	Irish Scheme		UK Scheme	
	31 Mar 2018	31 Mar 2017	**31 Mar 2018**	31 Mar 2017
For a male aged 65 now	**21.4**	21.2	**22.7**	22.9
At 65 for a male aged 45 now	**23.8**	23.7	**24.1**	24.3
For a female aged 65 now	**23.9**	23.7	**24.6**	24.7
At 65 for a female aged 45 now	**25.9**	25.8	**26.2**	26.2

	31 Mar 2018 £'000	31 Mar 2017 £'000
The total pension charge is made up as follows:		
Pension costs under the UK and Irish Schemes (see note 21c)	**659**	360
Death-in-service premiums	**207**	136
Payments to defined contribution schemes for certain employees outside the UK and Ireland	**523**	462
Payments to defined contribution schemes for certain employees in the UK and Ireland	**4,827**	4,498
Payments for the Pensions Protection Fund levies	**149**	115
Pension costs	**6,365**	5,571
Actuarial (gains)/losses recognised in the statement of other comprehensive income for the period	**(4,600)**	16,893

In addition to the defined contribution schemes operated for UK and Ireland qualifying employees, schemes also operate for certain employees outside the UK and Ireland. The nature of such schemes varies according to legal regulations, fiscal requirements and economic conditions of the countries in which employees are based. Plans are funded by payments from the group and by employees and are held separately and independently of the group's finances.

(b) *Pension benefits*

Amounts recognised in the balance sheet to reflect funded status		
Present value of funded obligations	**135,191**	138,031
Fair value of plan assets	**(114,450)**	(111,633)
Net liability in the balance sheet at 31 March	**20,741**	26,398

(c) *Pension costs*

The amounts recognised in total comprehensive income for the schemes are as follows:		
Net interest	**659**	360
Pension costs under the Schemes	**659**	360

		31 Mar 2018 £'000	31 Mar 2017 £'000
21	**Retirement benefit obligations (continued)**		
(d)	*Movement in the net liability recognised in the balance sheet*		
	At 1 April	**26,398**	12,203
	Pension costs	**659**	360
	Contributions paid	**(1,743)**	(3,134)
	Recognition of actuarial (gains)/losses	**(4,600)**	16,893
	Exchange difference	**27**	76
	At 31 March	**20,741**	26,398
(e)	*Change in benefit obligation*		
	Present value of benefit obligation at 1 April	**138,031**	109,904
	Interest on obligation	**3,528**	3,723
	Benefits paid	**(3,217)**	(4,411)
	Gain from change in demographic assumptions	**(780)**	(2,355)
	(Gain)/loss from change in financial assumptions	**(3,547)**	28,818
	Loss from experience	**1,029**	2,085
	Exchange difference	**147**	267
	Present value of benefit obligation at 31 March	**135,191**	138,031
	The defined benefit obligation is split as follows		
	Deferred pensioners	**113,007**	114,882
	Pensioners	**22,184**	23,149
	Present value of benefit obligation at 31 March	**135,191**	138,031

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

		31 Mar 2018 £'000	31 Mar 2017 £'000
(f)	*Change in plan assets*		
	Fair value of plan assets at 1 April	**111,633**	97,701
	Interest income	**2,869**	3,363
	Actual return on assets less interest	**1,302**	11,655
	Actual return on plan assets	**4,171**	15,018
	Contributions - employer	**1,743**	3,134
	Benefits paid	**(3,217)**	(4,411)
	Exchange difference	**120**	191
	Fair value of plan assets at 31 March	**114,450**	111,633

21 Retirement benefit obligations (continued)

	31 Mar 2018 £'000	31 Mar 2017 £'000
(g) *Sensitivity of overall pension liabilities*		
Increase in liability through 0.25% reduction in discount rate	**8,111**	8,282
Increase in liability through 0.25% increase in inflation assumption	**5,408**	5,521
Increase in liability through increase in rate of mortality by 1 year	**4,056**	4,141

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

(h) *Plan assets*

Plan assets are comprised as follows:

	31 Mar 2018 £'000	**31 Mar 2018 %**	31 Mar 2017 £'000	31 Mar 2017 %
UK equities	**19,866**	**17.4**	21,150	19.0
North American equities	**5,344**	**4.7**	5,576	5.0
European equities	**4,743**	**4.1**	5,034	4.5
Japanese equities	**2,461**	**2.1**	2,598	2.3
Asia Pacific equities	**2,199**	**1.9**	2,252	2.0
Emerging markets equities	**243**	**0.2**	219	0.2
Equities	**34,856**	**30.4**	36,829	33.0
Diversified Growth Funds	**21,040**	**18.4**	19,064	17.1
Bonds	**45,741**	**40.0**	44,095	39.5
Property	**12,590**	**11.0**	11,516	10.3
Cash	**223**	**0.2**	129	0.1
	114,450	**100.0**	111,633	100.0

