



CFA Society
United Kingdom



ANNUAL REPORT & FINANCIAL STATEMENTS

For the year ended 30 June 2020

A company limited by Guarantee and not having a Share Capital. Company Number: 4035569



CONTENTS

About Us	3
Chair's Report	5
Treasurer's Report	6
Directors' Report	8
Directors' Responsibilities in the Preparation of Financial Statements	9
Independent Auditor's Report to the Members of the CFA Society of the UK	10
FINANCIAL STATEMENTS	
Financial Statements	12
Accounting Principles	15
Notes to the Financial Statements for the year ended 30 June 2020	17



ABOUT US

CFA Society of the UK ('CFA UK' or 'the Society') is a professional membership body representing more than 12,000 investment professionals in the UK that promotes the highest standards of ethics, education and professional excellence in the profession, in order to serve society's best interest.

CFA UK is part of the worldwide network of member societies of CFA Institute, the global, not-for-profit association of investment professionals, that awards the CFA and CIPM designations.

CFA UK's mission is to build a better investment profession by serving the public interest by educating investment professionals, by promoting and enforcing ethical and professional standards and by explaining what is happening in the profession to regulators, policy-makers and the media. As a member society, we promote the development of careers in the investment profession and facilitate networking within and across member groups.

CFA UK is the awarding body for both the Investment Management Certificate ('IMC'), an entry-level qualification for investment professionals and the Certificate in ESG Investing. The IMC is a Level 4 qualification that meets the Financial Conduct Authority's requirements (either solely or in combination with other qualifications) for managing

investments and advising on and dealing in securities and derivatives. The Certificate in ESG Investing is a Level 4 qualification which delivers the knowledge and skills required by investment professionals to integrate ESG (environmental, social and governance) factors into the investment process.

CFA UK also promotes the CFA Program for which CFA Institute is the awarding body. The CFA Program is a graduate level, self-study programme designed to equip investment professionals with technical skills, practical knowledge and a clear understanding of ethics and professional standards. It is recognised as the gold standard for professional credentials within the global investment community.

Board of Directors as at 30 June 2020:

Daniel Murray, CFA, (Chair), EFG Asset Management (UK)

Graham Cook, CFA, (Vice Chair), Environment Agency Pension Fund

Matthew Lonergan, CFA, CPA, (Treasurer), Dejima Asset Management

Hilary Eastman, CFA, PricewaterhouseCoopers LLP

Gillian Elcock, Denny Ellison Enterprises Ltd

Weiyen Hung, CFA, CAIA, CIPM, FRM, Bank of England

Katerina Kosmopoulou, CFA, J. Stern & Co.

Alan Livsey, CFA, Financial Times

Fraser Lundie, CFA, Hermes Investment Management

Lindsey Matthews, CFA, CIPM, UBS Asset Management

Tim Nuding, CFA, Prosperity Capital Services

Helen Thomas, CFA, Blonde Money

Stephen Wackerle, CFA, FCA, CA(SA), SIRM, TAQA Group

David Zahn, CFA, CAIA, FRM, Franklin Templeton

Leadership team:

Will Goodhart, Chief Executive

Christina Curtin, Director of Education

Victoria French, ACA, Director of Finance and Operations

Ashley Ramsay, Director of Member Services

Company Secretary:

Bernadette Young, FCG

Registered Office:

4th floor, Minster House,
42 Mincing Lane,
London, EC3R 7AE

Telephone: 020 7648 6200

Fax: 020 7648 6222

Email: info@cfauk.org

Website: www.cfauk.org



CHAIR'S REPORT

2020 has been a year like no other. One of the most shocking things about the COVID-19 pandemic is how quickly change happened. All industries and sectors needed to make fast decisions – in less than a week the majority of us transitioned from office based to working from home. The team at CFA Society of the UK ('CFA UK' or 'the Society') was no exception and are now supporting members virtually as everyone continues to adjust to a new world. Despite all the challenges and changes to the way that CFA UK operates, we have continued to make sure that we keep a close eye on the finances, operations, business strategy and most importantly the wellbeing of staff and members.

