Consolidated **Financial Statements**

For the year ended 31 March 2022

Think Ahead

Contents

Consolidated five-year summary

ACCA and subsidiaries

	Mar 2022 £'000	Restated Mar 2021 £'000	Restated Mar 2020 £'000	Mar 2019 £'000	Mar 2018 £'000
Operating income	**221,558**	212,089	216,391	206,074	201,176
Operating surplus/(deficit)	**1,063**	4,590	2,430	(36,309)	(8,332)
Other gains/(losses)	**79**	(2,171)	(932)	112	(108)
Net finance (losses)/income	**(2,004)**	9,600	(4,798)	433	31,776
(Deficit)/surplus before tax	**(862)**	12,019	(3,300)	(35,764)	23,336
Tax	**(2,324)**	(1,802)	(917)	424	(7,724)
(Deficit)/surplus for the year	**(3,186)**	10,217	(4,217)	(35,340)	15,612
Recognition of actuarial gains/(losses)	**15,704**	(5,509)	10,285	(1,027)	4,600
Other comprehensive income/(losses) excluding actuarial gains/(losses)	**399**	71	99	653	(23,806)
Total other comprehensive income/(losses)	**16,103**	(5,438)	10,384	(374)	(19,206)
Total comprehensive income/(losses)	**12,917**	4,779	6,167	(35,714)	(3,594)

	Mar 2022 £'000	Restated Mar 2021 £'000	Restated 1 Apr 2020 £'000	Mar 2019 £'000	Mar 2018 £'000
Non-current assets	**113,605**	110,161	120,079	164,660	177,915
Current assets	**112,944**	122,639	106,333	62,336	68,406
Total assets	**226,549**	232,800	226,412	226,996	246,321
Non-current liabilities	**26,254**	47,304	51,765	74,332	66,211
Current liabilities	**154,132**	152,250	146,180	130,364	122,096
Total liabilities	**180,386**	199,554	197,945	204,696	188,307
Accumulated fund	**45,709**	33,579	28,871	22,803	59,170
Other reserves	**454**	(333)	(404)	(503)	(1,156)
Total funds and reserves	**46,163**	33,246	28,467	22,300	58,014
Total reserves and liabilities	**226,549**	232,800	226,412	226,996	246,321

Members and future members

	Mar 2022	Mar 2021	Mar 2020	Mar 2019	Mar 2018
Members	**240,952**	233,019	227,332	219,031	208,549
Future members	**541,930**	536,815	544,446	527,331	503,262
	782,882	769,834	771,778	746,362	711,811

All figures are reported based on the UK-adopted International Accounting Standards. Following the issuance of the IFRIC Agenda Decision in relation to Accounting of Cloud Computing Arrangement, ACCA reviewed its treatment of capitalising intangible assets under IAS 38 Intangible Assets and has expensed costs which had previously been capitalised. The figures for 2020 and 2021 have therefore been restated.

Foreword

These consolidated financial statements present the results for ACCA and its subsidiaries for the year ended 31 March 2022.

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

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

Management commentary – key headings	**Content**	**Integrated Report reference**
Introduction	Context and basis of preparation	Our integrated reporting journey and this year's report
Nature of ACCA's business	Mission and values Competitive environment Economic environment Regulatory environment Products and services	About ACCA Our value creation model
Strategy and strategic outcomes	Strategic priorities Mapping priorities to outcomes	Our strategy to 2025
Resources and relationships	**Resources:** financial, human and network; brand development **Relationships:** global partnerships, key employers, strategic partners, regulators	Our value creation model
Governance, risk and corporate assurance	Outline of our approach to governance Approach to risk management and major risk types	Our governance and leadership Our risks and their management
Strategic outcomes – review of performance	KPI results v target	Our strategic performance in 2021/22
Financial review*	Supplementary financial information	Our strategic performance in 2021/22
Social and environmental impact	Our approach to CSR and significant developments	Where deemed material, it's embedded in the appropriate section in the Integrated Report
Outlook for next year	2022/23 strategic priorities	Our strategy to 2025

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

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

Consolidated Income Statement
for the year ended 31 March 2022

Notes		31 Mar 2022 £'000	Restated 31 Mar 2021 £'000
	Income		
6	Operating income	**221,558**	212,089
	Total income	**221,558**	212,089
	Expenditure		
8	Operational expenditure	**191,456**	178,360
9	Strategic investment expenditure	**29,039**	29,139
	Total expenditure	**220,495**	207,499
	Operating surplus	**1,063**	4,590
10	Other gains/(losses)	**79**	(2,171)
11(a)	(Losses)/income from investments	**(272)**	11,351
11(b)	Finance costs	**(1,732)**	(1,751)
12	**(Deficit)/surplus before tax**	**(862)**	12,019
13	Tax	**(2,324)**	(1,802)
	(Deficit)/surplus for the year	**(3,186)**	10,217

The accompanying notes to the financial statements, on pages 10 to 47, are an integral part of this statement.

Consolidated Statement of Comprehensive Income
for the year ended 31 March 2022

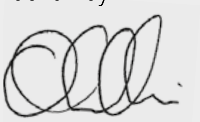
Notes		31 Mar 2022 £'000	Restated 31 Mar 2021 £'000
	(Deficit)/surplus for the year	**(3,186)**	10,217
	Other comprehensive income		
	Items that will not be reclassified to income or expenditure		
22	Recognition of actuarial gains/(losses)	**15,704**	(5,509)
21	Deferred tax on pension asset	**(388)**	–
		15,316	(5,509)
	Items that will be subsequently reclassified to income or expenditure		
26	Currency translation differences	**787**	71
		787	71
	Other comprehensive income/(loss) for the year, net of tax	**16,103**	(5,438)
	Total comprehensive income for the year	**12,917**	4,779

The accompanying notes to the financial statements, on pages 10 to 47, are an integral part of this statement.

Consolidated Balance Sheet As at 31 March 2022

Notes		31 Mar 2022 £'000	Restated 31 Mar 2021 £'000	Restated 1 Apr 2020 £'000
	Assets			
	Non-current assets			
14	Property, plant and equipment	**33,340**	39,969	46,682
15	Intangible assets	**1,980**	3,325	7,789
16	Non-current financial assets	**77,175**	66,867	65,608
22	Pension asset	**1,110**	–	–
		113,605	110,161	120,079
	Current assets			
17	Trade and other receivables	**33,102**	46,666	33,572
16	Other current financial assets	**44,982**	35,001	45,560
18	Derivative financial instruments	**520**	54	131
19	Cash and cash equivalents	**34,340**	40,918	27,070
		112,944	122,639	106,333
	Total assets	**226,549**	232,800	226,412
	Reserves and Liabilities			
	Funds and reserves			
	Accumulated fund	**45,709**	33,579	28,871
26	Other reserves	**454**	(333)	(404)
	Total funds and reserves	**46,163**	33,246	28,467
	Non-current liabilities			
21	Deferred tax liabilities	**388**	–	–
20	Lease liabilities	**25,274**	29,488	33,881
22	Retirement benefit obligations	**592**	17,816	17,884
		26,254	47,304	51,765
	Current liabilities			
23	Trade and other payables	**45,933**	46,207	39,868
20	Lease liabilities	**4,730**	6,403	6,644
	Tax payable	**–**	–	8
24	Deferred income	**91,146**	88,351	89,805
18	Derivative financial instruments	**14**	952	951
25	Provisions	**12,309**	10,337	8,904
		154,132	152,250	146,180
	Total liabilities	**180,386**	199,554	197,945
	Total reserves and liabilities	**226,549**	232,800	226,412

The financial statements were approved and authorised for issue by Council on 2 July 2022 and signed on its behalf by:



O Collins, President

B Sheehan, Chair of Audit Committee

The accompanying notes to the financial statements, on pages 10 to 47, are an integral part of this statement.

Consolidated Statement Of Changes In Members' Funds

for the year ended 31 March 2022

	Other reserves £'000	Accumulated fund £'000	Total funds £'000
Balance at 1 April 2020 as previously reported	**(404)**	**34,518**	**34,114**
Opening reserves adjustment			
Change in accounting policy			
IAS 38 reclassification	–	(5,647)	(5,647)
Balance at 1 April 2020 – restated	(404)	28,871	28,467
Comprehensive income			
Surplus for the financial year – restated	–	10,217	10,217
Other comprehensive income			
Currency translation	71	–	71
Recognition of actuarial losses	–	(5,509)	(5,509)
Total other comprehensive losses	71	(5,509)	(5,438)
Total comprehensive income for year	**71**	**4,708**	**4,779**
Balance at 31 March 2021	**(333)**	**33,579**	**33,246**
Comprehensive income			
Deficit for the financial year	–	(3,186)	(3,186)
Other comprehensive income			
Currency translation	787	–	787
Recognition of net actuarial gains	–	15,316	15,316
Total other comprehensive income	787	15,316	16,103
Total comprehensive income for year	**787**	**12,130**	**12,917**
Balance at 31 March 2022	**454**	**45,709**	**46,163**

The analysis of reserves is presented in note 26.

The accompanying notes to the financial statements, on pages 10 to 47, are an integral part of this statement.

Consolidated Cash Flow Statement
for the year ended 31 March 2022

Notes		31 Mar 2022 £'000	Restated 31 Mar 2021 £'000
	Cash flows from operating activities		
30	Cash generated from operations	**24,188**	4,126
	Tax paid	**(1,936)**	(2,685)
	Net cash from operating activities	**22,252**	1,441
	Cash flows from investing activities		
14	Purchase of property, plant and equipment	**(2,535)**	(2,619)
16	Purchase of financial assets	**(63,533)**	(76,590)
30	Proceeds from disposal of property, plant and equipment	**667**	50
16,30	Proceeds from disposal of financial assets	**42,201**	96,544
11	Interest received	**49**	8
11	Dividends received	**722**	689
	Net cash (used in)/from investing activities	**(22,429)**	18,082
	Cash flows from financing activities		
20	Proceeds from lease liabilities	**875**	2,050
20	Repayment of lease liabilities	**(6,762)**	(6,684)
11	Interest paid	**(365)**	(167)
11	Interest expense on lease liabilities	**(1,029)**	(1,240)
	Net cash used in financing activities	**(7,281)**	(6,041)
	Net (decrease)/increase in cash and cash equivalents	**(7,458)**	13,482
	Cash and cash equivalents at beginning of year	**40,918**	27,070
	Exchange gains on cash and cash equivalents	**880**	366
19	**Cash and cash equivalents at end of year**	**34,340**	40,918

The accompanying notes to the financial statements, on pages 10 to 47, are an integral part of this statement.

Notes to the Financial Statements
for the year ended 31 March 2022

1 General information

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

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

New and amended standards during the year and changes in accounting policies
ACCA has applied the following standards and amendments for the first time for the annual reporting period commencing 1 April 2021.

In April 2021, the International Financial Reporting Standards Interpretations Committee (IFRIC) issued two Agenda Decision items which impacted ACCA's treatment of its Software as a Service (SaaS) arrangements.

- Customer's right to receive access to the supplier's software hosted on the cloud (IAS 38 Intangible Assets) – March 2019. This Agenda Decision considered whether a customer receives a software asset at the contract commencement date or a service over the contract term.
- Configuration or customisation costs in a cloud computing (SaaS) arrangement (IAS 38 Intangible Assets) – April 2021. This Agenda Decision discussed whether configuration or customisation expenditure relating to SaaS arrangements can be recognised as an intangible asset and if not, over what time period can the expense be recognised.

ACCA's accounting policy has historically been to capitalise all appropriate costs related to SaaS arrangements as intangible assets. Following the IFRIC Agenda Decision items, ACCA analysed previously capitalised intangible assets to assess whether a software asset could still be recognised. The basis for this were three main tests.

1. Is the asset identifiable?
2. Does ACCA control the asset?
3. Does the asset generate future value?

The outcome of the analysis is that ACCA was unable to meet the test for control following the guidance issued and has revised its accounting policy dealing with intangible assets to recognise that the costs of configuring or customising suppliers' application software in a SaaS arrangement to be expended in the consolidated income statement.

ACCA has reviewed its computer software assets to ensure that costs capitalised in the years ended 31 March 2020 and 2021 are in line with IAS 38 Intangible Assets and the updated accounting policy which must be applied retrospectively. This has resulted in a reclassification of certain intangible assets to either a prepaid asset and/or as an expense in the financial statements impacting both the current and the prior year.

The following table summarises the impact, net of tax, of this change in accounting policy.

	31 Mar 2021 £'000	31 Mar 2020 £'000
Consolidated statement of comprehensive income		
Surplus after tax, before change in accounting policy	**18,515**	1,430
Impact of change in accounting policy:		
Expense of SaaS arrangements	**(8,298)**	(5,647)
Surplus/(deficit) after tax as presented	**10,217**	(4,217)

Notes to the Financial Statements
for the year ended 31 March 2022

1 General information (continued)

	31 Mar 2021 £'000	31 Mar 2020 £'000
Consolidated balance sheet		
Net assets, before change in accounting policy	**47,191**	34,114
Impact of change in accounting policy:		
Prepayments	**(695)**	–
Intangible assets	**(7,603)**	(5,647)
Intangible assets – prior year	**(5,647)**	–
Net assets as presented	**33,246**	28,467
Accumulated fund at 1 April	**34,518**	22,803
Surplus after tax, before change in accounting policy	**18,515**	1,430
Other comprehensive (loss)/income	**(5,509)**	10,285
Impact of change in accounting policy:		
Expense of SaaS arrangements	**(8,298)**	(5,647)
Expense of SaaS arrangements – prior year	**(5,647)**	–
Accumulated fund as presented	**33,579**	28,871

New and revised IFRS in issue but not yet effective
As at 31 March 2022, the following new standards, interpretations and amendments were issued but not yet effective and have not been applied in these financial statements, but may have an effect on ACCA's future financial statements:

- *Amendments to IAS 1*
  The amendments provide a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date.
- *Small amendments to IAS 16*
  The amendments clarify the treatment of proceeds from selling items produced while bringing an asset into the location and condition necessary for it to be capable of operating in the manner intended by management.
- *Amendments to IAS 37*
  The amendments clarify what costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous.
- *Annual improvements to IFRSs (2018-2021) (Amendments to IFRS 1, IFRS 9, IFRS 16, IAS 41)*
  The improvements in these amendments clarify the requirements of IFRSs and eliminate inconsistencies within and between standards.