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

(i) *Defined benefit obligation trends*

	31 Mar 2018 £'000	31 Mar 2017 £'000	31 Mar 2016 £'000	31 Mar 2015 £'000	31 Mar 2014 £'000
Scheme assets	**114,450**	111,633	97,701	99,126	87,301
Scheme liabilities	**(135,191)**	(138,031)	(109,904)	(112,614)	(98,656)
Scheme deficit	**(20,741)**	(26,398)	(12,203)	(13,488)	(11,355)

21 Retirement benefit obligations (continued)

(j) *Contributions*

In accordance with actuarial advice and with the agreement of ACCA and the UK Scheme's trustees, a recovery plan was put in place with effect from April 2017 to which ACCA will contribute annual deficit recovery contributions of £2,500,000 in respect of the UK scheme for a period of 6 years and 9 months, subject to review at future actuarial valuations. A triennial valuation was due as at 1 January 2018 for the Irish scheme and due to the increased deficit it is expected that a new recovery plan will be put in place. Until the results of that valuation are known, employer contributions for the year ended 31 March 2019 are expected to be 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 2018 £'000	31 Mar 2017 £'000
22 Trade and other payables		
Trade and other creditors	**5,580**	5,796
Social security and other taxes	**2,214**	1,864
Accrued expenses	**34,766**	25,328
	42,560	32,988

23 Deferred income

Deferred income	**71,718**	68,619

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

24 Provisions

	31 Mar 2017 £'000	**Utilised in year £'000**	**Released in year £'000**	**Provided in year £'000**	**31 Mar 2018 £'000**
Tax	762	-	-	-	**762**
Legal costs and claims	324	(122)	-	3,116	**3,318**
Commercial frameworks	349	(265)	(84)	735	**735**
Strategic Alliance	367	(295)	(72)	-	**-**
End of service	-	-	-	1,114	**1,114**
Dilapidations	2,651	(16)	-	-	**2,635**
Total	4,453	(698)	(156)	4,965	**8,564**

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

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

24 Provisions (continued)

The commercial frameworks provision represents management's best estimate of the costs to pay approved learning partners in respect of them meeting specific 2017-18 performance targets to register students likely to progress to the ACCA qualification.

The strategic alliance provision represented the committed costs required to complete the work in developing the relationship with CA ANZ and was fully utilised or released during the year.

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

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

25 Other reserves

	Currency translation £'000	**Land and buildings £'000**	**Available-for-sale investments £'000**	**Total £'000**
Balance at 1 April 2016	(109)	10,614	16,726	27,231
Revaluation – gross	-	-	14,264	14,264
Revaluation – tax	-	-	(2,166)	(2,166)
Transfer to accumulated fund – realised gain	-	(11,578)	-	(11,578)
Transfer to accumulated fund – tax on gain	-	964	-	964
Currency translation differences	(193)	-	-	(193)
Balance at 31 March 2017	(302)	-	28,824	28,522
Revaluation – gross	-	-	4,489	4,489
Revaluation – tax	-	-	(346)	(346)
Transfer to income statement – realised gain	-	-	(31,313)	(31,313)
Transfer to income statement – tax on gain	-	-	4,218	4,218
Currency translation differences	(854)	-	-	(854)
Balance at 31 March 2018	**(1,156)**	**-**	**5,872**	**4,716**

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

26 Commitments

	31 Mar 2018 £'000	31 Mar 2017 £'000
Capital commitments for property, plant and equipment		
Contracted for at the balance sheet date but not recognised in the financial statements	**-**	-
Authorised but not contracted	**2,880**	3,667

26 Commitments (continued)

Operating lease commitments

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

	Land and buildings		Other	
	31 Mar 2018	31 Mar 2017	**31 Mar 2018**	31 Mar 2017
	£'000	£'000	**£'000**	£'000
Within one year	**6,900**	5,220	**-**	100
In two to five years	**16,877**	16,881	**-**	-
More than 5 years	**29,477**	33,550	**-**	-
	53,254	55,651	**-**	100

Operating lease rentals charged to the statement of comprehensive income in the year amounted to £7.5m (31 March 2017: £6.9m).