There will be permanent ramifications from this pandemic on the investment sector. As investment professionals we need to take the opportunity to reassess the skills that we will need to maintain our career progression. We have learnt a lot about risk management and the need for flexibility, communication and teamwork. Adapting traditional investment career pathways by diversifying skills to cover topics such as technology, programmable languages, ESG and artificial intelligence will also be important, and CFA UK will be there to help.

CFA UK recognises how challenging this time has been for our members and for the profession. At the start of the pandemic we examined how we as an organisation could help pull together to support members through these difficult times. We took immediate action by launching an insight series to find out directly from the membership how people were reacting, how firms were reacting, how roles were changing, what the outlook was for the industry, and what clients were thinking about the crisis.

Our response to the crisis has seen us reach out and engage with our members with renewed purpose to encourage them to continue their professional learning and to connect with each other. We successfully launched two new digital platforms, the first to provide members with access to ongoing professional learning (CFA UK Discover) and the second, a community connecting platform (CFA UK Connect). In light of being unable to host in-person events, CFA UK significantly increased the number of virtual webinars, has had a record number of members signing up to volunteer and has seen community activity rise through our special interest groups (SIGs) that are attracting new members at record rates and seeing lively online debate.

In April, at the height of the pandemic, the decision was made to offer online proctored examinations. These were launched in June 2020 for the Certificate in ESG Investing and July 2020 for the Investment Management Certificate (IMC) and the results have been a real boon to candidates, seeing increasing numbers sitting their qualifications via this remote and secure method alongside traditional test centre sittings.

Adopting this solution has opened up the opportunity for global sittings. We were already working with societies across Western Europe but we have also been pleased to register candidates from across the rest of the world. This is the first year in which revenues from the Certificate in ESG Investing have been included in our financial statements. With registrations topping 2,000 in the certificate's first year – well ahead of our most optimistic projections – there has been a welcome positive impact on CFA UK's finances. We expect this to continue and are talking to CFA Institute about working together to realise the certificate's global potential. We were delighted to receive CFA Institute's society excellence award for our work on the Certificate in ESG Investing and are taking what we have learnt to date into new work that we are undertaking on the interplay between climate and investment.

The CFA UK Board conducted a governance review earlier in the year and the findings resulted in recommended changes to CFA UK's governance arrangements. The recommendations include: making it easier for members to bring resolutions to the AGM; a phased reduction of the CFA UK Board size; and enabling remote attendance at the AGM. We are consulting with members on these issues and amended articles will be proposed for adoption at this year's AGM.

Finally, I would like to extend thanks to my fellow Board members for their continued support, hard work and wise counsel and to Will Goodhart and the staffed office for their resilience, adaptability and drive to continue making sure CFA UK champions members' needs even in these difficult circumstances.



Daniel Murray, CFA
Chair

TREASURER'S REPORT

CFA Society of the UK ('CFA UK' or 'the Society') was significantly impacted by the COVID-19 pandemic in the year ended 30 June 2020, incurring an operating loss of £14,028 (2019: surplus of £147,463). The total profit before taxation was £19,857 (2019: surplus of £197,957).

The pandemic caused the closure of Pearson Vue test centres which impacted the ability of CFA UK examination candidates to sit their examinations, resulting in 23% lower sittings volumes during the year for the Investment Management Certificate ('IMC') examination (2019: 2% lower). Examination sittings for CFA UK's new qualification, the Certificate in ESG Investing were also severely impacted during April and May. In response to the closures, CFA UK worked to successfully launch remote examinations via online proctoring using Pearson Vue's *OnVue* system prior to the year end. CFA UK staff have worked remotely since lockdown using IT systems in the 'cloud', that were in place prior to the office closure. With the business continuity plan enabled, staff focus changed to the delivery of online examinations, digital content and online events to candidates and members.