No other amendments or standards had any impact on ACCA's financial statements for the current year.

Notes to the Financial Statements
for the year ended 31 March 2022

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 UK-adopted International Accounting Standards. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and derivative instruments at fair value through profit or loss and the revaluation of the defined benefit pension schemes.

(b) Going concern

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

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

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

ACCA holds cash and investment reserves and has access to a revolving three-year credit facility, which is available to 15 August 2023, (see note 3) to support any unexpected challenges to the plan. ACCA has not had to draw on the revolving credit facility during 2021/22 and do not expect to draw on it during 2022/23. In our realistic worst-case scenario, ACCA retains a positive cash balance and access to its long-term investments.

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

(c) Critical accounting estimates and judgements

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

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

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

Notes to the Financial Statements
for the year ended 31 March 2022

2 Significant accounting policies (continued)

(c) Critical accounting estimates and judgements (continued)

i) Pension and other post-employment benefits (continued)
Management have considered the extent to which a pension asset should be recognised under IAS 19 and IFRIC 14 which require an entity to limit the measurement of a net defined benefit asset to the lower of the surplus in the defined benefit scheme and the asset ceiling, defined to be the present value of economic benefits available in the form of refunds from the scheme or reductions to future contributions. Under IFRIC 14, a refund is available to an entity if the entity has an unconditional right to a refund.

Management have taken advice to understand the circumstances under which any surplus assets might not be refunded to ACCA and have made the judgement that the possible circumstances under which any scheme surplus might not be refunded to ACCA, such as wind-up of the scheme, augmentation of benefits, amendment to scheme rules, are within the control of ACCA. Therefore it is considered that ACCA has an unconditional right to a refund assuming the gradual settlement of scheme liabilities over time until all members have left the scheme and as such, it is appropriate to recognise the full surplus as a pension asset in the statement of financial position.

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

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

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

Notes to the Financial Statements
for the year ended 31 March 2022

2 Significant accounting policies (continued)

(c) Critical accounting estimates and judgements (continued)

v) Provision for credit loss

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

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

vi) Leased assets

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

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

(d) Income

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

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

(e) Basis of consolidation

The consolidated financial statements comprise the consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of changes in members' funds, and consolidated cash flow statement of ACCA and its subsidiaries (the group) as if they formed a single entity drawn up to 31 March 2021 and 31 March 2022. 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.

Notes to the Financial Statements
for the year ended 31 March 2022

2 Significant accounting policies (continued)

(f) Segmental reporting

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

(g) Property, plant and equipment

All property, plant and equipment is initially recorded at cost. Cost includes all expenditure directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

(h) Depreciation

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

- leasehold improvements – over the unexpired portion of the lease,
- plant and equipment – over 4 to 7 years,
- computer systems and equipment – over 2 to 4 years.

(i) Intangible assets

Intangible assets are initially measured at cost. Following initial recognition, intangible assets are carried at cost less:

- any accumulated amortisation; and
- any accumulated impairment losses.

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

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

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

(j) Financial instruments

Financial instruments recognised in the balance sheet include cash and cash equivalents, financial assets, derivative financial instruments, trade and other receivables and trade and other payables. Financial instruments are initially valued at fair value. Financial assets are derecognised when the rights to receive cash flows from the asset have expired. Financial liabilities are derecognised when the obligation under the liability is discharged, cancelled or expires. After initial recognition, financial instruments are measured as set out below.

Notes to the Financial Statements
for the year ended 31 March 2022

2 Significant accounting policies (continued)

(j) Financial instruments (continued)

Trade and other receivables

Trade and other receivables are initially recognised at their transaction price. Subsequent to initial recognition, these are measured at amortised cost less expected credit losses. Estimating the expected credit loss is made in accordance with IFRS 9 using the simplified approach to lifetime expected credit loss using supportable information that is based on the historical credit loss experience adjusted for current conditions. The assessment considers geography, customer segment and product type. Trade and other receivables are written off when ACCA has no reasonable expectations of recovering the amounts. Terms on receivables balances range from 30 to 90 days.

Trade and other payables

Trade and other payables are recognised at their transaction price. Terms on trade payables balances range from immediate to 30 days.

Financial assets

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

Cash and cash equivalents

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

Cash funds

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

(k) Impairment of financial assets

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

(l) Impairment of non-financial assets

The carrying amounts of intangible assets and property, plant and equipment are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, ACCA makes an estimate of the asset's recoverable amount.

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 of disposal and value in use.

Notes to the Financial Statements

for the year ended 31 March 2022

2 Significant accounting policies (continued)

(m) *Leased assets*

At the inception of a contract, ACCA assesses whether a contract is, or contains, a lease. To assess whether a contract contains a lease, ACCA considers whether the contract conveys the right to control or use an identified asset by:

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

At inception or reassessment of a lease of land or buildings, ACCA has elected to separate non-lease components and account for the lease and non-lease components separately.

As a lessee

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

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

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

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

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

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

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

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

Short-term leases and leases of low-value assets

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

Notes to the Financial Statements
for the year ended 31 March 2022

2 Significant accounting policies (continued)

(n) Tax

Tax includes all taxes based upon the taxable profits of the group. Deferred taxation is made on temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax movements in respect of unrealised revaluation gains are taken to the income statement. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Current and deferred tax relating to the recognition of any pension surplus are taken to other comprehensive income.

(o) Foreign currencies

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

(p) Derivative financial instruments and hedging activities

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

(q) Provisions

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

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed.

(r) Pensions – Defined benefit schemes

ACCA has two closed defined benefit pension schemes, one in the UK and one in Ireland. Both schemes require contributions to be made to separately administered funds.

Retirement benefits are accounted for under IAS 19 – Employee benefits (revised). The cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at each balance sheet date. The present value of the defined benefit obligations is determined by discounting the estimated cash flows derived from yields of high-quality corporate bonds that have terms to maturity which approximate to the terms of the related pension liability. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in other comprehensive income in the period in which they arise. The net asset/liability recognised in the balance sheet in respect of the defined benefit pension schemes is the net of the present value of the defined benefit obligation and the fair value of plan assets at the end of the reporting period. Where the fair value of the plan assets exceeds the present value of the obligation, the asset recognised in the balance sheet is measured as the lower of the net asset value and any cumulative unrecognised net actuarial losses and past service cost plus the present value of any economic benefits available in the form of refunds from the Plan or reductions in future contributions to the Plan. Interest on the liability is calculated using the discount rate and is recognised immediately in the consolidated income statement. Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in the consolidated income statement as past service costs.

The assets of both schemes are held separately from those of ACCA and are measured using market values. For quoted securities, the market price is taken as the bid price.

Notes to the Financial Statements
for the year ended 31 March 2022

2 Significant accounting policies (continued)

(s) *Pensions – Defined contribution schemes*
ACCA operates defined contribution pension schemes for qualifying employees. Contributions are charged in the consolidated income statement as they become payable in accordance with the rules of the schemes. ACCA has no further payment obligations once the contributions have been paid.

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

(u) *Reserves policy*
The Accumulated Fund includes all current and prior period retained surpluses and deficits.

3 Financial risk management

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

Credit risk management
Credit risk arises principally from cash and cash equivalents, deposits with banks and financial institutions, investments in pooled cash funds, derivative financial instruments and trade receivables. ACCA regularly monitors and reviews its exposure with key banking and investment manager suppliers, and for deposits, only independently rated banks and financial institutions with a minimum rating of 'A' are used. For working capital balances ACCA considers a figure of £20m per bank and £25m per pooled cash fund to be sufficient although this can be exceeded around times of high activity such as collection of subscription and exam income. ACCA's trade receivables relate substantially to members' and future members' fees and subscriptions. The credit risk is that the customer fails to discharge its obligation in respect of the instrument. ACCA has no significant concentration of credit risk, with exposure spread over a large number of customers and countries throughout the world and a requirement to pay in advance for exams. ACCA believes that the maximum exposure equates to the carrying value of trade and other receivables. Management reviews the trade receivables balance on a regular basis and undertakes an exercise to remove members and future 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 98% of ACCA's trade and other receivables were held in sterling (2021: 96%).

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 spreads the risk by using a specialist investment manager, 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 £45.0m (2021: £35.0m) in short-term cash funds and £34.3m (2021: £40.9m) 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.

Notes to the Financial Statements
for the year ended 31 March 2022

3 Financial risk management (continued)

Liquidity risk (continued))
Secured bank facility and assets pledged as security

In August 2020 ACCA entered into a Facility Agreement with Barclays Bank plc ('the Bank') for a Floating Rate Revolving Loan supported by the UK Government's CLBIL Scheme up to a maximum principal of £25m. The facility is a Floating Rate Revolving Loan under which the interest rate will never be less than the Margin of 2.45% per annum. Interest shall accrue at the rate per annum equal to the aggregate of the (i) Margin and (ii) Floating Rate for the relevant interest period. The agreement includes a non-utilisation fee of 1.26% (2021: 1.35%) per annum. The final repayment date is 15 August 2023 which is the date falling three years after the date of the Facility Agreement.

ACCA has not had to utilise the facility during the year ended 31 March 2022 and therefore incurred non-utilisation fees of £349,027 (2021: £164,466) (see note 11) during the year. The loan has been secured over a part of ACCA's investment portfolio.

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

a) Guarantees to the Bank the punctual performance by ACCA of all its obligations from time to time under the Facility Agreement;

b) Undertakes that whenever ACCA does not pay any amount obliged when due, it will immediately on demand pay that amount as if it were the principal obligor; and

c) Agrees with the Bank that if, for any reason, any amount claimed hereunder is not recoverable on the basis of a guarantee, it will, as an independent and primary obligation, indemnify the Bank on demand against any cost, loss or liability it incurs as a result of the Borrower not paying any amount which would, but for such reason, have been payable by it on the date when it would have been due. The amount payable by CAIC under this indemnity will not exceed the amount it would have had to pay hereunder if the amount claimed had been recoverable on the basis of a guarantee.

The floating rate as defined in the agreement refers to LIBOR (London Interbank Offered Rate). LIBOR ceased being the representative Reference Rate for Sterling from 31st December 2021 and therefore following discussion with Barclays it was agreed that the new Reference Rate would be the Bank of England Rate plus a Credit Adjustment Spread plus the Margin.

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. As ACCA utilises forward currency contracts to manage exchange rate movements, it does not consider foreign currency movements to have a material impact in the deficit reported in the financial statements.

Notes to the Financial Statements
for the year ended 31 March 2022

3 Financial risk management (continued)

Market risk (continued))
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 as well as geopolitical uncertainty. Where possible, ACCA will allow the national offices to settle liabilities denominated in their functional currency with the cash generated from their own operations in that currency. However, many national offices have insufficient reserves of their functional currency and rely on transfers of foreign currency from ACCA. ACCA mitigates the risk with regards to income because the vast majority of fees and subscriptions charged by ACCA are in sterling. In addition, ACCA uses forward currency contracts to mitigate the risk of currency fluctuations. At the balance sheet date 68% of ACCA's cash and cash equivalents were held in sterling (2021: 74%).

Other price risk relates to the risk of changes in market prices of the non-current and current financial assets and the investments held by the defined benefit pension schemes. ACCA invests in a variety of funds operated by different investment managers and in doing so exposes itself to the fluctuations in price that are inherent in such a market. The effect of a 10% increase in the value of the non-current financial assets held at the balance sheet date would have resulted in an increase in the fair value gains of £8.6m (2021: £9.1m) net of deferred tax. A 10% decrease in their value would, on the same basis, have resulted in the increase in the fair value losses by £3.9m (2021: £1.7m).

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

- Credit risk – due to lockdowns in various countries there was a risk that members and future members would be unable to pay subscriptions, exam fees etc. ACCA therefore allowed more time to pay during the year and revised its retention targets. By the year-end all key markets, apart from China, exceeded the retention targets. ACCA has reviewed its expected credit losses for the year-end in light of Covid-19 and provided for further unpaid debts.
- Liquidity risk – in the previous year ACCA experienced reduced revenue and reduced cash flow due to cancelled exam sessions. Covid-19 continued to impact the world during the year ended 31 March 2022 and exam sessions in some individual cities in China had to be cancelled during the year. This again led to reduced revenue and reduced cashflow however there was no requirement to dispose of investments to maintain liquidity as had been done the previous year. ACCA has continued to look at various scenarios, prepared a revised budget and maintained the loan facilities of up to £25m with its main banker, Barclays Bank plc (see above). Due to positive retention and successful concerted efforts to reduce costs, ACCA has not required to draw down on the facility.
- Market risk – during March 2020 the stock markets were very volatile and fell dramatically. ACCA's investments suffered unrealised losses in the year ended 31 March 2020 and in the year ended 31 March 2021, ACCA revised its investment strategy to reduce volatility. The markets rebounded during that year and as part of the revised strategy, some investments were disposed to realise significant gains. During the current year, markets continued to be volatile and ACCA continued to review its investment strategy. The portfolio suffered losses of around £1m during the year. ACCA invests in a diversified portfolio of investment funds to reduce volatility and to mitigate risk.

