



CFA Society
United Kingdom

ANNUAL REPORT & FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016



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About Us

CFA Society of the UK ('CFA UK') is a professional body which represents the interests of over 12,000 members of the investment profession. It was founded in 1955 and it is the second largest society under CFA Institute's global network of member societies.

The Society's mission is to serve 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 are also well placed to promote the development of careers in the investment profession and to stimulate networking within and across member groups. In the last year, CFA UK has made strong progress in each of these areas.

CFA UK is the awarding body for the Investment Management Certificate (IMC), an entry-level qualification for investment professionals. 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.

CFA UK also promotes the CFA Program and the Claritas Investment Certificate, for both of 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.

CFA Institute is the global, not-for-profit association of investment professionals that sets the standard for professional excellence and credentials, and awards the CFA and CIPM designations.

Board of Directors as at 30 June 2016:

Natalie WinterFrost, FIA, CFA (Chairman),
Aberdeen Asset Management

Gerry Fowler, CFA (Vice-Chairman),
Standard Life Investments

Matthew Lonergan, CPA, CFA (Treasurer),
Stratton Street Capital

Tarik Ben-Saud, CFA, Insight Investment Management

David Bertocchi, CFA, Baring Asset Management

Graham Cook, CFA, Macquarie Portfolio Solutions

Stuart Fiertz, CFA, Cheyne Capital Management

Alan Livsey, CFA, Financial Times

Steven Major, CFA, HSBC

Anne Marden, CFA, JP Morgan Asset Management

John Marsland, CFA, Schroder Investment Management

Daniel Murray, CFA, EFG Asset Management

Ian Paczek, CFA, UBS Asset Management

Andreas Utermann, ASIP, Allianz Global Investors

Leadership team:

Will Goodhart, Chief Executive

Nick Bartlett, CFA, ASIP, Director of Education

Victoria French, ACA, Director of Finance and Operations

Ashley Ramsay, Director of Member Services

Company Secretary:

Bernadette Barber

Registered Office:

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

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Chairman's Report

CFA UK performed well last year, but the investment profession faces significant challenges. The Board welcomes last year's strong growth in membership; we were also very pleased that our annual members' satisfaction survey indicated that we continue to meet members' needs, but we are conscious that there is much to do in the year ahead. We need to do more to communicate the investment profession's value to stakeholders.

Operationally, the past year has been a successful one for the society. Our membership has risen above 12,000 and a record number of members are attending events and using the society's CPD services. IMC sittings remain strong and the sustained increase in CFA Program registrations means that we should continue to grow our member numbers and our representation across the profession over the next few years.

Nevertheless, we are all conscious that our profession is under pressure. It can be hard to meet clients' needs in the current low interest rate environment. Demand for lower cost products is challenging margins. Regulatory initiatives require firms' attention and the media and other stakeholders continue to call for change.

CFA UK's mission is to educate investment professionals, to promote high standards of ethical and professional behaviour and to explain the investment profession to its stakeholders. There is much to do.

In the year ahead, we are going to push harder to ensure that every individual that manages clients' assets is technically and ethically competent to do so. We also intend to review the business model for the IMC so that it can play a core role in the early education of investment professionals for many years to come.

On the advocacy front, alongside the regular work that we do to feed into consultations from the Financial Conduct Authority and other regulatory bodies, we will pick up on the findings of last year's Value of the Investment Profession report and develop practical responses to some of the challenges described in it. In the ethics field, we will look to build on the success of another of last year's initiatives – our inaugural Ethical Leadership Programme. In 2017, we expect to increase the number of participating firms and delegates as well as working with the graduates from last year's programme to help them take their ethical learnings back into their own organisations.

Each of these activities will rely on volunteers for their success. Volunteers help to design our plans and products so that they are practical and effective. They also help us to get our message out across the investment profession and enable us to engage with members broadly. The growth and

success of the society's volunteer Ambassador program has been closely and gratefully followed by the Board over the past year or two and we look forward to deepening the society's commitment to all volunteers this year.