In spite of the impact of COVID-19, total revenue increased 2% to £4,200,180 in the year to 30 June 2020 (2019: £4,115,949) due to the launch of a newly developed qualification, the Certificate in ESG Investing, for which CFA UK has been experiencing high levels of demand with over 2,000 examination registrations, helping to mitigate the ongoing trend of a decline in IMC examination volumes. During the year to 30 June 2020 revenue from CFA UK's two examinations, online training manuals and examination publications increased 14% to £1,872,926 (2019: £1,643,696). Revenue from other activities decreased to £85,424 (2019: £224,279) due to the Ethical Leadership Programme not being held during the year and due to a reduction in advertising, employment screening and jobs board revenues.

Membership subscriptions revenue decreased slightly to £1,440,215 in the year to 30 June 2020 (2019: £1,458,796) in line with lower membership numbers of 12,125 as at 30 June (2019: 12,167). The number of Regular and Affiliate members, who are also members of CFA Institute, increased 6% (2019: 1%) but 'local' IMC and CFA Candidate membership numbers decreased 31% (2019: 4%) mostly due to the CFA Program examinations being postponed due to COVID-19 which impacted CFA UK Candidate membership numbers. For the coming financial year, ending 30 June 2021, the price of a membership subscription for CFA UK has been kept at the same level of £120 as in the prior year.

Cost of sales decreased by 6% to £1,393,118 (2019: £1,475,501) due to the Ethical Leadership Programme and social events not being held during the year as a result of COVID-19, lower irrecoverable VAT costs and lower IMC examination delivery fees in line with lower volumes. However, higher direct costs of £113,664 (2019: £33,126) were incurred from the launch of the 'Discover' platform which provides online content to members.

Administrative expenses increased 15% to £2,512,716 (2019: £2,189,740) due to an increase in staff and temporary staff costs to support the expansion in activities, due to higher legal and IT consulting costs to support the start of the transition to a new MS-Dynamics customer relationship management CRM system and due to costs incurred due to the governance review. Establishment costs increased 2% to £308,374 (2019: £303,245).

Interest receivable and similar income decreased 53% to £46,721 (2019: £99,818) due to an unrealised loss on investments of £35,556 in the year (2019: gain of £93,297) which was partially offset by a £58,994 gain on the revaluation of a currency hedge (2019: loss of £13,133).

At the year-end, CFA UK held £1,945,619 in cash (2019: £2,183,434) across four financial institutions, which makes up the Operating Reserves, and held £3,789,159 (2019: £3,737,461) of investments which had generated an unrealised gain from inception to date of £475,308 (2019: £719,771).

The investments, which are managed by the Investment Committee, with oversight by the Finance Committee and the Board, make up the Investment Reserves, the purpose of which is to contribute to the long-term financial stability of CFA UK. The investment objective remains to preserve and grow the real capital value over the medium-term, with a targeted annual return of CPI plus 1%, while taking a medium level of risk. The portfolio is diversified across three broad asset classes; fixed income, equities and other (multi-asset) and across three investment styles; active, passive and liquid alternatives.

During the year, the Investment Committee met regularly and increased both the frequency of meetings and the level of monitoring of the portfolio as a result of COVID-19. The committee ensured there was sufficient liquidity,

rebalanced the asset allocation and increased investments by net £87,254 (2019: net £708,518) before losses incurred due to unrealised investment revaluations.

Over the 12-month period to 30 June 2020, the investment portfolio lost 0.7% (2019: gain of 1.1%) which was lower than the +1.6% benchmark. The portfolio had annualised returns of 1.9% over three years and 3.4% over seven years to 30 June 2020, respectively, with the latter period exceeding the medium-term return objective.

As a result of the impact of COVID-19, in order to assess the ability of CFA UK to continue as a going concern, detailed forecasting and scenario analysis was carried out using CFA UK's key revenue drivers to consider the effect on the financial position of a severe downturn. The findings, as reviewed by the Finance Committee and the Board, showed that CFA UK's reserves would be sufficient to fund a severe,

adverse scenario over the next two financial years to 30 June 2022. In addition, trigger points have been identified, at which point mitigating actions would be taken, in order to reduce the impact of a potential downturn.

Net assets were £4,314,717 as at 30 June 2020 which was 1% lower than at the prior year end (2019: £4,338,570).



Matthew Lonergan, CFA, CPA
Treasurer



DIRECTORS' REPORT

The directors submit their report and the financial statements of CFA Society of the UK for the year ended 30 June 2020.