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	Leo Lee (President) Robert Stenhouse (Deputy President) Jenny Gu (Vice President)
Other Council members	Susan Allan, Stephen Bailey, Rhonda Best, Liz Blackburn, Hidy Chan, Rosanna Choi, Orla Collins, Sharon Critchlow, Matilda Crossman, John Cullen, Gustaw Duda, Joyce Evans, Datuk Zaiton Mohd Hassan, Kenneth Henry, Pauline Hobson, Lorraine Holleway, Michelle Hourican, Paula Kensington, Nur Jazlan Mohamed, Japheth Katto, Arthur Lee, Dean Lee, Ayla Majid, Brian McEnery, Mark Millar, Mohd Nasir Ahmad, Joseph Owolabi, Taiwo Oyedele, Siobhan Pandya, Ronnie Patton, Laura Perrin, Melanie Proffitt, Marta Rejman, Brendan Sheehan, Marcin Sojda, Fergus Wong, Matthew Wong, Alice Yip, Belinda Young and Phoebe Yu
Key management personnel	Helen Brand (Chief Executive), Alan Hatfield, Stephen Heathcote, Raymond Jack and Peter Large

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

27 Related party transactions (continued)

	31 Mar 2018 £'000	31 Mar 2017 £'000
Honorarium to the office holders	**14**	14
Reimbursement of expenses directly incurred by Council members	**463**	444

Key management personnel are remunerated as shown below.

Salaries and other short-term employee benefits	**1,449**	1,257
Post-employment benefits	**39**	42
	1,488	1,299

The post-employment benefits are the pension contributions payable for those Executive Team members who are members of the pension scheme. Three (2017: 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'.

Related party balances	31 Mar 2018 £'000 Owed	31 Mar 2017 £'000 Owed
Reimbursement of expenses directly incurred by Council members	**9**	3
Bonuses payable to key management personnel	**305**	125

28 Principal undertakings

Subsidiary undertakings

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

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

28 Principal undertakings (continued)

Subsidiary undertakings (continued)

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

Other undertakings

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

29 Cash flow statement

(a) *Cash generated from operations*

	31 Mar 2018 £'000	31 Mar 2017 £'000
Surplus/(deficit) before tax	**24,443**	(4,719)
Adjustments for:		
Depreciation on property, plant and equipment	**3,650**	3,328
Amortisation of intangible assets	**5,037**	2,143
Loss/(gain) on sale of property, plant and equipment	**18**	(13,900)
Gain on sale of investments	**(33,843)**	(11)
Interest received	**(31)**	(107)
Dividends received	**(594)**	(1,379)
Impairment adjustment - intangibles	**-**	365
Pension costs	**659**	360
Interest paid	**633**	-
Pension contributions paid	**(1,743)**	(3,134)
Changes in working capital (excluding the effects of exchange differences)		
Assets held for sale	**-**	14,050
Derivative financial instruments	**108**	(129)
Trade and other receivables	**(4,076)**	1,623
Trade and other payables	**9,572**	3,357
Deferred income	**3,099**	4,306
Provisions	**4,111**	722
Cash generated from operations	**11,043**	6,875

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

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

	31 Mar 2018 £'000	31 Mar 2017 £'000
Net book amount	**74**	164
(Loss)/gain on disposal of property, plant and equipment	**(18)**	13,900
Proceeds from disposal of property, plant and equipment	**56**	14,064

Association of Chartered Certified Accountants
Corporate Governance Statement
For the year ended 31 March 2018

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 2016. Council's Governance Design Committee is charged with ensuring that ACCA follows best global practice. Council confirms that, although the UK Corporate Governance Code relates to UK listed companies and ACCA is not obliged to comply, and does not comply, with it, ACCA nevertheless follows its guidance as far as this is, in Council's opinion, relevant to ACCA.

Principles of good governance

Council and the Chief Executive

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

Council has adopted a Code of Practice for Council members. This Code of Practice, a link to which is circulated to members with the material for the Annual General Meeting (AGM), applies to Council members when acting in their capacity as Council members and provides a framework for the operation of Council's business. Council is a collegial body and expects all of its members to recognise their collective responsibilities and to comply with the Code. Whatever their geographical or sectoral bases, Council members do not represent particular areas or functions. Council has 36 members, all of whom are volunteers elected by the membership as a whole and subject to re-election every three years, for a maximum of three terms. They have a wide-ranging remit geared to providing strategic direction for ACCA. Council members examine issues of broad and long-term importance to ACCA, and establish ACCA's position on global industry developments as they arise. Following the 2017 AGM, Council now has members from 13 different countries, reflecting the diversity of ACCA and its members. Profiles of Council members are available on request from ACCA.