Notes to the Financial Statements
for the year ended 31 March 2022

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 and future members. ACCA has decided to report its income by product type but not by region or activity. It does not report expenditure by region, activity or product type.

During the year ACCA's income activities were organised by category: Admission and registration fees, subscriptions, examinations, exemptions, 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:

- Admission and registration: Members' admission fees and future members' initial registration fees
- Subscriptions: Comprise members', future members' annual subscriptions for the relevant period
- Examinations: Examination fees for the relevant session within the financial year for the Professional and other qualifications
- Exemptions: Exemption income from future members for the Professional and other qualifications
- Regulation and discipline: Audit, practice and other certificates
- Other income: Member and future member engagement, advertising, Continuing Professional Development (CPD) income, locally generated markets income and sponsorship

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

- Corporate: pension costs, depreciation, executive team, credit card charges, global redundancy provisions
- Strategy and Development: delivery of strategic outcomes, corporate training, market research, brand management, public relations, publishing, technical policy and research, development and maintaining of qualifications, ensuring the integrity of the syllabus and of the examination process, verifying and awarding exemptions and setting and scrutiny of exam papers
- Markets: Staff, operational and corporate marketing and promotional costs of ACCA's global operations and IFAC costs
- Governance: Regulation of members, secretariat, professional conduct, practice monitoring, legal services and internal audit
- People: Human Resources, corporate recruitment and talent and capability
- Finance and Operations: IT, finance and procurement, member and future member support, examinations, service improvements
- Strategic investment: Digital transformation, exam delivery, workplace transformation, strategic efficiency, market adoption and meet compliance

The presentation of both income and expenditure has changed from the previous year so as to align with new management reporting following the implementation of a new finance system.

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 2022, the accumulated fund represented 62 days of operating expenditure (31 March 2021: 49 days restated) which is above the long-term target of 60 days. This reflects the better than forecast deficit resulting mainly from reduced operating expenditure and the net actuarial gain.

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

Notes to the Financial Statements
for the year ended 31 March 2022

5 Capital (continued)

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

- Minimum liquidity
  ACCA shall ensure that the aggregate of Cash and Other Current Financial Assets and the undrawn and uncancelled amount of the Facility Amount:

  (i) for each Relevant Date ending 30 September, shall be greater than £15,000,000;

  (ii) for each other Relevant Date, shall be greater than £25,000,000; and

  (iii) for each other Quarter Look Forward Period, shall be greater than £10,000,000.

- Gearing
  ACCA shall ensure that at all times the ratio of Gross Borrowings to Total Assets shall not exceed 60%.

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

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

6 Operating income

	31 Mar 2022 £'000	Restated 31 Mar 2021 £'000
Admission and registration fees	**12,115**	12,400
Subscriptions (see note 7)	**103,006**	98,317
Examinations	**80,638**	71,535
Exemptions	**12,914**	11,851
Regulation and discipline	**6,174**	6,118
Other income	**6,711**	11,868
	221,558	212,089

Due to presentational changes for operating income this year, the previous year's figures have been restated for comparison purposes. Fees and subscriptions as reported last year of £110.717m have been split between Admission and registration fees and Subscriptions. Qualifications and Exams as reported last year of £86.263m has been split between Exams, Exemptions and the balance treated as other income along with the other categories from last year of Member and student engagement, Markets, Litigation settlement fees and other income.

In the previous year, other income included an amount of £4.85m received by ACCA as proceeds of a litigation settlement, which was settled on confidential terms.

7 Subscriptions

Members	**53,484**	51,809
Future members	**49,522**	46,508
	103,006	98,317

Notes to the Financial Statements
for the year ended 31 March 2022

	31 Mar 2022 £'000	Restated 31 Mar 2021 £'000

8 Operational expenditure

	31 Mar 2022 £'000	Restated 31 Mar 2021 £'000
Corporate	**17,818**	–
Strategy and Development	**20,573**	19,293
Markets	**42,396**	40,107
Governance	**15,989**	14,843
People	**10,947**	13,431
Finance and Operations	**83,733**	90,686
	191,456	178,360

Following the implementation of the new finance system, a new operating department entitled Corporate has been created which contains various centrally managed cost pools, such as the executive team, global property depreciation, fixed asset depreciation, global tax provisions, customer credit card charges and global redundancy provisions. In the previous years these costs crossed a number of departments.

The previous year's figures have been restated as a result of the reclassification of net foreign exchange losses which have now treated as other gains/(losses) (note 10).

9 Strategic investment expenditure

	31 Mar 2022 £'000	Restated 31 Mar 2021 £'000
Digital Transformation	**16,611**	11,232
Exams Delivery	**5,048**	5,227
Strategic Efficiency	**2,393**	2,491
Workplace Transformation	**2,873**	1,127
Market Adoption	**676**	2,165
Meet Compliance	**99**	1,295
Portfolio Management	**1,339**	5,602
	29,039	29,139

Strategic investment expenditure relates to project costs within each category, and once a project has reached completion then any ongoing expenditure is treated as operational. The Digital Transformation programme is transforming core business systems (finance, CRM, data, information management) to modern solutions with the aim of being more commercially agile and better attuned to customers' needs. The Exam Delivery programme is developing our exams platform to ensure it remains relevant to our future members. The Strategic Efficiency project was initiated to manage ACCA's response to Covid-19 and the changes necessary to maintain financial sustainability. The Market Adoption programme ensures that customers are ready to embrace the changes made to the qualification.

The previous year's figures have been restated to take account of the IFRIC Agenda decision issued in April 2021 on the treatment of Software as a Service (SaaS) solutions. Following the decision, ACCA has assessed that many of the intangible assets which had been previously categorised as intangible assets, no longer met the criteria under IAS 38 and therefore they have been removed as intangible assets and expensed in income and expenditure under strategic investment expenditure.

Notes to the Financial Statements
for the year ended 31 March 2022

		31 Mar 2022 £'000	Restated 31 Mar 2021 £'000
10	**Other gains/(losses)**		
	Forward currency contracts	**1,404**	(78)
	Net foreign exchange losses	**(1,325)**	(2,093)
		79	(2,171)
11	**(Losses)/income from investments and finance costs**		
(a)	(Losses)/income from investments		
	Interest receivable	**49**	8
	Dividends from investments	**722**	689
	Realised gains on disposals of investments	**102**	4,685
	Unrealised (losses)/gains on change of fair value of investments	**(1,145)**	5,969
		(272)	11,351
(b)	Finance costs		
	Net finance interest on defined benefit pension schemes	**(338)**	(344)
	Interest expense for leasing arrangements	**(1,029)**	(1,240)
	Other interest payable	**(16)**	(3)
	Non-utilisation fee (note 3)	**(349)**	(164)
		(1,732)	(1,751)

Notes to the Financial Statements
for the year ended 31 March 2022

	31 Mar 2022 £'000	Restated 31 Mar 2021 £'000

12 (Deficit)/surplus before tax

(Deficit)/surplus before tax includes the following:

(a) *Salaries and related costs*

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

	31 Mar 2022 £'000	Restated 31 Mar 2021 £'000
Salaries	**65,320**	64,158
Social security costs	**6,905**	6,532
Pension costs (note 22)	**6,842**	6,649
Other staff costs	**4,557**	4,259
	83,624	81,598

The average number of employees was 1,362 (31 March 2021: 1,435). The average annual salary was £47,959 (31 March 2021: £44,709). 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 £196.6m (31 March 2021: £181.7m restated) is stated net of adjustments relating to the non-payment of subscriptions and fees amounting to £14.1m (31 March 2021: £15.8m).

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

	31 Mar 2022 £'000	Restated 31 Mar 2021 £'000
Depreciation of property, plant and equipment (note 14)	**8,243**	8,718
Amortisation of intangible assets (note 15)	**1,345**	4,464
Foreign exchange losses	**1,325**	2,093

(d) *Auditors' remuneration*

	31 Mar 2022 £'000	Restated 31 Mar 2021 £'000
Fees payable to ACCA's auditor, Grant Thornton UK LLP, for the audit of		
– the parent undertaking and consolidated financial statements	**93**	79
– of UK subsidiaries and charities	**56**	51
– of the corporate KPIs	**–**	4
– of the ACCA Staff Pension Scheme	**11**	11
– of non-UK subsidiaries	**8**	6
	168	151

	31 Mar 2022 £'000	Restated 31 Mar 2021 £'000
Fees payable to member firms of Grant Thornton International Ltd for other non-audit services		
– taxation services in China	**19**	6
– non-audit services in China	**8**	3
	27	9

	31 Mar 2022 £'000	Restated 31 Mar 2021 £'000
Fees payable to ACCA's other auditors for		
– audit fees for non-UK subsidiaries	**72**	71
– audit fees for the corporate KPIs	**5**	–
	77	71

Notes to the Financial Statements
for the year ended 31 March 2022

	31 Mar 2022 £'000	Restated 31 Mar 2021 £'000

13 Tax

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

Current income taxes at 19% (2021: 19%) on the (deficit)/surplus for the year	**2,335**	1,838
Overprovision in respect of prior year	**(11)**	(36)
	2,324	1,802

The current tax charge is split as follows:		
Domestic	**(13)**	807
Foreign	**2,337**	995
	2,324	1,802

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

Factors affecting the tax charge for the year		
(Deficit)/surplus before tax	**(862)**	12,019
(Deficit)/surplus before tax multiplied by the standard rate of UK Corporation tax of 19% (2021: 19%)	**(164)**	2,284
Effects of:		
Overprovision in prior years	**(11)**	(36)
Overseas withholding taxes suffered as a deduction	**2,337**	750
Non-taxable income	**(1,960)**	(2,153)
Expenditure not deductible for tax purposes	**834**	(345)
Group relief	**(233)**	–
Tax losses not recognised	**1,521**	1,576
Deferred tax not recognised	**–**	(914)
Chargeable gains net of indexation	**–**	661
Differential in jurisdictions tax rates	**–**	(21)
	2,488	(482)
Total tax charge	**2,324**	1,802

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

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

Notes to the Financial Statements
for the year ended 31 March 2022

14 Property, plant and equipment

	Property £'000	Leasehold improve-ments £'000	Plant & equipment £'000	Computer systems & equipment £'000	Total £'000
Cost or valuation					
At 31 March 2020	**52,181**	**15,923**	**6,591**	**20,353**	**95,048**
Additions	2,050	17	100	452	2,619
Reallocation	3,770	(3,770)	–	–	–
Disposals	(3,125)	(42)	(357)	(413)	(3,937)
Exchange difference	(340)	177	217	498	552
At 31 March 2021	**54,536**	**12,305**	**6,551**	**20,890**	**94,282**
Additions	1,164	203	120	1,048	2,535
Disposals	(3,947)	(543)	(322)	(247)	(5,059)
Exchange difference	(211)	(8)	(468)	139	(548)
At 31 March 2022	**51,542**	**11,957**	**5,881**	**21,830**	**91,210**
Accumulated depreciation					
At 31 March 2020	**19,113**	**6,063**	**4,497**	**18,693**	**48,366**
Depreciation charge	5,915	1,207	725	871	8,718
Reallocation	2,103	(2,103)	–	–	–
Eliminated on disposals	(2,866)	(42)	(338)	(376)	(3,622)
Exchange difference	(250)	431	201	469	851
At 31 March 2021	**24,015**	**5,556**	**5,085**	**19,657**	**54,313**
Depreciation charge	5,873	1,036	612	722	8,243
Eliminated on disposals	(3,238)	(538)	(278)	(237)	(4,291)
Exchange difference	(92)	–	(414)	111	(395)
At 31 March 2022	**26,558**	**6,054**	**5,005**	**20,253**	**57,870**
Carrying amount					
At 31 March 2022	**24,984**	**5,903**	**876**	**1,577**	**33,340**
At 31 March 2021	30,521	6,749	1,466	1,233	39,969

Depreciation £8.2m (2021: £8.7m) is included in both operational and strategic investment expenditure.