Principal activities

The company's principal activity during the year was providing services as a professional body for investment professionals, principally to those holding the CFA and ASIP designations.

Directors

The following directors held office during the year ended 30 June 2020:

DIRECTORS	DATE RESIGNED/APPOINTED
Daniel Murray , CFA (Chair)	
Graham Cook , CFA (Vice Chair)	
Matthew Lonergan , CFA, CPA (Treasurer)	
Marshall Bailey OBE , CFA	Resigned 26th November 2019
Hilary Eastman , CFA	
Gillian Elcock	
Weiyen Hung , CFA, CAIA, CIPM, FRM	
Katerina Kosmopoulou , CFA	Appointed 26th November 2019
Alan Livsey , CFA	
Fraser Lundie , CFA	
Lindsey Matthews , CFA, CIPM	
Tim Nuding , CFA	
Helen Thomas , CFA	
Stephen Wackerle , CFA, FCA, CA(SA), SIRM	
David Zahn , CFA, CAIA, FRM	

Going concern

After reviewing the entity's forecasts and projections, the Directors have reasonable expectations that the entity has adequate resources to continue in operational existence for the foreseeable future and that the financial statements should therefore continue to be prepared on the going concern basis.

Statement as to disclosure of information to the auditor

The directors who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information

of which the auditor is unaware. Each of the directors have confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

This report has been prepared in accordance with the special provisions of Companies Act 2006 relating to small companies.

By order of the Board

Bernadette Young, FCG, Secretary

30 September 2020

DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and estimates that are reasonable and prudent; and
- c. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE CFA SOCIETY OF THE UK

Opinion

We have audited the financial statements of CFA Society of the UK for the year ended 30 June 2020 which comprise the profit and loss account, the balance sheet, the cash flow statements and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2020 and of its result for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Other information

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

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

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion based on the work undertaken in the course of our audit

- the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies exemption in preparing the Directors' report and from the requirement to prepare a strategic report.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 9, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company'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 the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Andrew Thomas
Senior Statutory Auditor

For and on behalf of
Crowe U.K. LLP
Statutory Auditor
London
2 October 2020

FINANCIAL STATEMENTS

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 2020	Notes	2020	2019
		£	£
Turnover	4	4,200,180	4,115,949
Cost of sales		(1,393,118)	(1,475,501)
Gross profit		2,807,062	2,640,448
Administrative expenses		(2,512,716)	(2,189,740)
Establishment costs	5	(308,374)	(303,245)
		(2,821,090)	(2,492,985)
Operating (loss) / profit		(14,028)	147,463
Interest receivable, similar income and gains	6	46,721	99,818
Loss on disposal of fixed assets		(89)	-
Loss on disposal of fixed asset investments		(12,747)	(49,324)
Profit on ordinary activities before taxation	7	19,857	197,957
Taxation on profit on ordinary activities	8	(43,710)	(54,650)
(Loss) / profit on ordinary activities after taxation	15	(23,853)	143,307

The operating profit for the period arises from the Society's continuing operations.

BALANCE SHEET AS AT 30 JUNE 2020	Notes	2020		2019	
		£	£	£	£
Fixed assets					
Tangible assets	9	35,790		33,357	
Intangible assets	10	99,641		88,786	
Investments	11	3,789,159		3,737,461	
			3,924,590		3,859,604
Current assets					
Stock		18,383		15,792	
Debtors	12	267,350		335,042	
Cash at bank and in hand		1,945,619		2,183,434	
			2,231,352		2,534,268
Creditors					
Amounts falling due within one year	13	(640,797)		(906,384)	
Net current assets			1,590,555		1,627,884
Total assets less current liabilities			5,515,145		5,487,488
Provisions for liabilities and charges	14		(106,502)		(137,265)
Deferred income			(1,093,926)		(1,011,653)
Net assets			4,314,717		4,338,570
Reserves					
Profit and loss account	15		4,314,717		4,338,570
Members' funds			4,314,717		4,338,570

The financial statements on pages 12 to 24 were approved and authorised for issue by the Board of Directors on 29 September 2020 and signed on their behalf by:

D Murray, CFA, Chair

M Lonergan, CFA, CPA, Treasurer

FINANCIAL STATEMENTS (CONTINUED)

CASH FLOW STATEMENT	Notes	2020	2019
		£	£
Net cash (used in) / provided by operating activities	17	(32,060)	733,089
Cash flows from investing activities			
Interest received and investment income		23,283	19,654
Payments to acquire fixed asset investments		(954,482)	(1,074,688)
Proceeds from sale of fixed asset investments		854,481	316,846
Payments to acquire tangible fixed assets		(20,260)	(23,049)
Payments to acquire intangible assets		(51,963)	(12,529)
Net cash used in investing activities		(148,941)	(773,766)
Taxation			
Corporation tax paid		(56,814)	(60,326)
Net decrease in cash and cash equivalents		(237,815)	(101,003)
Cash and cash equivalents at beginning of year		2,183,434	2,284,437
Cash and cash equivalents at end of year		1,945,619	2,183,434

ACCOUNTING PRINCIPLES

A. STATUS OF THE COMPANY

CFA Society of the UK was incorporated on 13 July 2000 and is limited by the guarantee of its members. Every Regular member of the Society undertakes to contribute such amount as may be required (not exceeding £1) to the Society's assets if it should be wound up. The address of the registered office is 4th floor, Minster House, 42 Mincing Lane, London, EC3R 7AE.

B. GENERAL

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 – The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS102) and with the Companies Act 2006. The financial statements have been prepared on the historical cost basis.

The financial statements are presented in Sterling (£).

C. GOING CONCERN

After reviewing the entity's forecasts and projections, the Directors have reasonable expectations that the entity has adequate resources to continue in operational existence for the foreseeable future. The entity therefore continues to adopt the going concern basis in preparing its financial statements.

D. KEY JUDGEMENTS AND ESTIMATES

In the view of the Directors, no assumptions concerning the future or estimation uncertainty affecting assets and liabilities at the balance sheet date are likely to result in a material adjustment to their carrying amounts in the next financial year.

E. INVESTMENT INCOME

Investment income comprises interest receivable and dividend income.

F. TANGIBLE FIXED ASSETS

Tangible fixed assets are stated at historical cost and depreciation is provided on these assets at rates calculated to write down each asset to its estimated residual value evenly over its expected useful life.

Depreciation rates used are as follows:

Leasehold improvements	over the lease term
Office equipment – computers	33.33%
Office equipment – other	20%
Furniture and fittings	10% and 20%

G. INTANGIBLE ASSETS

Membership and examination systems software costs are included in intangible assets and are amortised using a rate of 20%.

Website development costs and CRM (customer relationship management) development costs have been capitalised within intangible assets as they can be identified within a specific project anticipated to produce future benefits. Once brought into use they will be amortised on the straight-line basis over the anticipated life of the benefits arising from the completed project.

H. INVESTMENTS

Investments comprise an investment portfolio of funds invested in fixed income, equity and other investments. Investments are held at fair value and are revalued to market value at the balance sheet date with revaluation gains and losses being recognised in the profit and loss account.

I. STOCK

Stock includes examination training material publications and is valued at the lower of cost and net realisable value. Net realisable value is based upon estimated selling price less further costs expected to be incurred to completion and disposal. Provision is made for obsolete and slow-moving items.

J. DEFERRED INCOME

Deferred income represents amounts received in advance in relation to membership subscriptions and examination fees which are recognised over the period of the membership year and when the examination is sat, respectively.

K. CORPORATION AND DEFERRED TAXATION

Liability for corporation tax is restricted to surpluses arising from trading with non-members and to income from investments.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the period in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

ACCOUNTING PRINCIPLES (CONTINUED)

L. LEASED ASSETS AND OBLIGATIONS

For operating leases, the annual rentals are charged to the profit and loss account on a straight-line basis over the term of the lease.