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

Diversity

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

Council, Board and Committee induction

All newly-elected Council members attend an initial induction session, usually arranged around the AGM. The induction session gives new Council members the chance to find out more about the structure of ACCA, the development of its strategy, and any key issues which are currently before Council. The session is chaired by the President, and new Council members have the opportunity to ask questions of the Officers, the Chief Executive and senior staff.

Mentoring

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

Principles of good governance (continued)

Performance appraisal

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

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

Council members' interests

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

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

Council meetings

During the year there were four meetings of Council.

Statement of Council's responsibilities

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

In preparing these financial statements, Council ensures that:

- suitable accounting policies are selected and applied consistently;
- reasonable and prudent judgements and accounting estimates are made;
- IFRS as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; and
- the financial statements are prepared on the going concern basis.

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

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

Statement of Council's responsibilities (continued)

ACCA's Integrated Report sets out details of the business risks which ACCA faces and its performance and strategy in addressing these. During 2017-18, ACCA prepared a five-year Corporate Plan which provided an indication of the likely strategic priorities over each financial year, formed the basis for developing five-year financial projections and was used to develop the 2018-19 budget. Council has approved the 2018-19 budget, which contains the detailed financial assumptions, allocations and targets to deliver the 2018-19 Strategic Delivery Plan and is therefore satisfied that ACCA has adequate resources to continue in operational existence for the foreseeable future; accordingly, the going concern basis continues to be adopted in preparing the financial statements.

Internal control

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

Relations with members

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

Governance structure

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

Nominating Committee

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

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

		Meetings attended
Chairmen:	Leo Lee, FCCA FCPA LLB MBA (from 30/11/17)	1/1
	Brian McEnery, FCCA CA (CAANZ) (to 30/11/17)	1/1
Other members:	Steve Bailey, FCCA (to 30/11/17)	1/1
	Matilda Crossman, FCCA MCIM CAFR HBS Alumni (from 30/11/17)	1/1
	Alexandra Chin, FCCA CA(M) FCTIM (to 30/11/17)	1/1
	Jenny Gu, FCCA CA (CAANZ) (from 30/11/17)	1/1
	Pauline Hobson, FCCA FCMI MBA (to 30/11/17)	1/1
	Japheth Katto, FCCA BCom CPAU (from 30/11/17)	1/1
	Leo Lee, FCCA FCPA LLB MBA (to 30/11/17)	1/1
	Brian McEnery, FCCA CA (CAANZ) (from 30/11/17)	1/1
	Joseph Owalabi, FCCA CIA CISA (from 30/11/17)	1/1
	Robert Stenhouse, FCCA FCA CTA	2/2
	Belinda Young, FCCA FCA (Singapore) (to 30/11/17)	1/1

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

Audit Committee

In 2014, the Committee considered whether it wished to voluntarily adopt the enhanced audit report following the issuing of the revised ISA (UK&I) 700 Audit Report. Following consultation with the external auditor, the Committee concluded that it did wish to adopt the new style report, and, as a result, a separate Report from the Audit Committee has been presented at pages 45 to 48.

Governance Design Committee

ACCA's Governance Design Committee pursues continual improvement in governance design in ACCA in order to reflect best global practice. The Governance Design Committee gives ACCA a standing mechanism for reviewing governance design and planning in the short, medium and long term. This provides clear lines of sight between the development and implementation of ACCA's strategy and how ACCA's governance structures might need to evolve to support the delivery of strategy in the future.

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

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

		Meetings attended
Chairman:	Kenneth Henry, FCCA PhD CISA CPA CGFM	3/3
Other members:	Rosanna Choi, FCCA FCPA MBA MSc ISM	2/3
	Sharon Critchlow FCCA APFS Chartered MCSI FRSA (from 30/11/17)	1/1
	John Cullen, FCCA FABRP MIPA	3/3
	Pauline Hobson, FCCA FCMI MBA (to 30/11/17)	2/2
	Michelle Hourican, FCCA MSc (from 30/11/17)	1/1
	Dean Lee, FCCA CICPA MPh MBA (from 30/11/17)	1/1
	Leo Lee, FCCA FCPA LLB MBA (to 30/11/17)	2/2
	Ronnie Patton, FCCA MBA ADE FHEA (to 30/11/17)	2/2
	Marta Rejman, FCCA MEcon MBA (from 30/11/17)	1/1
	Mohd Nasir Ahmad, FCCA CA(M) MBA (to 30/11/17)	2/2
	Nur Jazlan Mohamed, FCCA MIA AFA (to 30/11/17)	2/2

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

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

The Committee's work plan during 2017-18 included: a review of succession planning arrangements for the senior management team; a benchmark review of remuneration within the scope of the Committee; a review of the components and objectives of the senior management reward scheme; and consideration of ACCA's people strategy as a whole.