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

	£'000
Property	**24,984**

Notes to the Financial Statements
for the year ended 31 March 2022

15 Intangible assets

	Internally generated intangible assets £'000	Third party intangible assets £'000	Total £'000
Cost			
At 1 April 2020 as previously reported	32,057	11,164	43,221
Impact of IFRIC Agenda Decision	(435)	(5,858)	(6,293)
At 1 April 2020 as restated	31,622	5,306	36,928
Additions	–	–	–
At 31 March 2021 as restated	31,622	5,306	36,928
Additions	–	–	–
Disposals	(4,335)	–	(4,335)
At 31 March 2022	**27,287**	**5,306**	**32,593**
Accumulated amortisation and impairment			
At 31 March 2020 as previously reported	27,699	2,086	29,785
Impact of IFRIC Agenda Decision	(65)	(581)	(646)
At 1 April 2020 as restated	27,634	1,505	29,139
Amortisation charge	3,325	1,139	4,464
At 31 March 2021 as restated	30,959	2,644	33,603
Amortisation charge	235	1,110	1,345
Eliminated on disposal	(4,335)	–	(4,335)
At 31 March 2022	**26,859**	**3,754**	**30,613**
Carrying amount			
At 31 March 2022	**428**	**1,552**	**1,980**
At 31 March 2021 (restated)	663	2,662	3,325
At 1 April 2020 (restated)	3,988	3,801	7,789

Intangible assets relate to internally generated development costs and other third-party costs of which the vast majority relates to the delivery of the qualification and Digital Transformation. ACCA has been developing a complete Digital Transformation programme and has engaged one of its strategic supplier partners to lead the development of the programme. ACCA used to capitalise directly attributable costs from the strategic supplier partner and other suppliers as other intangible assets and the majority of the additions prior to this year related to other intangible assets and included related costs for the development and implementation of Software as a Service (SaaS) solutions. However following the IFRIC Agenda decision issued in April 2021 on the treatment of SaaS, ACCA has assessed that many of the intangible assets which had been previously categorised as intangible assets, no longer met the criteria under IAS 38 and therefore they have been removed as intangible assets and expensed in income and expenditure. This has been accounted for with effect from 1 April 2020 and the previous year's figures have been restated.

Following an impairment review in accordance with IAS 36, management decided that no impairment charge (2021: £nil) was required to be accounted for either the internally generated or third-party intangible assets. Management considered the impact of Covid-19 and was satisfied that there remained sufficient headroom within the benefits.

Notes to the Financial Statements
for the year ended 31 March 2022

	31 Mar 2022 £'000	Restated 31 Mar 2021 £'000

16 Financial assets

	31 Mar 2022 £'000	Restated 31 Mar 2021 £'000
At valuation		
At 1 April	**101,868**	111,168
Additions	**63,533**	76,590
Disposals	**(42,099)**	(91,859)
Unrealised (losses)/gains transferred to income and expenditure	**(1,145)**	5,969
At 31 March	**122,157**	101,868
Historical cost of tradable investments	**119,252**	97,297

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

	31 Mar 2022 £'000	Restated 31 Mar 2021 £'000
Concentration of financial assets		
Non-current		
UK equities	**1,441**	861
Overseas equities	**15,649**	5,749
Fixed interest government bonds	**284**	306
Fixed interest non-government bonds	**22,107**	31,149
Inflation-linked bonds	**8,322**	19,238
Absolute return	**9,045**	–
Multi asset credit	**5,606**	–
Property and property debt	**9,932**	8,370
Cash and deposits	**4,789**	913
Other	**–**	281
	77,175	66,867
Current		
Cash funds	**44,982**	35,001
	122,157	101,868

	31 Mar 2022 £'000	Restated 31 Mar 2021 £'000
Financial assets are denominated in the following currencies		
UK Pound	**110,333**	97,384
US Dollar	**7,672**	2,352
Japanese Yen	**723**	1,050
Other currencies	**4,521**	1,770
Negative positions	**(1,092)**	(688)
	122,157	101,868

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

Notes to the Financial Statements
for the year ended 31 March 2022

16 Financial assets (continued)

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

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

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

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

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
At 31 March 2021				
Quoted equity	45	–	–	45
Observable inputs	35,001	59,515	–	94,516
Unobservable inputs	–	–	7,307	7,307
Total	35,046	59,515	7,307	101,868
At 31 March 2022				
Quoted equity	**52**	**–**	**–**	**52**
Observable inputs	**44,982**	**70,037**	**–**	**115,019**
Unobservable inputs	**–**	**–**	**7,086**	**7,086**
Total	**45,034**	**70,037**	**7,086**	**122,157**

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.

Financial assets classified within level 3 have unobservable inputs as they trade infrequently. They relate to investments in two property debt funds managed by BentallGreenOak. Valuations are provided quarterly by the fund manager which are based on the underlying loan terms existing at the reporting date agreed by the fund manager and the investors. A sensitivity analysis for level 3 positions has not been presented as it has been deemed that the impact of reasonable changes in inputs would not be significant.

Commitments
As part of its investment strategy ACCA has invested in two property debt funds managed by BentallGreenOak. Investments are made on a piecemeal basis and Council has approved investment of up to £10m in property funds directly. At the balance sheet date ACCA had a commitment to invest a further £2.9m in the BentallGreenOak property debt funds.

Notes to the Financial Statements
for the year ended 31 March 2022

17 Trade and other receivables

	31 Mar 2022 £'000	Restated 31 Mar 2021 £'000
Trade receivables	**22,000**	23,467
Accrued income	**1,655**	2,283
Prepayments	**7,969**	7,338
Taxation recoverable	**487**	875
Other receivables	**991**	12,703
	33,102	46,666

Trade receivables is stated net of an adjustment of £15.2m (2021: £15.7m) to reflect historical experience of customer retention. In the previous year other receivables included £11.4m in relation to proceeds receivable from the disposal of financial assets on 31 March 2021.

The carrying amount of trade and other receivables approximates to their fair value, which has been calculated based on expectations of debt recovery from historic trends feeding into expected credit loss calculations. The majority of trade receivables relates to members' and future members' debt which are individually small in value.

ACCA applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss for trade receivables. To measure expected credit losses on a collective basis, trade receivables are grouped based on customer segment, geography, and product type. Loss rates are based on ACCA's historic credit loss experience over the previous period and are then adjusted for current and forward-looking factors affecting ACCA's members, future members and other customers eg retention rates and economic factors.

As of 31 March 2022, trade receivables of £19.4m (2021: £20.0m) were past due but not impaired. The aging analysis of these trade receivables is as follows:

	31 Mar 2022 £'000	31 Mar 2021 £'000
31-60 days	**2,148**	2,184
61-90 days	**2,821**	2,325
91-120 days	**13,589**	14,823
Over 121 days	**812**	670
	19,370	20,002

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

	31 Mar 2022 £'000	31 Mar 2021 £'000
At 1 April	**752**	1,218
Receivables impaired during the year	**965**	757
Receivables written off during the year as uncollectible	**(354)**	(669)
Amounts recovered which were previously provided for	**(520)**	(554)
At 31 March	**843**	752

Notes to the Financial Statements
for the year ended 31 March 2022

18 Derivative financial instruments

	31 Mar 2022		31 Mar 2021	
	Assets	**Liabilities**	Assets	Liabilities
	£'000	**£'000**	£'000	£'000
Forward foreign exchange contracts	**520**	**(14)**	54	(952)
	520	**(14)**	54	(952)

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 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 IFRS 9, and consequently all changes in fair value are taken to the statement of comprehensive income.

The amount recognised in the statement of comprehensive income that arises from the forward foreign exchange contracts amounted to a gain of £1.4m (31 March 2021: loss of £0.1m).

Forward foreign exchange contracts
The notional principal amounts of the outstanding forward foreign exchange contracts at 31 March 2022 was £22.1m (31 March 2021: £28.2m).

19 Cash and cash equivalents

	31 Mar 2022 £'000	31 Mar 2021 £'000
Cash at bank and in hand	**34,340**	40,918

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

Cash and cash equivalents comprise cash on hand, demand and short-term deposits, as appropriate, with banks and similar institutions which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value.

Notes to the Financial Statements

for the year ended 31 March 2022

20 Leases

	31 Mar 2022 £'000	Restated 31 Mar 2021 £'000
Lease liabilities are presented in the balance sheet as follows:		
Current	**4,730**	6,403
Non-current	**25,274**	29,488
	30,004	35,891

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

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

The lease liabilities are secured by the related underlying assets. Future minimum lease payments at 31 March 2022 were as follows:

	Minimum lease payments due						
	Within 1 year £'000	**1-2 years £'000**	**2-3 years £'000**	**3-4 years £'000**	**4-5 years £'000**	**After 5 years £'000**	**Total £'000**
31 March 2022							
Lease payments	**5,489**	**5,339**	**4,923**	**4,649**	**2,987**	**9,378**	**32,765**
Finance charges	**(759)**	**(613)**	**(475)**	**(339)**	**(247)**	**(328)**	**(2,761)**
Net present values	**4,730**	**4,726**	**4,448**	**4,310**	**2,740**	**9,050**	**30,004**
31 March 2021							
Lease payments	7,305	5,724	4,922	4,624	4,605	12,325	39,505
Finance charges	(902)	(732)	(597)	(469)	(339)	(575)	(3,614)
Net present values	6,403	4,992	4,325	4,155	4,266	11,750	35,891

In the previous year the above figures included figures for dilapidations. These have now been shown separately in the provisions note (see note 25) and the prior year's figures have been restated accordingly.

Notes to the Financial Statements
for the year ended 31 March 2022

20 Leases (continued)

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

	Leasehold Improvements
Right-of-use asset	
Number of right-of-use assets leased	37
Range of remaining term	1 month to 9 years 4 months
Average remaining lease	1 years 8 months
Number of leases with extension options	nil
Number of leases with options to purchase	nil
Number of leases with variable payments linked to an index	3
Number of leases with termination options	2

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

There are no undiscounted potential future rental payments relating to periods following the exercise date of extension and termination options that are not included in the lease term.

Lease payments not recognised as a liability

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

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

	31 Mar 2022 £'000	31 Mar 2021 £'000
Short-term leases	466	286
Leases of low value assets	–	1
	466	287

At 31 March 2022 ACCA was committed to short-term leases and the total commitment at that date was £222k (31 March 2021: £31k).

At 31 March 2022 ACCA had no commitments to leases which had not yet commenced and there were therefore no future cash outflows to disclose for leases that had not yet commenced (31 March 2021: £nil).

Total cash outflow for leases for the year ended 31 March 2022 was £6.8m (2021: £5.5m).

Notes to the Financial Statements
for the year ended 31 March 2022

21 Deferred tax liabilities

Deferred tax liabilities are calculated in full on temporary differences using a principal tax rate of 25% (2021: 19%). The major deferred tax liabilities recognised by ACCA and the movements thereon during the current period and previous years relate to the pension asset of the UK defined benefit pension scheme. The tax rate applicable to authorised surplus payments from defined benefit schemes is 35%. ACCA has no deferred tax assets.

Deferred tax liabilities

	31 Mar 2022 £'000	31 Mar 2021 £'000
At 1 April		
Tax charged to reserves:	**–**	–
Current year provision on pension asset	**388**	–
At 31 March	**388**	–

22 Retirement benefit obligations

(a) *General information*

The financial statements include the financial impact of defined benefit pension schemes operated in the UK and Ireland, and which closed to future accrual on 31 July 2013. Those schemes provided benefits based on final pensionable pay and on a career average revalued earnings (CARE) basis. ACCA operates defined contribution plans which are currently administered by Aegon in the UK and Aon in Ireland. Contributions are invested with Aegon in the UK and with Irish Life in Ireland.

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

The most recent triennial valuation of the UK Scheme was at 1 January 2019 (the January 2022 valuation is currently in progress). This 1 January 2019 valuation has been updated by the scheme actuary for IAS 19 purposes as at 31 March 2022. The triennial valuation was based on the following principal financial assumptions:

Rate of investment return:	past service 2.3% p.a. to retirement, 2.3% p.a. thereafter future service 2.3% p.a. to retirement, 2.3% p.a. thereafter
Limited price indexation of pensions in payment	3.2% p.a.
Retail price index	3.4% p.a.
Consumer price index	2.3% p.a.
Rate of salary growth	not applicable as scheme closed to future accrual

The actuarial valuation of the UK Scheme showed that, at 1 January 2019, the market value of Scheme assets was £106.7m and the value of pension benefits earned was £160.1m. The funding level against technical provisions was therefore 67%. As part of the actuarial valuation ACCA and the Trustees agreed to move to a Long-Term Funding basis calculation for the calculations of the Technical Provisions.

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

Notes to the Financial Statements
for the year ended 31 March 2022

22 Retirement benefit obligations (continued)

(a) *General information (continued)*

The most recent triennial valuation of the Irish Scheme was at 1 January 2021. This valuation has been updated by the scheme actuary for IAS 19 purposes as at 31 March 2022. 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 2021, the market value of the Scheme assets was €4.1m and the value of pension benefits earned was €4.5m. The funding ratio was therefore 91%.

	31 Mar 2022	31 Mar 2021
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%**	2.10%
Discount rate for Irish Scheme	**1.95%**	1.25%
RPI – Future pension increases (UK Scheme) subject to LPI	**3.40%**	3.10%
CPI (UK Scheme)	**2.60%**	2.30%
Inflation – Future pension increases (Irish Scheme)	**2.50%**	1.70%

The mortality assumptions for the current year-end for the UK Scheme follows the table known as S3PXA, using 102% of the base table with mortality improvements in line with the 2021 version of the CMI model, with a long-term rate of improvement of 1% per annum (2021: 1% per annum). At the previous year-end mortality assumptions followed the table known as S3PXA using 100% of the base table with mortality improvements in line with the 2019 version of the CMI model. For the Irish Scheme the mortality assumptions (post retirement) are unchanged from the previous disclosures. However, given the way the tables are compiled to take into account future mortality improvements, the actual life expectancy for members of the Irish Scheme at each age will have increased from last year.