Volunteers are a key resource for CFA UK, but so, too, are our systems and staffed office and our relationship with CFA Institute. We are fortunate to have staff working for us who share the Board's commitment to our mission and who bring dedication and energy to their roles. Our aim now is to provide the staffed office with improved technologies to improve its ability to support members and candidates. We are in the midst of a multi-year, collaborative project with CFA Institute that will help us to achieve that goal. We are also grateful to CFA Institute for the many personal relationships that help us to work towards our mission and for the organisational and financial support that increasingly underpins that work.

CFA UK is a volunteer-led, not-for-profit body and I remain fortunate to chair a Board of talented and committed individuals. I thank my fellow office bearers and Board members for their extensive and valuable contributions.

Finally, I thank you, our members, for your own commitment to the society and for helping us to demonstrate high ethical and professional standards across the investment profession.



Natalie WinterFrost
FIA, CFA,
Chairman

Treasurer's Report

The Society made a pre-tax loss of £288,316 in the year ended 30 June 2016 (2015: adjusted profit of £36,342), including £125,348 of adjustments relating to the new Financial Reporting Standard, FRS102, details of which are noted below. The Society made an operating loss of £189,489 in the current year which was broadly in line with the prior year operating loss (2015: loss of £177,019).

The Board continues to believe that in the context of substantial reserves, investing in the Society's IT infrastructure and focusing on ethics and professionalism, are the best ways to fulfil the Society's mission – delivering benefits both to members and in the public interest. The above loss included £137,686 of IT project related expenditure (2015: £80,861) relating to project management and expensed costs from the website and CRM implementation.

Revenue increased 14% to £3,619,977 (2015: £3,186,759) due to an increase in membership subscriptions, an increase in CFA Institute funding and an increase in revenue from the CFA Institute Claritas revenue share.

Cost of sales increased by 36% to £1,404,943 (2015: £1,032,885) due to the development of a new training program on ethical leadership and due to costs associated with the "Value of the Investment Profession" project including contractor, event and report production costs.

Administrative expenses increased by 3% to £2,150,994 (2015: £2,083,749) and the Society's establishment costs increased by 3% to £253,529 (2015: £247,144).

For the first time in 2016, the Society's profit and loss account includes adjustments under FRS102 including the revaluation of the Society's investments to market value at a loss of £53,608, an increase in the staff annual

leave provision of £2,671, a loss on the revaluation of a forward foreign exchange contract of £58,887 and an increase to the rent expense for the year of £10,182. The implementation of FRS102 also includes the restatement of the comparative period and details on the restatement are included in Note 22 of the Financial Statements.

During the year ended 30 June 2016, a loss of £3,963 was realised (2015: restated loss of £8,807) on the disposal of an investment by the Investment Committee following the ongoing review of the Society's investment portfolio.

The Society's net assets were £3,315,493 as at 30 June 2016 which was 9% below prior year (2015: restated £3,646,932). At the year-end, the Society held £1,421,265 in cash (2015: £1,443,975) across two financial institutions and also held £2,763,504 (2015: £3,052,845) of investments in liquidity, fixed income, equity and absolute return funds which generated an unrealised profit to date of £264,252 (2015: £303,758).



Matthew Lonergan
CPA, CFA,
Treasurer

Directors' Report

The directors submit their report and the financial statements of CFA Society of the UK for the year ended 30 June 2016.