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

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

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

		Meetings attended
Chairmen:	Leo Lee, FCCA FCPA LLB MBA (to 30/11/17)	1/1
	Mohd Nasir Ahmad, FCCA CA(M) MBA (from 30/11/17)	1/1
Other members:	Matilda Crossman, FCCA MCIM CAFR HBS Alumni (from 30/11/17)	1/1
	Gustaw Duda, FCCA MBA MSc	2/2
	Dean Lee, FCCA CICPA MPh MBA (from 30/11/17)	1/1
	Mark Millar, FCCA CA (CAANZ) FHFMA	1/2
	Mohd Nasir Ahmad, FCCA CA(M) MBA (to 30/11/17)	1/1
	Melanie Proffitt, FCCA MBA	2/2
	Marta Rejman, FCCA MEcon MBA	2/2
	Robert Stenhouse, FCCA FCA CTA	2/2

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

Regulatory Board
ACCA's Regulatory Board, which was launched in September 2008, brings together all of ACCA's public interest oversight functions into a single entity. The Board's public interest role sits at the heart of ACCA's oversight structure and it provides oversight over all of ACCA's public interest oversight functions – complaints and discipline, education and learning, examinations, licensing monitoring and professional and ethical standards.

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

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

Regulatory Board (continued)

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

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

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

		Meetings attended
Chairman:	Antony Townsend, BA	4/4
Lay members:	Geoffrey Podger	4/4
	David Thomas, LLB	4/4
	Frances Walker, LLB Hons	3/4
	Suzy Walton, BSc, PhD	4/4
	Rosalind Wright, CB QC (Hon Causa)	3/4
Members from Council:	John Cullen, FCCA FABRP MIPA	4/4
	Ronnie Patton, FCCA MBA ADE FHEA	4/4

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

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

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

International Assembly

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

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

Senior management and remuneration
The Chief Executive, four Executive Directors (year ended 31 March 2017: four) and two independent non-executive advisers (year ended 31 March 2017: two) form the Executive Team and are responsible for the day-to-day management of ACCA on behalf of Council and for the implementation of Council policy.

The total salary (including bonus and allowances) and benefits of the Chief Executive in the year ended 31 March 2018 was £415,167 (year ended 31 March 2017: £383,915). This includes a fixed non-pensionable allowance in lieu of pension benefits, introduced in August 2013 when the Chief Executive agreed to vary her contract of employment following the closure of the defined benefit pension scheme and an additional allowance in lieu of pension contributions – see 'Pensions and Benefits' below.

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

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

The annual salary review in 2017/18 for all staff occurred in April 2017. The salaries of the Executive Team members increased by 1.5% in line with other employees. This came into effect from 1 April 2017.

The base salaries of the Chief Executive and Executive Directors at 31 March 2018 are shown below on a banded basis.

	Number of employees (2017-18)	Number of employees (2016-17)
£280,000 – £309,999	1	1
£190,000 – £219,999	2	2
£160,000 – £189,999	2	2

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

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

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

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

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

Executive Team Reward Plan

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

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

Employee Disciplinary Arrangements

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

The review established unequivocally that appropriate arrangements are in place to address any disciplinary issues which may arise.

Employees

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

Council members' confirmation

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

Association of Chartered Certified Accountants
Report From The Audit Committee
For the year ended 31 March 2018

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

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

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

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

Committee membership
Orla Collins chairs the Audit Committee. She is a fellow of ACCA and has been a member of Council since 2012. She is also a member of ACCA's Standards Board, as well as being a member of the ACCA Ireland Committee. She has had business experience of over 20 years and is currently Chief Risk Officer at Standard Life International DAC. Council therefore considers that she has had recent relevant financial experience. The remaining Committee members, noted below, are all fellows of ACCA and have also had extensive business experience.