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

	Irish Scheme		UK Scheme	
	31 Mar 2022	31 Mar 2021	**31 Mar 2022**	31 Mar 2021
For a male aged 65 now	**23.3**	21.8	**21.6**	21.7
At 65 for a male aged 45 now	**25.0**	24.1	**22.6**	22.7
For a female aged 65 now	**25.6**	24.2	**24.0**	24.1
At 65 for a female aged 45 now	**27.3**	26.2	**25.1**	25.2

In accordance with IFRIC14, UK Scheme Rules and funding arrangements were reviewed and ACCA considers that the Trustees have no rights to unilaterally wind up, or otherwise augment the benefits due to members of the scheme. Management has made the judgement that the amount meets the requirements of recoverability and the surplus on the UK Scheme has therefore been recognised in full assuming the gradual settlement of the scheme liabilities over time until all members have left the scheme and no additional liability has been recognised in relation to any minimum funding requirement.

Notes to the Financial Statements
for the year ended 31 March 2022

22 Retirement benefit obligations (continued)

(b) *Pension costs*

	31 Mar 2022 £'000	31 Mar 2021 £'000
The total pension charge is made up as follows:		
Pension costs under the UK and Irish Schemes	**338**	344
Payments to defined contribution schemes for certain employees outside the UK and Ireland	**399**	605
Payments to defined contribution schemes for certain employees in the UK and Ireland	**5,982**	5,552
Payments for the Pensions Protection Fund levies	**123**	148
Pension costs	**6,842**	6,649
Actuarial (gains)/losses recognised in the statement of other comprehensive income for the period	**(15,704)**	5,509

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

The amounts recognised in total comprehensive income for the schemes are as follows:		
Past service costs in respect of GMP equalisation	**–**	15
Net interest	**338**	329
Pension costs under the Schemes	**338**	344

Past service costs – GMP Equalisation

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

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

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

Notes to the Financial Statements
for the year ended 31 March 2022

22 Retirement benefit obligations (continued)

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

ACCA is required to agree a schedule of contributions with the Trustees of the Schemes following actuarial valuations which take place every three years. In accordance with actuarial advice and with the agreement of ACCA and the UK Scheme's Trustees, a recovery plan was put in place with effect from January 2020 to which ACCA will contribute annual deficit recovery contributions of £2.65m in respect of the UK scheme increasing by 3% p.a. for a period of 13 years, subject to review at future actuarial valuations. The triennial valuation due as at 1 January 2021 for the Irish scheme was completed during the year and it revealed that the funding position had worsened by £152,000 to £381,000. ACCA has agreed to maintain annual contributions for the year ended 31 March 2022 at about £96,000. In respect of other overseas schemes, it is expected that ACCA will contribute on average 9% of pensionable salary in the coming year.

(d) *Movement in the net (asset)/liability recognised in the balance sheet*

	31 Mar 2022 £'000	31 Mar 2021 £'000
At 1 April	**17,816**	17,884
Pension costs	**338**	344
Contributions paid	**(2,961)**	(5,917)
Recognition of actuarial (gains)/losses	**(15,704)**	5,509
Exchange difference	**(7)**	(4)
At 31 March	**(518)**	17,816

The UK scheme had a pension surplus at the year-end which has been recognised as a pension asset in the balance sheet. The split for balance sheet purposes is shown below.

Pension asset on UK Scheme in the balance sheet	**(1,110)**
Pension deficit on Ireland Scheme in the balance sheet	**592**
Net (asset)/liability at 31 March	**(518)**

(e) *Pension benefits*

Amounts recognised in the balance sheet to reflect funded status		
Present value of funded obligations	**148,895**	160,887
Fair value of plan assets	**(149,413)**	(143,071)
Net (asset)/liability in the balance sheet at 31 March	**(518)**	17,816

(f) *Change in benefit obligation*

Present value of benefit obligation at 1 April	**160,887**	142,263
Interest on obligation	**3,312**	3,362
Benefits paid	**(2,803)**	(4,186)
Past service costs	**–**	15
Gain from change in demographic assumptions	**(918)**	(2,220)
(Gain)/loss from change in financial assumptions	**(12,543)**	23,097
Loss/(gain) from experience	**1,004**	(1,302)
Exchange difference	**(44)**	(142)
Present value of benefit obligation at 31 March	**148,895**	160,887
Deferred pensioners	**112,611**	126,501
Pensioners	**36,284**	34,386
Present value of benefit obligation at 31 March	**148,895**	160,887

Amounts recognised in the balance sheet for pensions are predominantly non-current and are reported as non-current liabilities and/or non-current assets as applicable

Notes to the Financial Statements
for the year ended 31 March 2022

22 Retirement benefit obligations (continued)

(g) *Change in plan assets*

	31 Mar 2022 £'000	31 Mar 2021 £'000
Fair value of plan assets at 1 April	**143,071**	124,379
Interest income	**2,974**	3,034
Actual return on assets less interest	**3,247**	14,067
Actual return on plan assets	**6,221**	17,101
Contributions – employer	**2,961**	5,917
Benefits paid	**(2,803)**	(4,186)
Exchange difference	**(37)**	(140)
Fair value of plan assets at 31 March	**149,413**	143,071

(h) *Plan assets*

The major categories of plan assets are as follows:

	31 Mar 2022 £'000	31 Mar 2022 %	31 Mar 2021 £'000	31 Mar 2021 %
UK equities	**1,773**	**1.2**	1,937	1.4
North American equities	**24,999**	**16.7**	27,430	19.2
European equities	**5,661**	**3.8**	6,175	4.3
Japanese equities	**3,042**	**2.0**	3,341	2.3
Asia Pacific equities	**2,260**	**1.5**	2,474	1.7
Emerging markets equities	**4,715**	**3.2**	5,199	3.6
Equities	**42,450**	**28.4**	46,556	32.5
LDIs	**41,339**	**27.7**	26,574	18.6
Diversified Growth Funds	**12,458**	**8.3**	11,976	8.4
Bonds	**2,916**	**2.0**	10,100	7.1
Multi Asset Credit Funds	**35,226**	**23.6**	34,701	24.2
Property	**13,753**	**9.2**	257	0.2
Cash and liquidity funds	**1,271**	**0.8**	12,907	9.0
	149,413	**100.0**	143,071	100.0

Assets are invested in a range of funds operated by Legal & General, Barings (until June 2021), Columbia Threadneedle (from July 2021), Royal London Asset Management, CBRE (from April 2021) and CVC Credit Partners for the UK Scheme and Irish Life for the Irish Scheme. The Trustees believe that investing in a range of funds and investment managers offers the best combination of growth opportunity and risk management. Investments are diversified such that the failure of any single investment would not have a material impact on the overall level of assets.

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

Notes to the Financial Statements
for the year ended 31 March 2022

22 Retirement benefit obligations (continued)

(i) Sensitivity of overall pension liabilities

	31 Mar 2022 £'000	31 Mar 2021 £'000
Increase in liability through 0.25% reduction in discount rate	**7,445**	8,044
Increase in liability through 0.25% increase in inflation assumption	**4,467**	4,827
Increase in liability through increase in rate of mortality by 1 year	**5,956**	6,435

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

(j) Defined benefit obligation trends

The major categories of plan assets are as follows:

	31 Mar 2022 £'000	31 Mar 2021 £'000	31 Mar 2020 £'000	31 Mar 2019 £'000	31 Mar 2018 £'000
Scheme assets	**149,413**	143,071	124,379	119,413	114,450
Scheme liabilities	**(148,895)**	(160,887)	(142,263)	(151,302)	(135,191)
Scheme surplus/(deficit)	**518**	(17,816)	(17,884)	(31,889)	(20,741)

23 Trade and other payables

	31 Mar 2022 £'000	31 Mar 2021 £'000
Trade and other creditors	**17,774**	15,965
Social security and other taxes	**5,954**	5,625
Accrued expenses	**22,205**	24,617
	45,933	46,207

24 Deferred income

Deferred income	**91,146**	88,351

Deferred income comprises fees and subscriptions from members and future members accounted for in advance, exam fees paid in advance by future members and monitoring contract income paid in advance.

Notes to the Financial Statements
for the year ended 31 March 2022

25 Provisions

	Restated 31 Mar 2021 £'000	Utilised in a year £'000	Released in a year £'000	Provided in a year £'000	Exchange difference £'000	**31 Mar 2022 £'000**
Legal costs and claims	2,066	(468)	(1,033)	888	–	**1,453**
End of service	975	(17)	–	350	–	**1,308**
Tax	1,180	(1,021)	(160)	3,547	–	**3,546**
Restructuring	1,841	(1,641)	(544)	2,393	–	**2,049**
Dilapidations	4,275	(382)	–	113	(53)	**3,953**
Total	10,337	(3,529)	(1,737)	7,291	(53)	**12,309**

The opening position has been restated to include provisions for dilapidations which were previously included as part of lease liabilities in the prior year financial statements. The dilapidations provision represents management's best estimate of the costs to restore ACCA's leased buildings to their previously unfurnished states. The majority of the provision relates to the UK, Ireland and China offices.

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

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

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

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

26 Other reserves

	Currency translation £'000	**Total £'000**
Balance at 31 March 2020	(404)	(404)
Currency translation differences	71	71
Balance at 31 March 2021	(333)	(333)
Currency translation differences	787	787
Balance at 31 March 2022	**454**	**454**

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

Notes to the Financial Statements
for the year ended 31 March 2022

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	Orla Collins (President) Joseph Owolabi (Deputy President) Ronnie Patton (Vice President)

The office holders receive a small honorarium for each year they serve as an officer. In accordance with the Council Travel and Expenses policy, Council members are reimbursed for any expenses which they directly incur on behalf of ACCA as part of their role as a Council member.

Other Council members (in post during the year ended 31 March 2022)	Maryam Abisola Adefarati, Victoria Ajayi, Susan Allan, Liz Blackburn, Carol-Ann Boothe, Ben Catlin, Natalie Chan, Sharon Critchlow, John Cullen, Matt Dolphin, Joyce Evans (in memoriam), Kevin Fitzgerald, Jenny Gu, Cristina Gutu, Datuk Zaiton Mohd Hassan, Lorraine Holleway, Michelle Hourican, Babajide Ibironke, Paula Kensington, Lock Peng Kuan, Arthur Lee, Dean Lee, Oxana Losevskaya, Philip Maher, Ayla Majid, Gillian McCreadie, Nauman Asif Mian, Mark Millar, Brigitte Nangoyi Muyenga, Mohd Nasir Ahmad, Amos Ng, Oluwaseyi Oshibolu, Siobhan Pandya, Melanie Proffitt, Marta Rejman, Dani Saghafi, Brendan Sheehan, Sallah-ud-din (Den) Surfraz, Dinusha Weerawardane, Ernest Wong, Matthew Wong, Alice Yip and Phoebe Hao Yu
Key management personnel (in post during the year ended 31 March 2022)	Helen Brand (Chief Executive), Alan Hatfield, Julie Hotchkiss, Raymond Jack, Maggie McGhee, Lucia Real-Martin and Soo Yee Leong
Defined benefit pension schemes	The UK and Ireland defined benefit pension schemes are related parties. ACCA's transactions with the defined benefit pension schemes relate to contributions paid to the Schemes (see note 22)

Notes to the Financial Statements
for the year ended 31 March 2022

27 Related party transactions (continued)

	31 Mar 2022 £'000	31 Mar 2021 £'000
Related party transactions		
Honorarium to the office holders	**18**	16
Reimbursement of expenses directly incurred by Council members	**6**	10

Key management personnel are remunerated as shown below.

	31 Mar 2022 £'000	31 Mar 2021 £'000
Salaries and other short-term employee benefits	**2,418**	2,142
Post-employment benefits	**108**	98
	2,526	2,240

The post-employment benefits are the pension contributions payable for those Executive Team members who are members of the defined contribution pension scheme. Two (2021: 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	**Owed**	Owed
Bonuses payable to key management personnel	**413**	402

Notes to the Financial Statements
for the year ended 31 March 2022

28 Principal undertakings

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

Subsidiary undertakings

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

	Country of registration	**Beneficial holding**	**Nature of business**
Certified Accountants Investment Company Limited	England & Wales	Ordinary shares	Investment company
The Certified Accountants Educational Trust	England & Wales	Charitable trust	Educational charity
Certified Accountants Educational Projects Limited	England & Wales	Ordinary shares	Provider of educational supplies and services
Certified Accountant (Publications) Limited	England & Wales	Ordinary shares	Publisher of *Accounting & Business*
Seacron Limited	England & Wales	Ordinary shares	Vehicle for ACCA's operations in China
ACCA Malaysia Sdn. Bhd.	Malaysia	Ordinary shares	Vehicle for ACCA's operations in Malaysia
ACCA Mauritius	Mauritius	Limited by guarantee	Vehicle for ACCA's operations in Mauritius
ACCA Pakistan	Pakistan	Limited by guarantee	Vehicle for ACCA's operations in Pakistan
ACCA Singapore Pte Ltd.	Singapore	Ordinary shares	Vehicle for ACCA's operations in Singapore
ACCA South Africa	South Africa	Limited by guarantee	Vehicle for ACCA's operations in South Africa
Seacron Educational Nigeria Ltd	Nigeria	Ordinary shares	Vehicle for ACCA's operations in Nigeria
ACCA (Shanghai) Consulting Co. Ltd	China	Paid-in capital	Vehicle for ACCA's operations in China
ACCA Canada	Canada	Limited by guarantee	Vehicle for ACCA's operations in Canada
ACCA Romania	Romania	Limited by guarantee	Vehicle for ACCA's operations in Romania
ACCA Malawi Ltd	Malawi	Limited by guarantee	Vehicle for ACCA's operations in Malawi

Notes to the Financial Statements
for the year ended 31 March 2022

28 Principal undertakings (continued)

	Country of registration	Beneficial holding	Nature of business
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
ACCA Botswana	Botswana	Limited by guarantee	Vehicle for ACCA's operations in Botswana
ACCA Kenya	Kenya	Limited by guarantee	Vehicle for ACCA's operations in Kenya
ACCA Global Ltd	England & Wales	Ordinary shares	Vehicle for ACCA's operations in Nepal
Certified Accountants Educational Trustees Ltd	England & Wales	Ordinary shares	Corporate trustee for CAET
Certified Nominees Ltd	England & Wales	Ordinary shares	Corporate director for ACCA companies

Other undertakings

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

29 Contingent liabilities

During the year ACCA continued its analysis of its various income streams in international markets to confirm or identify exposure to international sales taxes. This analysis continues in parallel to a systematic review of the tax profile of various national offices in international markets who provide supporting services to ACCA. This review will determine whether historical tax practices remain appropriate or accurately reflect how ACCA now operates in international markets. This work is ongoing and will continue in the year to March 2023.