M. FINANCIAL INSTRUMENTS

The company exposure derives primarily from foreign currency risk. The company uses foreign exchange forward contracts to hedge these exposures. The company does not use financial derivatives or financial instruments for speculative purposes. Instruments quoted in an active market are measured at their current bid price. For instruments that are not quoted in an active market, the fair value is estimated using a valuation technique. Valuation techniques that are used include comparisons to recent market transactions or reference to other instruments which are substantially the same. Inputs to such valuation techniques rely on market inputs where such information is readily available. Where such information is not available entity-specific inputs are used.

At the balance sheet date, the Society held financial assets at amortised cost of £2,013,983 (2019: £2,312,348), financial assets at fair value through income or expenditure of £3,835,020 (2019: £3,724,328) and financial liabilities at amortised cost of £513,963 (2019: £791,295).

N. FOREIGN CURRENCY TRANSLATION

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account on arriving at the operating profit.

O. PENSION CONTRIBUTIONS

The company makes contributions to the pension plans of employees. The cost of providing pensions for employees is charged to the profit and loss account as incurred.

P. TURNOVER

Turnover represents the invoiced value, net of Value Added Tax, of goods sold and services provided to members and customers. Subscription income is recognised in the year to which the membership relates.

Investment Management Certificate and Certificate in ESG Investing examination fees are recognised when candidates sit an examination, or on expiry, one year after registration.

Revenue relating to online training materials and hard copy publications is recognised on the delivery of the materials to the candidate.

Q. RELATED PARTY TRANSACTIONS

There were no related party transactions during the period.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

1. MEMBERS

The income and property of the Society must be applied solely towards the objects of the Society and no distribution of any kind may be made to its members. As a company limited by guarantee, each member has no equity interest and has undertaken to contribute an amount up to £1 to the assets in the event of a winding-up.

As at 30 June 2020, the total number of members was 12,125 (2019: 12,167) and the number of Regular members was 10,654 (2019: 10,098).

2. EMPLOYEES

2020

2019

The average monthly number of persons, excluding 14 volunteer directors (2019: 14) employed by the Society was:

Total employees	26	24
-----------------	----	----

The full-time equivalent average monthly numbers of employees was 25 (2019: 24).

Staff costs for the above persons:

2020

2019

	£	£
Wages and salaries	1,425,576	1,322,698
Social security costs	166,516	156,073
Other pension costs	97,619	82,185
	<u>1,689,711</u>	<u>1,560,956</u>

No remuneration was paid to the directors during the year (2019: nil). No director (2019: nil) is accruing benefits under money purchase or defined benefit pensions schemes.

Expenses incurred by or reimbursed to the directors during the year totalled £764 (2019: £359).

3. KEY MANAGEMENT PERSONNEL

2020

2019

	£	£
--	---	---

The total employee benefits for the leadership team of the Society were 633,585 (2019: £680,049).

Staff costs for the above persons:

Wages and salaries	513,783	555,263
Social security costs	70,902	76,626
Other pension costs	48,900	48,160
	<u>633,585</u>	<u>680,049</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020 (CONTINUED)

4. TURNOVER	2020	2019
	£	£
Subscriptions	1,440,215	1,458,796
Subscriptions VAT recovery	-	6,161
Examinations	1,203,261	1,291,920
Publications	415,386	351,776
Online Training Manual	254,279	-
Professional Development	71,123	66,150
CFA Support	7,525	13,300
Social	5,689	14,522
Other Activities	85,424	224,279
CFA Institute Funding	717,278	601,031
CFA Institute Investment Foundations Program revenue	-	88,014
	<u>4,200,180</u>	<u>4,115,949</u>

The Society's turnover and profit before taxation were all derived from its principal activity.

Online training manual revenue relates to the portion of revenue from the Certificate in ESG Investing relating to the provision of online learning materials. The balance of the fees for the Certificate in ESG Investing is disclosed within Examinations, together with the examination fees for the Investment Management Certificate.

Subscriptions income VAT recovery of £0 (2019: £6,161) relates to the remainder of a £325,343 reclaim received in the year ended 30 June 2018 for overpaid VAT going back four years as a result of an HMRC ruling, in April 2017, that the Society's membership subscriptions can be treated as VAT exempt.