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

		Meetings attended
Chairmen:	Robert Stenhouse, FCCA FCA CTA (to 30/11/17)	2/3
	Orla Collins, FCCA MSc LCOI QFA LIB (from 30/11/17)	1/1
Other members:	Mohd Nasir Ahmad, FCCA CA(M) MBA (from 30/11/17)	1/1
	Susan Allan, FCCA (from 30/11/17)	1/1
	Orla Collins, FCCA MSc LCOI QFA LIB (to 30/11/17)	3/3
	Matilda Crossman, FCCA MCIM CAFR HBS Alumni	4/4
	Gustaw Duda, FCCA MBA MSc (from 30/11/17)	0/1
	Lorraine Holleway, FCCA MBA (to 30/11/17)	3/3
	Dean Lee, FCCA CICPA MPh MBA (to 30/11/17)	3/3
	Joseph Owolabi FCCA CIA CISA	4/4
	Brendan Sheehan, FCCA	4/4

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

Appointments to the Committee are made by the Nominating Committee and are for a one year term. The Chairman 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 auditors and the Head of Internal Audit have direct access to the Chairman and are entitled to attend Committee meetings.

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

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

Significant issues related to the financial statements

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

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

- **Revenue recognition, including the completeness, existence and accuracy of income recognised in the year** – ACCA's main income is derived from subscription income and examination income. A key risk is that recognition of those income streams is incorrect due to timing differences in the key business processing dates and the financial year-end. The Committee has challenged management that proper processes are in place to ensure that income is recognised in the correct period, and the Committee has also placed reliance on the historic accuracy of income cut-off. An adjustment to income is made each year which reflects the anticipated value of income reversed due to the removal of students and members. Based on scrutiny of this adjustment by the Committee, it is satisfied that these removals relate mainly to students and members billed in advance of services being provided. The Committee agrees with management's representation of income.
- **Existence and valuation of intangible assets** – ACCA capitalises intangible assets where the criteria of IAS38 are met. The Committee is satisfied that management have put appropriate processes in place to only capitalise those items which meet the criteria. Management carry out an annual impairment review of those assets that are capitalised. That impairment review identified that there were no qualitative or quantifiable benefits arising from one of the intangible assets, and management has fully impaired the asset. Management's view is that this approach to impairment addresses the risk of intangible assets being held at inappropriate carrying values. The Committee is satisfied with the approach adopted by management.
- **Valuation and presentation of retirement benefit scheme liabilities** – the assumptions used by management for the IAS19 valuation are derived in consultation with ACCA's external pension consultant. The consultant undertakes appropriate benchmarking to ensure that the assumptions fall within an acceptable range. Accounting disclosures required by IAS19 are provided by the Scheme Actuaries of the UK and Irish Schemes using the assumptions agreed by management. Those accounting disclosures are reviewed by the pension consultant for reasonableness. The Committee is satisfied that the reliance of management on the pension consultant and Scheme Actuaries results in appropriate accounting for and disclosure of pension matters.

Association of Chartered Certified Accountants

Report From The Audit Committee

For the year ended 31 March 2018

External Audit

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

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

Auditor's independence, effectiveness and objectivity

The Audit Committee monitors regularly any non-audit services being provided to ACCA by the external auditors to ensure that any services provided do not impair their independence or objectivity. All non-audit services are required to be pre-approved by the Committee. Details of the amounts paid to the external auditors during the year for the audit of ACCA, its pension schemes, 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 auditors remain independent of ACCA in all material respects and that they have adequate resources available to them to enable the delivery of an objective audit to the membership.

Audit Committee remains satisfied with Grant Thornton UK LLP's effectiveness and independence, since appointment in November 2015, and is recommending it for reappointment at the 2018 AGM.

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

Risk management

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

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

Internal Audit

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

Internal Audit produces a risk based annual plan which sets out its priorities and audit programme for the year ahead. The key driver of the plan is ACCA's Corporate Risk Register and the Strategy to 2020. The plan is approved by the Committee in advance of each year and reviewed at each Committee meeting during the year to ensure that satisfactory progress is being made both with the plan and with the implementation of any recommendations arising from the reviews undertaken. If any such recommendations are unreasonably, in the opinion of the Audit Committee, rejected or delayed by management, then these would be reported to Council. No such report was necessary in the year ended 31 March 2018.