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

Notes to the Financial Statements
for the year ended 31 March 2022

30 Cash flow statement

(a) *Cash generated from operations*

	31 Mar 2022 £'000	Restated 31 Mar 2021 £'000
(Deficit)/surplus before tax	**(862)**	12,019
Adjustments for:		
Depreciation on property, plant and equipment	**8,243**	8,718
Amortisation of intangible assets	**1,345**	4,464
Loss on disposal of property, plant and equipment	**101**	265
Realised gain on sale of investments	**(102)**	(4,685)
Unrealised losses/(gains) on investments	**1,145**	(5,969)
Interest received	**(49)**	(8)
Dividends received	**(722)**	(689)
Pension costs – net interest payable	**338**	329
Past service costs	**–**	15
Interest paid	**365**	167
Interest expense for leasing arrangements	**1,029**	1,240
Pension contributions paid	**(2,961)**	(5,917)
Changes in working capital (excluding the effects of exchange differences)		
Derivative financial instruments	**(1,404)**	78
Trade and other receivables	**13,176**	(12,219)
Trade and other payables	**(274)**	6,339
Deferred income	**2,795**	(1,454)
Provisions	**2,025**	1,433
Cash generated from operations	**24,188**	4,126

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

	31 Mar 2022 £'000	Restated 31 Mar 2021 £'000
Net book amount	**768**	315
Loss on disposal of property, plant and equipment	**(101)**	(265)
Proceeds from disposal of property, plant and equipment	**667**	50

Corporate Governance Statement
for the year ended 31 March 2022

The *UK Corporate Governance Code*

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

Principles of good governance

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

Council has adopted a Code of Practice for Council members. This Code of Practice, a link to which is circulated to members with the material for the Annual General Meeting (AGM), applies to Council members when acting in their capacity as Council members and provides a framework for the operation of Council's business. Council is a collegial body and expects all of its members to recognise their collective responsibilities and to comply with the Code. Whatever their geographical or sectoral bases, Council members do not represent particular areas or functions. At 31 March 2022 Council had 40 volunteer members. They are all subject to re-election every three years, for a maximum of three terms. The immediate past president also attends Council. They have a wide-ranging remit geared to providing strategic direction for ACCA. Council members examine issues of broad and long-term importance to ACCA and establish ACCA's position on global industry developments as they arise. Following the 2021 AGM, Council now has members from 16 different countries, reflecting the diversity of ACCA and its members. Profiles of Council members are available on the ACCA website at www.accaglobal.com

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

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

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

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

Corporate Governance Statement
for the year ended 31 March 2022

Principles of good governance (continued)

Mentoring

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

Performance appraisal

Council members are subject to an annual performance appraisal process. They complete self-assessment questionnaires, in which they are asked to consider their performance in relation to the skills sets required of Council members and the positivity of their voluntary contribution to ACCA. 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 chairing is on offer to all Council members.

Council members' interests

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

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

Council meetings

During the year there were 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 UK-adopted International Accounting Standards, which give a true and fair view of the state of affairs of ACCA and its subsidiaries at the end of each accounting period and of the results for the period.

In preparing these financial statements, Council ensures that:

- suitable accounting policies are selected and applied consistently;
- reasonable and prudent judgements and fair accounting estimates are made;
- UK-adopted International Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- the financial statements are correctly prepared on the going concern basis.

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

Corporate Governance Statement
for the year ended 31 March 2022

Statement of Council's responsibilities (continued)

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

ACCA's Integrated Report sets out details of the business risks which ACCA faces and its performance and strategy in addressing these. During 2021-22, ACCA established strategic targets, which were agreed by Council Board, and also established measures against the Strategy to 2025 which formed the basis for developing five-year financial projections and were used to develop the 2022-23 budget. Council Board approved the 2022-23 budget in February 2022, which contained the detailed financial assumptions, allocations and targets to deliver the 2022-23 Strategic Delivery Plan. Despite the global uncertainty Council remains satisfied that ACCA has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the going concern basis continues to be adopted in preparing the financial statements.

Internal control

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

Relations with members

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

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

Governance structure

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

At the AGM in November 2017, Council proposed a series of bye-law changes to enable future governance reforms, all of which were overwhelmingly backed by members. The first phase of these reforms was implemented in November 2019 with the creation of the Nominating and Governance Committee and a Council Board. Phase two implementation started from November 2020 with three additional places on Council. As part of phase two, ACCA's Council will increase to 45 over a three-year period by November 2023.

Corporate Governance Statement
for the year ended 31 March 2022

Council Board

The Council Board was established during the year ended 31 March 2020. It normally meets six times a year and has responsibility for the holistic oversight of the implementation of ACCA's strategy and to support agile decision making. During the year there were six meetings which took place virtually.

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

		Meetings attended
Chairs:	Orla Collins, FCCA MSc LCOI QFA LIB (from 18/11/21)	2/2
	Mark Millar, FCCA CA (CAANZ) FHFMA (to 18/11/21)	4/4
Other members:	Mohd Nasir Ahmad, FCCA CA(M) MBA	6/6
	Susan Allan, FCCA (from 18/11/21)	2/2
	Helen Brand, BA OBE	6/6
	Orla Collins, FCCA MSc LCOI QFA LIB (to 18/11/21)	4/4
	Lorraine Holleway, FCCA MBA (to 18/11/21)	3/4
	Joseph Owolabi, FCCA CIA CISA	6/6
	Ronnie Patton, FCCA MBA ADE FHEA (from 18/11/21)	2/2
	Marta Rejman, FCCA MEcon MBA (to 18/11/21)	4/4
	Alice Yip, FCCA HKICPA CIA (from 18/11/21)	2/2

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

Anand Aithal	6/6
Daryl Fielding	6/6

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

Nominating and Governance Committee

Nominating and Governance Committee is responsible for making recommendations to Council for appointments to Council, Council Board, standing committees and task forces, Council representation to International Assembly, Regulatory Board, and trustees of the pension scheme, including independent members. The Committee also identifies and endorses ACCA's member nominations to external organisations. The Committee also has direct responsibility to develop and keep under review succession planning arrangements for ACCA's Officers and committee chairs and to play a proactive role in the identification of potential Council members. Appointments to committees are made annually by Council. The Committee will pursue continual improvement in governance design in ACCA in order to reflect best global practice. It gives ACCA a standing mechanism for reviewing governance design and planning in the short, medium and long term. This provides clear lines of sight between the development and implementation of ACCA's strategy and how ACCA's governance structures might need to evolve to support the delivery of strategy in the future.

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

		Meetings attended
Chairs:	Orla Collins, FCCA MSc LCOI QFA LIB (from 18/11/21)	1/1
	Mark Millar, FCCA CA (CAANZ) FHFMA (to 18/11/21)	1/1
Other members:	Liz Blackburn, FCCA Chartered MCSI (to 18/11/21)	1/1
	Orla Collins, FCCA MSc LCOI QFA LIB (to 18/11/21)	1/1
	Sharon Critchlow, FCCA APFS Chartered MCSI FRSA	2/2
	John Cullen, FCCA FABRP MIPA (to 18/11/21)	1/1
	Jenny Gu, FCCA CA (CAANZ) CICPA (to 18/11/21)	1/1
	Arthur Lee, FCCA HKICPA ACMA CPA (from 18/11/21)	1/1
	Mark Millar, FCCA CA (CAANZ) FHFMA (from 18/11/21)	1/1
	Joseph Owolabi, FCCA CIA CISA	2/2
	Siobhan Pandya, FCCA (from 18/11/21)	1/1
	Ronnie Patton, FCCA MBA ADE FHEA (from 18/11/21)	1/1
Non-Council member	Anand Aithal	2/2

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

Corporate Governance Statement
for the year ended 31 March 2022

Audit Committee

A separate Report from the Audit Committee has been presented at pages 57 to 60. This is in accordance with the revised ISA (UK) 700 Audit Report which was issued in 2019 and updated in January 2020.

Remuneration Committee

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

The Committee's work plan during 2021-22 included: a review of succession planning arrangements for the senior management team; a benchmark review of remuneration within the scope of the Committee; a review of the components and objectives of the senior management reward scheme; and consideration of ACCA's people strategy as a whole.

The Committee has also taken external independent advice from reward consultants Aon. This advice related to external benchmarking data and market practice.

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

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

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

		Meetings attended
Chair:	Melanie Proffitt, FCCA MBA	2/2
Other members:	Liz Blackburn, FCCA Chartered MCSI (to 18/11/21)	2/2
	Natalie Chan, FCCA HKICPA CICPA CFA	2/2
	Joyce Evans, FCCA FCPA FCGA C.Dir MPA	2/2
	Datuk Zaiton Mohd Hassan, FCCA	2/2
	Dean Lee, FCCA (from 18/11/21)	0/0
	Ayla Majid, FCCA	2/2
	Amos Ng, FCCA ISCA (to 18/11/21)	2/2
	Siobhan Pandya, FCCA (from 18/11/21)	0/0
	Matthew Wong, FCCA CICPA HKICPA	2/2
External adviser	Jackie Waller	2/2

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

Regulatory Board

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

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

Corporate Governance Statement
for the year ended 31 March 2022

Regulatory Board (continued)

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 demonstrate to stakeholders that ACCA's arrangements are operated impartially, with integrity and in the public interest. The Regulatory Board comprises two members of ACCA's Council and six independent 'lay' appointees – non-accountants – one of whom is Lay Chair.

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

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

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

		Meetings attended
Chair:	Lucy Winskell, OBE DL	4/4
Lay members:	Richard Cooper, IEE/IET	4/4
	Amin Dasmura (from 5/1/22)	1/1
	William Matthews, C.Eng, MIET, MCIM	4/4
	Nora Nanayakkara, BA MBA	4/4
	Geoffrey Podger (to 30/11/21)	3/3
	Tom Spender, LLB (from 5/1/22)	1/1
	Suzy Walton, BSc PhD (to 30/11/21)	3/3
Members from Council:	Sharon Critchlow, FCCA APFS Chartered MCSI FRSA	4/4
	Den Surfraz, FCCA (from 18/11/21)	1/1
	Dinusha Weerawardane, FCCA PhD MSc BSc LLB SFHEA CMgr MCMI (to 18/11/21)	3/3

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

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

The Regulatory Board and its sub-boards are supported internally by the ACCA Secretariat.

Corporate Governance Statement
for the year ended 31 March 2022

International Assembly

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

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

Senior management and remuneration

The chief executive and five executive directors (year ended 31 March 2021: six) 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. During the year, one executive director – Markets left ACCA and has not been replaced.

The total salary (including bonus and allowance paid) and benefits of the chief executive in the year ended 31 March 2022 was £435,308 (year ended 31 March 2021: £394,074). This includes a fixed non-pensionable allowance in lieu of pension benefits, introduced in August 2013 when the chief executive agreed to vary her contract of employment following the closure of the defined benefit pension scheme and an additional allowance in lieu of pension contributions – see 'Pensions and Benefits' below.

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

Contribution-based pay was fully embedded within ACCA in 2018-19. Under this process employees' salaries are reviewed based upon their performance in role and position in range.

The base salaries of the chief executive and executive directors at 31 March 2022 and 31 March 2021 are shown below on a banded basis.

	Number of employees (2021-22)	**Number of employees (2020-21)**
£355,000 - £394,999	1	nil
£315,000 - £354,999	nil	1
£235,000 - £274,999	1	1
£195,000 - £234,999	4	5

Pensions and Benefits

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

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

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

Corporate Governance Statement
for the year ended 31 March 2022

Pensions and Benefits (continued)

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

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

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

Executive Team Reward Plan

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

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

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

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

Employee Disciplinary Arrangements

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

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

Employees

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

Corporate Governance Statement
for the year ended 31 March 2022

ACCA's commitments to Sustainable Development

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

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

In March 2021, ACCA agreed its approach to embedding the commitments and using them to inform how the strategy is delivered. In Q1 of 2022-23, ACCA will start to build a holistic picture of existing and planned cross-organisation activity and use this to identify synergies and opportunities. As this is developed, the integrated report will be used to update stakeholders on progress against these commitments. Further details can be found in this year's Integrated Report.

General Data Protection Regulation (GDPR)

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

Council members' confirmation

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

Report from the Audit Committee
for the year ended 31 March 2022

Role of the Committee

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

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

The Chair of the Committee provides an annual report to Council and reports to the Council Board following each meeting on the Committee's activities, both carried out and planned.