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 2016:

Natalie WinterFrost, FIA, CFA (Chairman)

Gerald Fowler, CFA (Vice-Chairman)

Matthew Lonergan, CPA, CFA (Treasurer),
Appointed 24 November 2015

Tarik Ben-Saud, CFA

David Bertocchi, CFA

Richard Dunbar, CFA, ASIP, Retired 24 November 2015

Graham Cook, CFA, Appointed 24 November 2015

Stuart Fiertz, CFA

James Irving, CFA, Retired 24 November 2015

Alan Livsey, CFA, Appointed 24 November 2015

Steven Major, CFA

Anne Marden, CFA

John Marsland, CFA

Peter Mennie, ASIP, Retired 24 November 2015

Daniel Murray, CFA

Ian Paczek, CFA

Andreas Utermann, ASIP

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 Barber
Company Secretary

7 October 2016

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;
- 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

We have audited the financial statements of the CFA Society of the UK for the year ended 30 June 2016 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement, and the related notes numbered 1 to 22.

The financial reporting framework that has been applied in their preparation is applicable law and FRS102, The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2016 and of its result for the year then ended;
- have been properly prepared in accordance with FRS102, The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, 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.
- 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 from the requirement to prepare a strategic report or in preparing the directors report.

Nicola May
Senior Statutory Auditor

For and on behalf of

Crowe Clark Whitehill LLP
Statutory Auditor
London

18 October 2016

Financial Statements

| PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 2016 | Notes | 2016 | 2015 |
|--|-------|-------------|-------------|
| | | £ | £ |
| Turnover | 4 | 3,619,977 | 3,186,759 |
| Cost of sales | | (1,404,943) | (1,032,885) |
| Gross Profit | | 2,215,034 | 2,153,874 |
| Administrative expenses | | (2,150,994) | (2,083,749) |
| Establishment costs | 5 | (253,529) | (247,144) |
| | | (2,404,523) | (2,330,893) |
| Operating loss | | (189,489) | (177,019) |
| Interest receivable, similar income and (losses) / gains | 6 | (95,212) | 222,168 |
| Profit on disposal of fixed assets | | 348 | - |
| Loss on disposal of current asset investments | | (3,963) | (8,807) |
| (Loss) / profit on ordinary activities before taxation | 7 | (288,316) | 36,342 |
| Taxation on loss on ordinary activities | 8 | (43,123) | (56,561) |
| Loss on ordinary activities after taxation | 17 | (331,439) | (20,219) |

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

Financial Statements (continued)

| BALANCE SHEET AS AT 30 JUNE 2016 | Notes | 2016 | 2015 |
|---|-------|------------------|------------------|
| | | £ | £ |
| Fixed Assets | | | |
| Tangible assets | 9 | 89,804 | 110,983 |
| Intangible assets | 10 | 151,316 | 70,769 |
| | | <u>241,120</u> | <u>181,752</u> |
| Current Assets | | | |
| Stock | 11 | 19,629 | 16,492 |
| Debtors | 12 | 572,927 | 602,288 |
| Investments | 13 | 2,763,504 | 3,052,845 |
| Cash at bank and in hand | | 1,421,265 | 1,443,975 |
| | | <u>4,777,325</u> | <u>5,115,600</u> |
| Creditors | | | |
| Amounts falling due within one year | 14 | (1,530,308) | (1,545,628) |
| Net Current Assets | | | |
| | | <u>3,247,017</u> | <u>3,569,972</u> |
| Total Assets less Current Liabilities | | | |
| | | 3,488,137 | 3,751,724 |
| Creditors | | | |
| Amounts falling due after more than one year | 15 | (62,601) | (29,516) |
| Provisions for Liabilities and charges | | | |
| | 16 | (110,043) | (75,276) |
| Net Assets | | | |
| | | <u>3,315,493</u> | <u>3,646,932</u> |
| Reserves | | | |
| Profit and Loss Account | 17 | 3,315,493 | 3,646,932 |
| Members' Funds | | | |
| | | <u>3,315,493</u> | <u>3,646,932</u> |

The financial statements on pages 9 to 25 were approved and authorised for issue by the Board of Directors on 27 September 2016 and signed on their behalf by:

N WinterFrost, FIA, CFA Chairman

M Lonergan, CPA, CFA Treasurer

Financial Statements (continued)

| CASH FLOW STATEMENT | Notes | 2016 | 2015 |
|---|-------|-----------|-----------|
| | | £ | £ |
| Net cash (used in) / provided by operating activities | 19 | (146,327) | 32,896 |
| Cash flows from investing activities | | | |
| Interest received and investment income | | 17,283 | 29,731 |
| Payments to acquire current investments | | (1,041) | (300,164) |
| Proceeds from sale of current investments | | 232,811 | 539,631 |
| Payments to acquire tangible fixed assets | | (15,640) | (59,365) |
| Payments to acquire intangible assets | | (103,284) | - |
| Net cash provided by investing activities | | 130,129 | 209,833 |
| Taxation | | | |
| Corporation tax paid | | (6,512) | - |
| (Decrease) / increase in cash in the period | 19 | (22,710) | 242,729 |

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.

This is the first year the financial statements have been prepared under FRS102. Refer to Note 22 for an explanation of the transition.

The financial statements are presented in Sterling (£).

C. GOING CONCERN

After reviewing the entity's forecasts and projections, the directors have reasonable expectation that the directors have reasonable expectation 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.

The Society has provided for its possible liabilities in relation to dilapidation provisions for leasehold properties which has been estimated and included in Notes 14 and 15.

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 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

Short term investments are classified as current assets and measured at market value. Investments are revalued to market value, with gains/losses being recognised in the Profit & Loss Account.

I. STOCK

Stock includes examination training materials 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.

Accounting Principles

J. 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.

K. 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.

L. FINANCIAL INSTRUMENTS

The company exposure relates primarily from foreign currency risk. The company uses foreign exchange forward contracts to hedge these exposures. The company does not use derivative 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. Techniques that are used include comparisons to recent market transactions or reference to other instruments which are substantially the same. Inputs to such 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 £1,862,064 (2015: £1,871,616), financial assets at fair value through income or expenditure of £2,744,525 (2015: £3,092,753) and financial liabilities at amortised cost of £1,487,874 (2015: £1,510,411).

M. 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.

N. PENSION CONTRIBUTIONS

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

O. 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 examination fees are recognised when students sit an examination, or on expiry, one year after registration.

P. RELATED PARTY TRANSACTIONS

There were no related party transactions during the period.

Notes to the Financial Statements

for the year ended 30 June 2016

1. 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 2016, the total number of members was 12,087 (2015: 11,455) and the number of Regular members was 9,234 (2015: 8,636).

| 2. EMPLOYEES | 2016 | 2015 |
|---|-----------|-----------|
| The average monthly number of persons, excluding 14 volunteer directors (2015: 14) employed by the Society was: | | |
| Total employees | 23 | 25 |
| The full-time equivalent average monthly numbers of employees was 22 (2015: 20). | | |
| | £ | £ |
| Staff costs for the above persons: | | |
| Wages and salaries | 1,206,079 | 1,278,836 |
| Social security costs | 145,080 | 149,688 |
| Other pension costs | 64,805 | 56,536 |
| | 1,415,964 | 1,485,060 |

No remuneration was paid to the directors during the year (2015: nil). No director (2015: nil) is accruing benefits under money purchase or defined benefit pension schemes.

Expenses incurred by or reimbursed to the directors during the year totalled £5,688 (2015: £1,322).

| 3. KEY MANAGEMENT PERSONNEL | 2016 | 2015 |
|--|---------|---------|
| The total employee benefits for the leadership team of the Society were £577,264 (2015: £564,864). | | |
| Staff costs for the above persons: | | |
| Wages and salaries | 524,785 | 513,513 |
| Other pension costs | 52,479 | 51,351 |
| | 577,264 | 564,864 |