Association of Chartered Certified Accountants

Report From The Audit Committee

For the year ended 31 March 2018

Activity during the year

During the year to 31 March 2018, Audit Committee has:

- reviewed the annual accounts as at 31 March 2017 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 auditors
- received reports from the Corporate Assurance function and monitored progress with the implementation of the recommendations arising from those
- agreed the fees and terms of appointment of the external auditors and considered audit quality and effectiveness
- reviewed the Committee's own effectiveness and submitted an annual report on its performance to Governance Design Committee
- received training on various subjects to enhance the Committee's knowledge in respect of specific matters.

Subsequent to the year-end, the Committee has recommended to Council that it approves the annual accounts for the year ended 31 March 2018 and that a resolution re-appointing Grant Thornton UK LLP as auditors be put to the AGM in November. The Committee has also considered that the Integrated Report and financial statements, taken as a whole, are fair, balanced and understandable and provides information necessary for members to assess ACCA's performance, business model and strategy.

Summary

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

Orla Collins
Chairman of the Audit Committee
23 June 2018

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

Our opinion on the financial statements is unmodified
We have audited the group financial statements of the Association of Chartered Certified Accountants' (ACCA) for the year ended 31 March 2018 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in members' funds, the consolidated cash flow statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the group financial statements:

- give a true and fair view of the state of the group's affairs as at 31 March 2018 and of its surplus for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union.

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

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

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

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

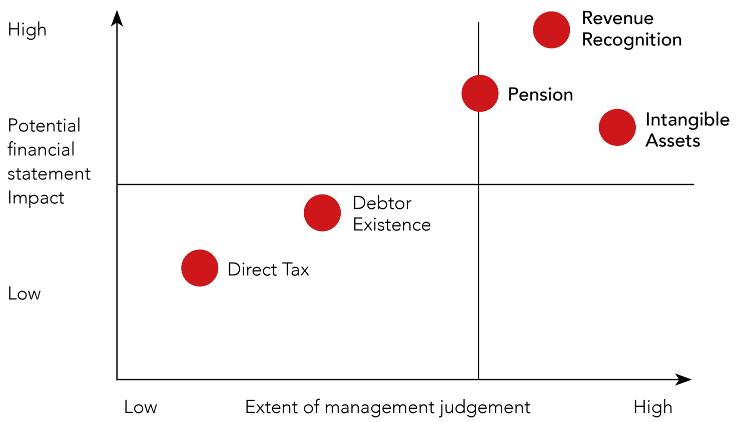
Independent Auditor's Report to the Members of the Association of Chartered Certified Accountants

Overview of our audit approach

- Overall materiality: £3,000,000 which represents approximately 1.5% of the group's total revenue;
- Key audit matters were identified as revenue recognition, valuation of intangible assets and valuation of retirement benefit scheme liabilities.
- In establishing the overall approach to the Group audit, we determined the type of work that needed to be performed at the reporting units by us, as the Group engagement team. Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those reporting units to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the Group financial statements as a whole. In total, 96% of group revenues and 97% of total assets were subject to full scope audit, with the remaining revenues and total assets being subject to analytical review procedures.

Key audit matters

The graph below depicts the audit risks identified and their relative significance based on the extent of the financial statement impact and the extent of management judgement.



Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the 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 financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How the matter was addressed in the audit
Risk 1 Revenue recognition Revenue for fees and subscriptions together with qualifications and exams was £189,490,000 for the year ended 31 March 2018. The ACCA make an annual adjustment to income to reflect the anticipated value of income reversed due to the removal of students and members. There is therefore an occurrence risk that the significant income streams are not recognised in the correct financial year, with fees being received in advance of providing the exam service, requiring deferment to the period in which the exam is taken. Subscriptions income entitling membership over a calendar year also requires appropriate allocation to the Group's financial year. We therefore identified revenue recognition as a significant risk which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: • performing proof in total calculations, with expectations set with reference to our interrogation of members and exam databases and published fee rates as adjusted for accrued and deferred income and discounts; • recalculating accrued and deferred income and comparing it to management's assessment; • testing a sample of discounts in the year to supporting documentation; • performing analytical procedures and sample testing to assess judgements made by management in respect of the adjustment to income for removal of students and members. • The group's accounting policy on income is shown in note 2(c) to the financial statements and related disclosures are included in notes 6 and 7. The Audit Committee identified revenue recognition as a significant issue in its report on page 46, where the Committee also described the action that it has taken to address this issue. **Key observations** Overall, our testing did not identify any evidence of material misstatement in respect of revenue recognition.
Risk 2 Valuation of intangible assets The group's internally generated intangible assets were valued at £15,616,000 for the year ended 31 March 2018, in accordance with International Accounting Standard (IAS) 38 'Intangible Assets'. There have been material additions in the year arising from investment in new IT systems as well as continued investment in the FEDS programme. The identification of impairment events and associated charge, together with initial measurement require the application of significant management judgement, in particular the assessment of future economic benefits. There is a risk that the initial measurement of intangible assets is inappropriate, or management fail to identify an impairment event and the charge reported is therefore inappropriate. We therefore identified valuation of intangible assets as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: • testing a sample of intangibles capitalised in the year, challenging management's assumptions relating to timing and recognition thereof and corroborating items to underlying data such as timesheet records, purchase invoices and market research; • recalculating amortisation; • performing sensitivity analysis on growth rates and margins to assess management's judgement regarding future economic benefits; • comparing actual outcomes against prior period to assess the adequacy of management's process for estimating the value of intangible assets, and • assessing whether there is any evidence of material impairment that management have failed to identify. The group's accounting policy on intangible assets is shown in note 2(i) to the financial statements and related disclosures are included in note 15. The Audit Committee identified existence and valuation of intangible assets as a significant issue in its report on page 46, where the Committee also described the action that it has taken to address this issue. **Key observations** We have not identified any material misstatements or deficiencies from the testing performed.