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

Committee membership

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

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

		Meetings attended
Chairs:	Brendan Sheehan, FCCA	3/3
Other members:	Susan Allan, FCCA (to 18/11/21)	2/2
	Carol-Ann Boothe, FCCA AICPA CGMA CGFM	3/3
	Michelle Hourican, FCCA MSc CIPPe (from 18/11/21)	1/1
	Babajide Ibironke, FCCA (from 18/11/21)	1/1
	Paula Kensington, FCCA GIA	3/3
	Arthur Lee, FCCA HKICPA ACMA CPA (to 18/11/21)	2/2
	Lock Peng Kuan, FCCA	3/3
	Oxana Losevskaya, FCCA (from 18/11/21)	1/1
	Siobhan Pandya, FCCA (to 18/11/21)	2/2
	Marta Rejman, FCCA MEcon MBA (from 18/11/21)	1/1
	Alice Yip, FCCA HKICPA CIA (to 18/11/21)	2/2

The Audit Committee met three times during the year.

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

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

Report from the Audit Committee
for the year ended 31 March 2022

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

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

Significant issues related to the financial statements

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

- **Revenue recognition, including the completeness, existence and accuracy of income recognised in the year** – ACCA's main income is derived from subscription income and examination income. A key risk is that recognition of those income streams is incorrect due to timing differences in the key business processing dates and the financial year-end. Following the implementation of IFRS 15 *Revenue from Contracts with Customers* the Committee has challenged management that proper processes are in place to ensure that income is recognised in the correct period. The Committee has also placed reliance on the historic accuracy of income cut-off and an adjustment to income is made each year which reflects the anticipated value of income reversed due to the removal of members and future members. Due to the impact of Covid-19, the Committee challenged management in relation to IFRS 9 Financial Instruments and the possibility of higher expected credit losses. Under IFRS 9, ACCA has reviewed its expected credit losses in relation to members and future members being unable to pay fees and subscriptions and has recognised further losses to reflect the uncertainty of this. Based on scrutiny of this adjustment by the Committee, it is satisfied that these removals relate mainly to members and future members billed in advance of services being provided. The Committee agrees with management's representation of income.
- **Existence and valuation of intangible assets** – ACCA capitalises intangible assets where the criteria of IAS 38 are met. Following the introduction of IFRIC in April 2021 on the treatment of Software as a Service (SaaS) arrangements, management analysed previously capitalised intangible assets to assess whether a software asset could still be recognised. That analysis has led to a revision of the accounting policy dealing with intangible assets to recognise that the costs of configuring or customising suppliers' application software in a SaaS arrangement are required to be expended in the consolidated income statement. This has resulted in a reclassification of certain intangible assets to either a prepaid asset and/or as an expense in the financial statements impacting both the current and the prior year as the updated accounting policy had to be applied retrospectively. The Committee is satisfied that management have put appropriate processes in place to only capitalise those items which meet the criteria. Management carry out an annual impairment review of those internally generated intangible assets that are capitalised. That impairment review, which included assessing the impact of Covid-19, identified that there were no intangible assets requiring impairment at the balance sheet date. Management's view is that this approach to impairment addresses the risk of intangible assets being held at inappropriate carrying values. Third party intangible assets are reviewed for indicators of impairment. The Committee is satisfied with the approach adopted by management.
- **Valuation and presentation of retirement benefit scheme assets and liabilities** – the assumptions used by management for the IAS 19 valuation are derived in consultation with ACCA's external pension consultant. The consultant undertakes appropriate benchmarking to ensure that the assumptions fall within an acceptable range. Accounting disclosures required by IAS 19 are provided by the Scheme Actuaries of the UK and Irish Schemes using the assumptions agreed by management. Those accounting disclosures are reviewed by the pension consultant for reasonableness. The Committee is satisfied that the reliance of management on the pension consultant and Scheme Actuaries results in appropriate accounting for and disclosure of pension matters.

Report from the Audit Committee
for the year ended 31 March 2022

Significant issues related to the financial statements (continued)

- **Impact of Covid-19** – Management has continued to consider the ongoing impact of Covid-19 on the financial statements of ACCA. The Committee challenged management in their accounting and assessment of the Covid-19 impacts on the financial statements which includes:

  a) Appropriateness of going concern in the preparation of financial statements in accordance with IAS 1 Presentation of Financial Statements.

  b) Impairment indication and test on non-financial assets in accordance with IAS 36 Impairment of Assets

  c) Changes in expected credit losses on financial assets in accordance with IFRS 9 Financial Instruments.

  d) Other considerations such as breach of the terms of contracts and effect of changes in circumstances which may affect recognition and measurement of revenue, deferred tax liabilities, intangible assets as well as disclosure and presentation of financial statements.

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

External Audit

In keeping with good governance practice, ACCA's policy is to conduct a tender for the provision of external audit services every five years. Grant Thornton UK LLP were proposed for reappointment in July 2020 following a tender process and ratified by Council, in line with bye-law 40. They were formally reappointed at the 2020 and 2021 Annual General Meetings.

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

Auditor's independence, effectiveness and objectivity

The Audit Committee monitors non-audit services being provided to ACCA by the external auditor to ensure that any services provided do not impair their independence or objectivity. All non-audit services are required to be pre-approved by the Chair of the Committee if the value is above £10k or 20% of the estimated annual level of the Auditor's fee. Details of the amounts paid to the external auditor during the year for the audit of ACCA, its pension schemes, additional audit services relating to the audit of the corporate key performance indicators and non-audit services are set out in note 12 to the financial statements.

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

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

Risk management

Audit Committee, as delegated by Council, has responsibility for reviewing the effectiveness of the internal controls established by management including the risk management process. 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, and recording results in a hierarchy of risk registers. Risk registers are regularly reviewed by the Executive Team and, where appropriate, risks are escalated to the overarching Corporate Risk register. The Audit Committee reviews the Corporate Risk register at each meeting.

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

Report from the Audit Committee
for the year ended 31 March 2022

Internal Audit

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

Internal Audit produces a risk based annual plan which sets out its priorities and audit programme for the year ahead. The key driver of the plan is ACCA's Corporate Risk Register and the Strategy to 2025. The plan is approved by the Committee in advance of each year and reviewed at each Committee meeting during the year to ensure that satisfactory progress is being made both with the plan and with the implementation of any recommendations arising from the reviews undertaken. If any such recommendations are unreasonably, in the opinion of the Audit Committee, rejected or delayed by management, then these would be reported to Council. No such report was necessary in the year ended 31 March 2022.

Activity during the year

During the year ended 31 March 2022, Audit Committee has:

- reviewed the annual accounts for the year ended 31 March 2021 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
- reviewed the effectiveness of ACCA's internal controls and noted the updates
- reviewed ACCA's fraud/whistleblowing notifications
- received reports from the external auditor
- reviewed the policy on auditors providing non-audit services
- received reports from the Corporate Assurance function, which included Information Security, and monitored progress with the implementation of the recommendations arising from those
- agreed the fees and terms of appointment of the external auditor and considered audit quality and effectiveness
- reviewed ACCA's global procurement processes
- reviewed the Committee's own effectiveness and submitted an annual report on its performance to Nominating and Governance Committee
- met with both internal audit and the external auditor without management present
- received training on various subjects to enhance the Committee's knowledge in respect of specific matters.

Subsequent to the year-end, the Committee has recommended to the Council Board that it recommends to Council, that Council approves the annual accounts for the year ended 31 March 2022. The Committee has also considered that the Integrated Report and financial statements, taken as a whole, are fair, balanced and understandable and provide information necessary for members to assess ACCA's performance, business model and strategy. The Committee will be concluding its recommendation on the appointment of auditors in advance of the AGM in November.

Summary

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

Brendan Sheehan
Chair of the Audit Committee
2 July 2022

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

Opinion

Our opinion on the group financial statements is unmodified

We have audited the group financial statements of the Association of Chartered Certified Accountants and its subsidiary undertakings (the 'group') for the year ended 31 March 2022, 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 group financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK-adopted international accounting standards.

In our opinion, the group financial statements:

- give a true and fair view of the state of the group's affairs as at 31 March 2022 and of its deficit for the year then ended; and
- have been properly prepared in accordance with UK-adopted international accounting standards.

Basis for opinion

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

Conclusions relating to going concern

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

Our evaluation of the Council's assessment of the group's ability to continue to adopt the going concern basis of accounting included consideration of the inherent risks associated with the group's business model and management's assessment of the impact of wider macro-economic uncertainties such as Brexit and Covid-19. We reviewed management's budget, reasonable worst case and reverse stress scenarios and performed sensitivities thereon. We assessed and challenged the reasonableness of estimates made by the Council and the related disclosures and analysed how those risks might affect the group's financial resources or ability to continue operations over the going concern period.

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

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

The responsibilities of the Council with respect to going concern are described in the 'Responsibilities of Council for the financial statements' section of this report.

Our approach to the audit

Overview of our audit approach

- Overall materiality: £3,877k, which represents 1.75% of the group's **total income**.

Key audit matters (KAM) were identified as:

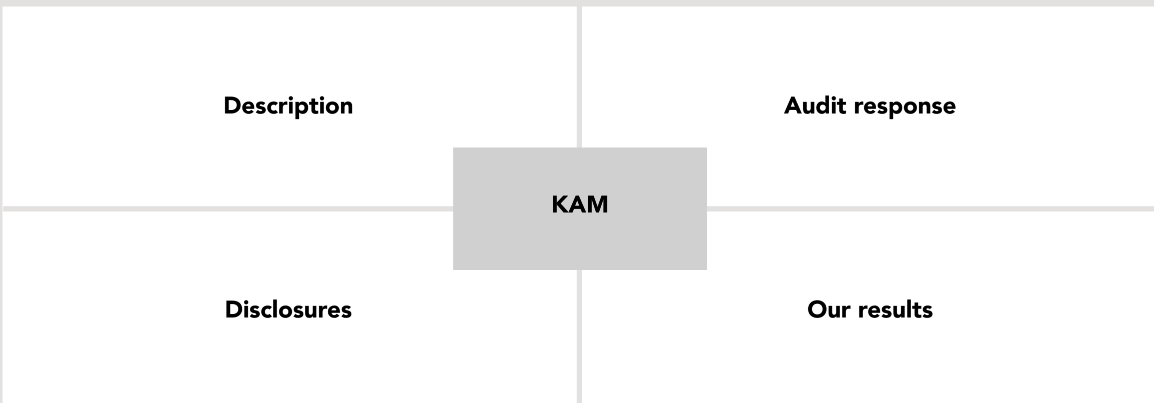
- Revenue recognition (same as previous year);
- Accurate recognition of intangible assets (new in current year); and
- Accuracy of defined benefit pension scheme liabilities (same as previous year).

Our auditor's report for the year ended 31 March 2021 included two key audit matters that have not been reported as key audit matters in our current year's report. These related to the impact on the valuation of intangible assets arising from IFRIC updates effective in the previous year. A significant proportion of the assets have been written off to reverse any additions purchased up to July 2021 and the associated amortisation, leaving any remaining balances immaterial, therefore removing the risk around the recoverability of the value. The changes required, however, increase the risk of error in correctly applying the new IFRIC, therefore presenting a risk around the accuracy of adjustments made. Going concern is not considered to be a KAM in the current year, as there is lower risk of reduced trading with the pandemic now presenting fewer threats to businesses from lockdowns.

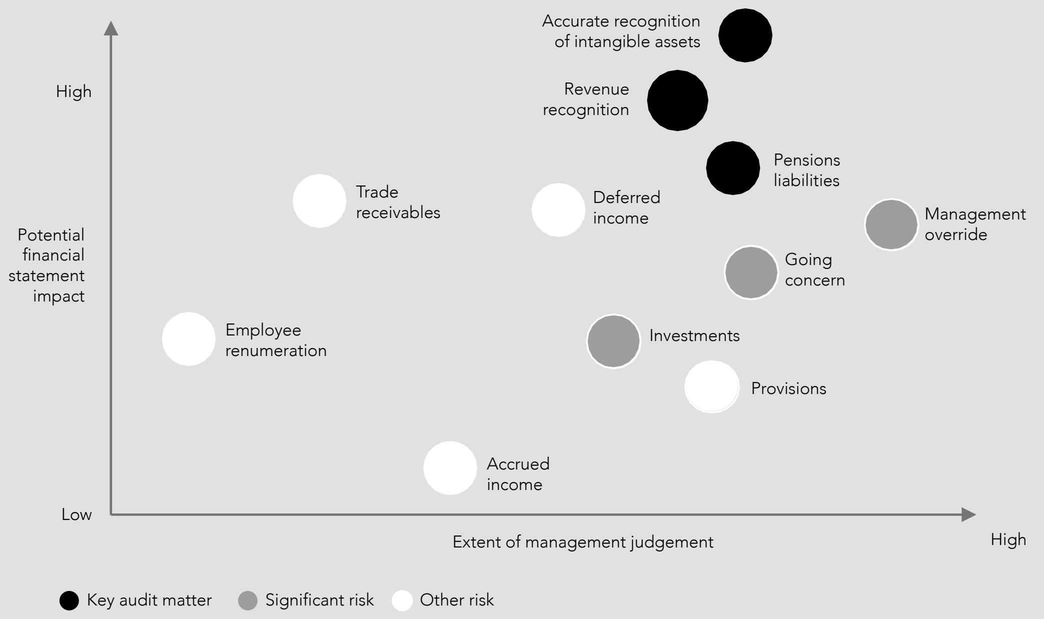
We undertook full scope audit procedures on the significant group components, being the Association of Chartered Certified Accountants (parent company) and Certified Accountants Investment Company Limited. Specific procedures were performed on Certified Accountants Educational Projects Limited. This gives us coverage of nearly 99% over total income, 93% over surplus before tax, 95% over total assets and 82% over cash.