Notes to the Financial Statements

for the year ended 30 June 2016 (continued)

| 4. TURNOVER | 2016 | 2015 |
|-------------------------------|------------------|------------------|
| | £ | £ |
| Subscriptions | 1,067,418 | 917,459 |
| Publications | 238,205 | 234,636 |
| Journal | 6,891 | 8,176 |
| Examinations | 1,503,509 | 1,467,260 |
| Professional Development | 68,424 | 64,191 |
| CFA Support | 20,935 | 21,438 |
| Social | 30,681 | 34,263 |
| Other Activities | 205,158 | 151,302 |
| CFA Institute Funding | 246,570 | 97,419 |
| CFA Institute Claritas income | 232,186 | 190,615 |
| | <u>3,619,977</u> | <u>3,186,759</u> |

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

On 1 July 2011, the Society signed an agreement with CFA Institute to support the new Claritas Investment Certificate Program. Under this agreement, the Society sold various intellectual property rights in respect of the IMC curriculum, the terms of which were intended to provide protection of the Society's future profits from the IMC. In the year ended 30 June 2016 the Society received a share of revenues of the Claritas Program. In the original agreement, the share of future revenues from outside the United Kingdom expires on 1 July 2027 and the share of future revenues from within the United Kingdom is subject to a buy-out option after 1 July 2027.

In September 2016, the terms of the revenue share were renegotiated with CFA Institute which included a reduction in the revenue share, an extension of the expiry date of the revenue share to 2032 and a buyout option after 2032.

Notes to the Financial Statements

for the year ended 30 June 2016 (continued)

| 5. ESTABLISHMENT COSTS | | 2016 | | 2015 | |
|---|---------|---------|--------|---------|---|
| | £ | £ | £ | £ | £ |
| Rent | 93,200 | | 93,378 | | |
| Rates | 37,232 | | 36,551 | | |
| Lighting and heating | (3,345) | | 4,626 | | |
| | | 127,087 | | 134,555 | |
| Insurance | | 17,394 | | 17,583 | |
| Office building maintenance | | 30,336 | | 29,712 | |
| Office repairs and renewals and health & safety | | 1,561 | | 745 | |
| Office security | | 390 | | 1,159 | |
| Office cleaning | | 8,646 | | 7,479 | |
| Lease dilapidations | | 8,400 | | 8,400 | |
| Depreciation | | 36,978 | | 35,710 | |
| Amortisation | | 22,737 | | 11,801 | |
| | | 253,529 | | 247,144 | |

| 6. INTEREST RECEIVABLE, SIMILAR INCOME AND (LOSSES) / GAINS | | 2016 | | 2015 | |
|---|--|----------|---|---------|---|
| | | £ | £ | £ | £ |
| Bank interest | | 13,899 | | 25,811 | |
| Dividend income received | | 3,384 | | 3,920 | |
| Movement in fair value of hedge | | (58,887) | | 39,908 | |
| Movement in fair value of investments | | (53,608) | | 152,529 | |
| | | (95,212) | | 222,168 | |

Notes to the Financial Statements

for the year ended 30 June 2016 (continued)

| 7. (LOSS)/ PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | 2016 | 2015 |
|---|----------|----------|
| | £ | £ |
| (Loss)/ profit on ordinary activities before taxation is stated after charging/(crediting): | | |
| Depreciation of tangible fixed assets | 36,978 | 35,710 |
| Amortisation of intangible assets | 22,737 | 11,801 |
| Currency Exchange gains | (75,520) | (55,225) |
| Operating leases: | | |
| Plant and machinery | 7,709 | 8,769 |
| Land and buildings | 91,381 | 91,756 |
| Auditor's remuneration – audit | 11,750 | 11,500 |
| Auditor's remuneration – taxation | 3,500 | 3,350 |
| Auditor's remuneration – other services | 2,750 | – |
| Auditor's remuneration – other services paid to previous auditors | – | 4,950 |