Key Audit Matter	How the matter was addressed in the audit
Risk 3 Valuation of retirement benefit scheme liabilities Retirement benefit obligations were valued at £20,741,000 for the year ended 31 March 2018. The assessment of actuarial assumptions requires the application of significant judgment by management. There is a risk that management apply incorrect assumptions and therefore the reported liability is incorrectly recorded in accordance with IAS 19 'Employee Benefits'. We therefore identified valuation of retirement benefit scheme liabilities as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: • using our internal valuation experts to challenge the key actuarial assumptions used by management's actuary, including discount rate to yield on AA rated corporate bonds, price inflation to Bank of England's inflation curve, pension increases to inflation assumptions, and mortality / life expectancy to S2PA and ILT15 tables; • reconciling the opening and closing liability given the figures and general approach taken by management's actuary; • performing reasonableness checks on interest cost and income against management's actuary's assessment of the discount rate; testing a sample of contributions paid in the year to bank and agreeing underlying value of assets to investment confirmations. The group's accounting policy on pensions is shown in note 2(r) to the financial statements and related disclosures are included in note 21. The Audit Committee identified valuation and presentation of retirement benefit scheme liabilities as a significant issue in its report on page 46, where the Committee also described the action that it has taken to address this issue. **Key observations** Based on our audit work, we found the valuation methodologies and the actuarial assumptions inherent within them to be balanced and consistent. We noted the RPI rate used in the estimate was adjusted to account for risk premium resulting in a rate lower than that of the Bank of England fixed term yields creating a less prudent obligation. We have established that although the rate above is regarded as an outlier, the assumptions used are appropriate and calculated correctly.

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Our application of materiality

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

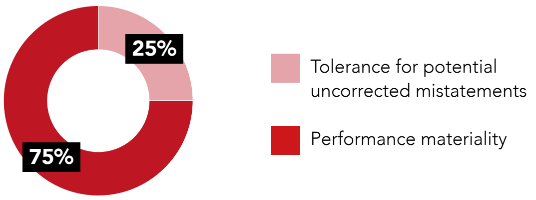
We determined materiality for the audit of the group financial statements as a whole to be £3,000,000, which is approximately 1.5% of total revenues. This benchmark is considered the most appropriate because a key measure of success is determined by number of students, affiliates and members which is represented by revenue in the financial statements.

Materiality for the current year is higher than the level that we determined for the year ended 31 March 2017 to reflect the increase in the group's total revenues and our enhanced knowledge and experience of the business.

We use a different level of materiality, performance materiality, to drive the extent of our testing and this was set at 75% of financial statement materiality for the audit of the group financial statements.

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

Overall materiality - group



We determined the threshold at which we will communicate misstatements to the audit committee to be £150,000. In addition we will communicate misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

An overview of the scope of our audit

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

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

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Other information

Council is responsible for the other information. The other information comprises the five year summary and foreword set out on pages 2 and 3, together with the corporate governance statement and report from the audit committee set out on pages 37 to 48. 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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 in the 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 set out on page 38, Council is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as Council determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Council are 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 financial statements

Our objectives are to obtain reasonable assurance about whether the 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 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.

Grant Thornton UK LLP

Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Glasgow
23 June 2018