Key audit matters

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



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



Key audit matter

Revenue recognition
We identified revenue recognition as one of the most significant assessed risks of material misstatement due to fraud. This arises from the existence of manual adjustments and estimates concerning the number of members to be struck off and the incentive to increase member numbers. Revenue from fees and subscriptions, together with qualifications and exams totalled £221,558k for the year ended 31 March 2022.

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

How our scope addressed the matter

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

- Assessed the revenue recognition policy to determine whether it is appropriate;
- Substantively tested a sample of revenue recognised in the year from subscriptions, exams and practicing certificates to invoices and supporting documentation to confirm members being active and to determine whether that revenue was recognised in the correct period and that the amount was consistent with the type of service provided;
- Performed substantive analytical procedures by developing an expectation of total revenue recognised from different revenue streams as well as for deferred and accrued income based on source data; and
- A sample from the adjustments made for removed members was selected and the corresponding ID’s have been traced to the system to ensure that the individuals have been inactive for the correct amount of time required before being removed.

Key audit matter	How our scope addressed the matter
Relevant disclosures in the Consolidated Financial Statements • Financial statements: Note 2(ciii) Critical accounting estimates and judgements, Revenue recognition; Note 4 Segmental reporting; Note 6 Operating Income; Note 7 Subscriptions; and Audit Committee Report: Significant issues related to the financial statements: Revenue recognition, including the completeness, existence and accuracy of income recognised in the year.	**Our results** Overall, our testing did not identify any evidence of material misstatement in respect of revenue recognition
Accurate recognition of intangible assets We identified the accurate recognition of intangible assets as one of the most significant assessed risks of material misstatement due to error. The carrying value of intangible assets as at 31 March 2022 was £1,980k. There was a material write off of £13,945k made to the balance as at 31 March 2021, which impacts both the current and prior year balance in the financial statements. With the new IFRIC update which came into force in the summer of 2021, there have been changes to the definition of what is allowed to be capitalised on the consolidated balance sheet. There are certain criteria which the revenue contracts need to comply with and a level of judgement is required as to whether the terms of the contract fall into the definition of an intangible asset under International Accounting Standard ('IAS') 38 'Intangible Assets'. As the entity held intangible assets with a carrying value of £16,575k as at 31 March 2021, with the majority of those falling into the interpretations of the standard, a review of all existing intangible assets was required and subsequently those which did not provide a resource under the control of the group were written off. As this is a highly judgemental area concerning a significant amount of assets expensed to the consolidated income statement, there is a significant risk of material misstatement due to error.	In responding to the key audit matter, we performed the following audit procedures: • Obtained and reviewed a breakdown of the intangible assets registers for the two balance sheet dates in the scope of the IFRIC (from 31 March 2020 to 31 July 2021 – date of the adjustment) along with management's evaluation of whether they fall into the scope of the IFRIC update; • Assessed whether management's judgements on the ability to capitalise and restate intangible assets were reasonable and in line with the standard. We understand that management has consulted with their in-house legal department in interpreting the terms in each supplier agreement and we have obtained evidence of the consultation to challenge whether terms are reviewed and interpreted based on the IFRIC definitions of what is controlled by the entity and the rights around configuration of the assets held; and • Reperformed management's calculations in relation to the adjustment and confirmed correct journals have been made across the affected period and adjustment is made consistently across all assets that fall into the scope of the IFRIC.
Relevant disclosures in the Consolidated Financial Statements • Financial statements: Note 1 New and amended standards during the year and changes in accounting policies; Note 2 (c) Critical accounting estimates and judgements (i) Intangible assets; Note 15 Intangible assets; • Audit committee report: Significant issues related to the financial statements, Existence and valuation of intangible assets.	**Our results** We have not identified any material misstatements from the testing performed.

Key audit matter	How our scope addressed the matter
Accuracy of defined benefit pension scheme liabilities We identified the accuracy of defined benefit pension scheme liabilities as one of the most significant assessed risks of material misstatement due to error. As at 31 March 2022 the UK pension scheme has recorded a surplus of £1,110k and the Irish scheme has liabilities of £592k. The accuracy achieved by estimating the liabilities of the pension scheme is inherently judgemental and sensitive to the selection and alteration of key inputs and therefore susceptible to management bias. Given the material size of the pension schemes, even small movements in the inputs and assumptions could cause the obligation to be materially misstated in the group financial statements.	In responding to the key audit matter, we performed the following audit procedures: • We assessed the professional qualifications of the management's expert and engaged internal actuaries to challenge the inputs, assumptions and calculations used in valuing the obligation disclosed in the financial statements, namely the discount rates and life expectancy factors applied; • We reconciled the overall liability, consolidated income statement charge and OCI charge to the trial balance and IAS 19 reports provided by the actuary; • Performed substantive analytical procedures by comparing pension member numbers year on year to identify unusual movements and assess reasonableness of inputs used in calculating the estimated liability; and • We assessed the relevant disclosures to ensure they conform with the requirements of International Accounting Standard ('IAS') 19 'Employee Benefits'.
Relevant disclosures in the Consolidated Financial Statements • Financial statements: Note 2(r) Pensions, Note 22 Retirement benefit obligations; • Audit Committee report: Significant issues related to the financial statements, Valuation and presentation of retirement benefit scheme obligations	**Our results** We have not identified any material misstatements from the testing performed in relation to the valuation of the defined benefit pension scheme liabilities.

Our application of materiality

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

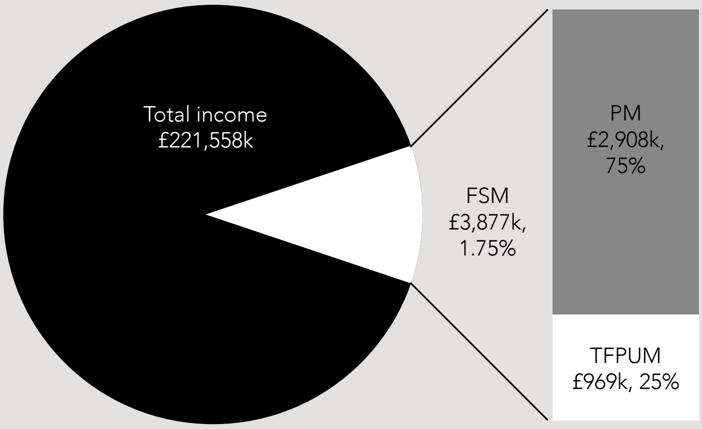
Materiality was determined as follows:

Materiality measure	Group
Materiality for financial statements as a whole	We define materiality as the magnitude of misstatement in the financial statements that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of these financial statements. We use materiality in determining the nature, timing and extent of our audit work.
Materiality threshold	£3,877k, which is 1.75% of the group's total income.

Materiality measure	Group
Significant judgements made by auditor in determining the materiality	In determining materiality, we made the following significant judgements: Total income was considered the most appropriate benchmark given the Council's focus on vision (ie member retention) and value (ie progression of exam entries, percentage of affiliates achieving membership within four years). The more recent shift to the focus of non-core deliverables (diplomas, etc.) and marketing/training programmes was also a significant judgement considered when selecting income as the most appropriate benchmark. After reviewing industry competitors' benchmarks and the risk associated with the audit, we have determined 1.75% of total income to be an appropriate benchmark. Materiality for the current year is higher than the level that we determined for the year ended 31 March 2021 to reflect review of competitors' benchmarks.
Performance materiality used to drive the extent of our testing	We set performance materiality at an amount less than materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.
Performance materiality threshold	£2,908k, which is 75% of financial statement materiality
Significant judgements made by auditor in determining performance materiality	In determining performance materiality, we considered a number of factors which could impact the probability that the aggregate of all uncorrected and undetected misstatements exceeds materiality. These factors include objectives, strategies, business risks, fraud risk, previously identified misstatements and internal control components. In addition to these, we have considered our risk assessment of controls and utilised prior year knowledge and experience from the audit to determine the performance materiality amount.
Specific materiality	We determined that key management personnel remuneration should be subject to a specific materiality amount lower than financial statement materiality. The amount has been changed from the prior year where no specific materiality was determined. The change has arisen from a higher inherent risk associated with key management personnel remuneration.
Communication of misstatements to the audit committee	We determine a threshold for reporting unadjusted differences to the Audit Committee.
Threshold for communication	£194k and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

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

Overall materiality



FSM:
Financial statements materiality
PM:
Performance materiality
TFPUM:
Tolerance for potential uncorrected misstatements

An overview of the scope of our audit

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

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

- Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determines our scope of each entity within the group which, when taken together, enable us to form an opinion on the group financial statements. We take into account size, risk profile, changes in business environment and other factors when assessing the level of work to be performed for each entity. Of all components, 2 are considered significant to the group based on consolidation numbers. These are the parent company and Certified Accountants Investment Company Limited. Specific procedures were performed on Certified Accountants Educational Projects Limited based on materiality of scoped items significant to the group. Based on significance, only analytical procedures were required on remaining entities. All work performed on components was completed by Grant Thornton UK LLP.
- We have obtained an understanding of the entity-level controls of the group as a whole, including both the old and new accounting systems, the latter of which has taken effect part-way through the year. Additional understanding regarding the controls associated with the new consolidation process was also gained due to changes in month-end consolidation of international subsidiaries and the related translation of foreign exchange upon consolidation. These procedures assisted us in identifying and assessing risk of material misstatement due to fraud or error, as well as assisting us in determining the most appropriate audit strategy.

Identifying significant components

- Significance of group components was determined by evaluating benchmark percentages of key sections, as compared to the group total. Anything identified above 15% of key benchmarks has been considered to be a significant component. Benchmarks considered included operating income, surplus before tax, assets and total expenditure.
- For components that exceeded our benchmark, full scope audit procedures were completed. For those entities that did not, analytical review procedures were performed.

Type of work to be performed on financial information of parent and other components (including how it addressed the key audit matters)
We have tailored our audit response accordingly, and for key audit matters, audit procedures were undertaken directly by the group engagement team. In responding to the risk of material misstatement to the group financial statements, full scope audit procedures were undertaken on the financial information of the parent entity and the Certified Accountants Investment Company Limited.

- Specified audit procedures were performed on Certified Accountants Educational Projects Limited.
- In respect of the remaining subsidiaries, we performed other procedures including analytical reviews procedures, substantive testing of payroll and revenue, testing of consolidation journals and testing of intercompany eliminations.

Performance of our audit

- In total, 99% of group income and 95% of total assets were subject to full scope audit procedures, with the remaining revenues and total assets being subject to analytical procedures.
- An internal specialist team was engaged in evaluating the group's internal control environment, including its IT systems and controls in respect of both accounting systems used during the year.

Other information

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

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

We have nothing to report in this regard.

Responsibilities of Council for the financial statements

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

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

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

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

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

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

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

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

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and determined that the most significant are those related to the reporting framework (UK-adopted international accounting standards). We communicated this framework and potential fraud risks to all engagement team members and remained alert to any indicators of fraud or non-compliance with laws and regulations throughout. Detailed reviews of internal audit reports were also undertaken to identify any control deficiencies, non-compliance with the regulatory framework, the use of whistleblowing facilities and alleged instances of fraud;
- We understood how the group is complying with the relevant legal and regulatory frameworks by making enquiries of management, internal audit, those responsible for legal and compliance procedures, and other senior members of the team as deemed reasonable, such as in-house legal and tax departments. We corroborated our enquiries through the review of Council and Audit Committee minutes, and Internal Audit reports, as well as making further enquiries to those charged with governance. All parties confirmed there were not aware of any instances of non-compliance and nor did they have any knowledge of actual, suspected, or alleged fraud;
- We assessed the susceptibility of the group’s financial statements to material misstatement, including how fraud might occur, by evaluating management’s incentives and opportunities for manipulation of the group financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to journal entries relating to judgemental areas of income (for example deferred income), potential management bias in determining estimates relating to intangible assets, provisions, pension assets and liabilities, recoverability of intercompany balances and right-of-use assets. Audit procedures performed by the group engagement team included:
  - evaluation of the design effectiveness of controls around journals testing and testing any journal entries which were inconsistent with our expectations based on the understanding gained;
  - utilising specialists for areas of high judgement (specifically pension assumptions, namely financial assumptions relating to discount rates applied, life expectancies and projected improvements);
  - challenging judgements, assumptions and estimates utilised in relation to potential management bias;
  - In addition to this, we completed audit procedures in relation to the estimates and judgements that comprise the basis of preparation of the financial statements.

- These audit procedures were designed to provide reasonable assurance that the group financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it;
- Assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
  - understanding of, and practical experience with audit engagements of similar nature and complexity through appropriate training and participation;
  - knowledge of the industry in which the client operates;
  - understanding of the legal and regulatory requirements specific to the group; including: the provision of the applicable legislation and the applicable statutory provisions.
- In assessing the potential risk of material misstatement, we obtained an understanding of the entity's operations (including the nature of its income streams, account balances, expected disclosures and business risks) and the entities' control environment. No component auditors were engaged as part of this group audit.

Use of our report

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

Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Glasgow
2 July 2022