Notes to the Financial Statements

for the year ended 30 June 2016 (continued)

| 8. CORPORATION TAX | 2016 | 2015 |
|---|-----------|---------|
| | £ | £ |
| Current Tax: UK corporation tax | 8,356 | 6,513 |
| Total current tax | 8,356 | 6,513 |
| Deferred taxation: | | |
| Origination of timing differences | 34,767 | 50,048 |
| Tax on profits on ordinary activities | 43,123 | 56,561 |
| Factors affecting tax charge for the year: | | |
| The tax assessed for the year is higher than the effective rate of corporation tax in the UK of 20%. | | |
| The differences are explained below: | | |
| (Loss)/profit on ordinary activities before tax | (288,316) | 36,342 |
| (Loss) / profit on ordinary activities multiplied by the effective rate of corporation tax of 20% (2015: 20%) | (57,663) | 7,268 |
| Effects of: | | |
| Expenses not deductible for tax purposes | 17,008 | 15,133 |
| Income not taxable for tax purposes | 69,308 | 17,008 |
| Other permanent differences | 991 | 2,916 |
| Chargeable gains | - | 1,811 |
| Other short term timing differences | - | 738 |
| Tax losses relieved in the period | - | (6,289) |
| FRS102 adjustments | 13,479 | 17,976 |
| Total tax charge for the year | 43,123 | 56,561 |

Notes to the Financial Statements

for the year ended 30 June 2016 (continued)

| 9. TANGIBLE FIXED ASSETS | Leasehold Improvements | Office Equipment | Furniture & Fittings | Total |
|--------------------------|------------------------|------------------|----------------------|---------------|
| | £ | £ | £ | £ |
| Cost | | | | |
| At 30 June 2015 | 123,932 | 84,775 | 49,657 | 258,364 |
| Additions | - | 9,784 | 5,856 | 15,640 |
| Less: Disposals | (940) | (43,674) | (14,787) | (59,401) |
| At 30 June 2016 | 122,992 | 50,885 | 40,726 | 214,603 |
| Depreciation | | | | |
| At 30 June 2015 | 51,315 | 65,912 | 30,154 | 147,381 |
| Charged in the year | 21,940 | 11,560 | 3,478 | 36,978 |
| Less: Disposals | (420) | (43,870) | (15,270) | (59,560) |
| At 30 June 2016 | 72,835 | 33,602 | 18,362 | 124,799 |
| Net book value | | | | |
| At 30 June 2016 | 50,157 | 17,283 | 22,364 | 89,804 |
| At 30 June 2015 | 72,617 | 18,863 | 19,503 | 110,983 |

| 10. INTANGIBLE ASSETS | Systems Software | Website | Total |
|------------------------|------------------|---------------|----------------|
| | £ | £ | £ |
| Cost | | | |
| At 30 June 2015 | 364,448 | - | 364,448 |
| Additions | 34,460 | 68,824 | 103,284 |
| At 30 June 2016 | 398,908 | 68,824 | 467,732 |
| Depreciation | | | |
| At 30 June 2015 | 293,679 | - | 293,679 |
| Charged in the year | 21,109 | 1,628 | 22,737 |
| At 30 June 2016 | 314,788 | 1,628 | 316,416 |
| Net book value | | | |
| At 30 June 2016 | 84,120 | 67,196 | 151,316 |
| At 30 June 2015 | 70,769 | - | 70,769 |

Notes to the Financial Statements

for the year ended 30 June 2016 (continued)

| 11. STOCK | 2016 | 2015 |
|-----------|--------|--------|
| | £ | £ |
| Stock | 19,629 | 16,492 |

| 12. DEBTORS – DUE WITHIN ONE YEAR | 2016 | 2015 |
|-----------------------------------|---------|---------|
| | £ | £ |
| Trade debtors | 144,826 | 165,724 |
| Other debtors | 19,617 | 52,421 |
| Prepayments and accrued income | 408,484 | 344,235 |
| Forward exchange contract asset | - | 39,908 |
| | 572,927 | 602,288 |

| 13. INVESTMENTS | 2016 | 2015 |
|----------------------------------|-----------|-----------|
| | £ | £ |
| At 1 July prior year | 3,052,845 | 3,148,590 |
| Acquired in the period (at cost) | 1,042 | 300,164 |
| Less: Disposal in the period | (236,774) | (548,438) |
| Market value adjustment | (53,609) | 152,529 |
| Market value at 30 June | 2,763,504 | 3,052,845 |