CFA Institute Investment Foundations income of £0 (2019: £88,014) relates to the release in the prior year of the balance of deferred income from a revenue share from the CFA Institute Investment Foundations Program. CFA Institute made the Program freely available which reduced the value of the revenue share to nil.

5. ESTABLISHMENT COSTS		2020		2019	
	£	£	£	£	£
Rent	116,365		116,365		
Rates	54,270		50,414		
Lighting and heating	4,812		4,136		
		175,447		170,915	
Insurance		27,215		17,197	
Office building maintenance		35,547		35,240	
Office repairs and renewals and health & safety		(175)		2,249	
Office security		4,256		1,937	
Office cleaning		7,238		7,497	
Depreciation		17,738		13,927	
Amortisation		41,108		54,283	
		<u>308,374</u>		<u>303,245</u>	

6. INTEREST RECEIVABLE, SIMILAR INCOME AND GAINS		2020		2019	
		£	£	£	£
Bank interest		5,959		5,748	
Dividend income received		17,324		13,906	
Movement in fair value of hedge		58,994		(13,133)	
Movement in fair value of investments		(35,556)		93,297	
		<u>46,721</u>		<u>99,818</u>	

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020 (CONTINUED)

7. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2020	2019
	£	£
Profit on ordinary activities before taxation is stated after charging/(crediting):		
Depreciation of tangible fixed assets	17,738	13,927
Amortisation of intangible assets	41,108	54,283
Currency exchange gains	(22,602)	(87)
Operating leases:		
Plant and machinery	6,316	6,316
Land and buildings	116,365	116,365
Auditor's remuneration – audit	12,700	12,400
Auditor's remuneration – taxation	17,225	3,150

8. CORPORATION TAX	2020	2019
	£	£
Current Tax: UK corporation tax	74,473	56,814
Total current tax	74,473	56,814
Deferred taxation:		
Origination of timing differences	(30,763)	(2,164)
Tax on profits on ordinary activities	43,710	54,650

Factors affecting tax charge for the year:

The tax assessed for the year is lower than the effective rate of corporation tax in the UK of 19%.

The differences are explained below:

Profit on ordinary activities before tax	19,857	197,957
Profit on ordinary activities multiplied by the effective rate of corporation tax of 19% (2019: 19%)	3,773	37,612

Effects of:

Expenses not deductible for tax purposes	15,118	23,256
Loss / (profit) on member income not deductible	27,612	(8,142)
Other permanent differences	559	648
Other short-term timing differences	(328)	293
FRS102 adjustments	(3,024)	983
Total tax charge for the year	43,710	54,650

9. TANGIBLE FIXED ASSETS	Leasehold Improvements	Office Equipment	Furniture & Fittings	Total
	£	£	£	£
Cost				
At 30 June 2019	122,992	81,515	45,877	250,384
Additions	-	19,310	950	20,260
Disposals	-	(1,294)	-	(1,294)
At 30 June 2020	122,992	99,531	46,827	269,350
Depreciation				
At 30 June 2019	122,992	63,960	30,075	217,027
Charged in the year	-	13,547	4,191	17,738
Disposals	-	(1,205)	-	(1,205)
At 30 June 2020	122,992	76,302	34,266	233,560
Net book value				
At 30 June 2020	-	23,229	12,561	35,790
At 30 June 2019	-	17,555	15,802	33,357

10. INTANGIBLE ASSETS	Systems Software	Website	CRM	Total
	£	£	£	£
Cost				
At 30 June 2019	398,908	148,955	-	547,863
Additions	-	-	51,963	51,963
Disposals	(56,600)	-	-	(56,600)
At 30 June 2020	342,308	148,955	51,963	543,226
Depreciation				
At 30 June 2019	385,005	74,072	-	459,077
Charged in the year	11,317	29,791	-	41,108
Disposals	(56,600)	-	-	(56,600)
At 30 June 2020	339,722	103,863	-	443,585
Net book value				
At 30 June 2020	2,586	45,092	51,963	99,641
At 30 June 2019	13,903	74,883	-	88,786

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020 (CONTINUED)

11. FIXED ASSET INVESTMENTS	2020	2019
	£	£
At 1 July	3,737,461	2,935,646
Acquired in the period (at cost)	954,482	1,074,688
Less: Disposal in the period	(867,228)	(366,170)
Market value adjustment	(35,556)	93,297
Market value at 30 June	<u>3,789,159</u>	<u>3,737,461</u>

The historical cost of investments held at 30 June 2020 was £3,313,851 (2019: £3,017,690).

Fixed asset investments include a portfolio of funds invested in fixed income, equity and other investments, managed by the Investment Committee. Investments are able to be liquidated within a three-month period if needed.

12. DEBTORS – DUE WITHIN ONE YEAR	2020	2019
	£	£
Trade debtors	23,230	78,471
Other debtors	45,134	50,443
Prepayments and accrued income	153,125	206,128
Forward exchange contract asset	45,861	-
	<u>267,350</u>	<u>335,042</u>

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	2020	2019
	£	£
Creditors control account	169,916	457,718
Corporation tax liability	74,473	56,814
Other taxation and social security costs	52,361	45,142
Sundry creditors and accruals	344,047	333,577
Forward exchange contract liability	-	13,133
	<u>640,797</u>	<u>906,384</u>

14. PROVISIONS FOR LIABILITIES AND CHARGES	2020	2019
	£	£
Deferred tax provision at 1 July	137,265	139,429
Transfer from profit and loss account	(30,763)	(2,164)
Deferred tax provision at 30 June	<u>106,502</u>	<u>137,265</u>
Deferred tax arises due to timing differences we expect to reverse in future years.		

15. RESERVES	2020	2019
	£	£
Profit and loss account at 1 July	4,338,570	4,195,263
Profit for the financial year	(23,853)	143,307
Profit and loss account at 30 June	<u>4,314,717</u>	<u>4,338,570</u>

16. COMMITMENTS UNDER OPERATING LEASES	2020	2019
	£	£
The total future minimum lease payments under non-cancellable operating leases are due as follows:		
Plant and machinery:		
Due within 1 year	480	480
Due between 2 and 5 years	120	480
Due in more than 5 years	-	-
Land and buildings:		
Due within 1 year	116,012	116,012
Due between 2 and 5 years	58,006	174,018
Due in more than 5 years	-	-
	<u>174,618</u>	<u>290,990</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020 (CONTINUED)

17. CASH FLOW	2020	2019
	£	£
Reconciliation of operating loss to net cash used in operating activities		
Operating (loss)/profit	(14,028)	147,463
Depreciation of tangible fixed assets	17,738	13,925
Amortisation of intangible assets	41,108	54,283
(Increase)/decrease in stock	(2,591)	717
Decrease in debtors	113,553	224,486
(Decrease)/increase in creditors	(270,113)	106,478
Increase in deferred income	82,273	185,737
Net cash (used in)/provided by operating activities	<u>(32,060)</u>	<u>733,089</u>

18. PENSION COMMITMENTS

The Society makes contributions to the pension schemes of employees. The pension charge for the year was £97,619 (2019: £82,185).

At 30 June 2020, pension contributions amounting to £1,734 (2019: £4,096) were outstanding and are included in creditors.

19. CURRENCY DERIVATIVES – CASH FLOW HEDGE

	2020	2019
	£	£
<p>The Society utilises foreign currency forward contracts to hedge future transactions and cash flows and to manage exchange rate risk. The instruments purchased are primarily denominated in the currencies of the Society's principal markets.</p> <p>As at the balance sheet date, the total notional amount of outstanding foreign exchange forward contracts to which the Society had committed were as follows:</p>		
US Dollar denominated contract	<u>1,187,341</u>	<u>400,723</u>

Currency forward contracts are related to highly probable forecast transactions that are expected to arise in the next eleven months. In the current year the fair value of currency forward contracts amounted to a debtor of £45,861 (2019: liability of £13,133).

Cash at bank includes a balance of £237,000 (2019: £237,000) that is held as security in relation to the currency forward contract facilities.





CFA Society of the UK

4th floor

Minster House

42 Mincing Lane

London

EC3R 7AE

info@cfauk.org

www.cfauk.org