The historical cost of investments held at the year end was £2,499,252 (2015: £2,749,087)

Notes to the Financial Statements

for the year ended 30 June 2016 (continued)

| 14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR | 2016 | 2015 |
|--|------------------|------------------|
| | £ | £ |
| Amounts received in advance | 815,890 | 811,370 |
| Creditors control account | 326,883 | 176,628 |
| Corporation tax liability | 8,356 | 6,513 |
| Other taxation and social security costs | 40,299 | 45,504 |
| Sundry creditors and accruals | 319,901 | 505,613 |
| Forward exchange contract liability | 18,979 | - |
| | <u>1,530,308</u> | <u>1,545,628</u> |

| 15. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR | 2016 | 2015 |
|---|---------------|---------------|
| | £ | £ |
| Accruals | 25,200 | 16,800 |
| Deferred income | 37,401 | 12,716 |
| | <u>62,601</u> | <u>29,516</u> |

| 16. PROVISIONS FOR LIABILITIES AND CHARGES | 2016 | 2015 |
|---|----------------|---------------|
| | £ | £ |
| Deferred tax provision at 1 July prior year | 75,276 | 25,228 |
| Transfer from profit and loss account | 34,767 | 50,048 |
| Deferred tax provision at 30 June | <u>110,043</u> | <u>75,276</u> |

Notes to the Financial Statements

for the year ended 30 June 2016 (continued)

| 17. RESERVES | 2016 | 2015 |
|--|-----------|-----------|
| | £ | £ |
| Profit and loss account at 1 July prior year | 3,646,932 | 3,667,151 |
| Loss for the financial year | (331,439) | (20,219) |
| Profit and loss account at 30 June | 3,315,493 | 3,646,932 |

| 18. COMMITMENTS UNDER OPERATING LEASES | 2016 | 2015 |
|--|---------|---------|
| | £ | £ |
| The total future minimum lease payments under non-cancellable operating leases are due as follows: | | |
| Plant and machinery: | | |
| Due within 1 year | 480 | 5,217 |
| Due between 2 and 5 years | - | 480 |
| Due in more than 5 years | - | - |
| Land and buildings: | | |
| Due within 1 year | 91,757 | 91,757 |
| Due between 2 and 5 years | 91,757 | 183,513 |
| Due in more than 5 years | - | - |
| | 183,994 | 280,967 |

Notes to the Financial Statements

for the year ended 30 June 2016 (continued)

| 19. CASH FLOW | 2016 | 2015 |
|---|-----------|-----------|
| | £ | £ |
| A. Reconciliation of operating loss to net cash used in operating activities | | |
| Operating loss | (189,489) | (177,019) |
| Depreciation of tangible fixed assets | 36,978 | 35,710 |
| Amortisation of intangible assets | 22,737 | 11,801 |
| (Increase) / decrease in stock | (3,137) | 645 |
| (Increase) / decrease in debtors | (10,547) | 44,396 |
| (Decrease) / increase in creditors | (2,869) | 117,363 |
| Net cash (used in) / provided by operating activities | (146,327) | 32,896 |
| B. Reconciliation of net cash flow to movement in net funds | | |
| Change in cash and cash equivalents in the year | (22,710) | 242,729 |
| Closing cash and cash equivalents | 1,421,265 | 1,443,975 |
| Opening cash and cash equivalents | 1,443,975 | 1,201,246 |
| Movement in cash and cash equivalents in the period | (22,710) | 242,729 |

20. PENSION COMMITMENTS

The Society makes contributions to the personal pension schemes of employees. The pension charge for the year was £64,805 (2015: £56,536). At 30 June 2016, pension contributions amounting to £2,589 were outstanding (2015: £63,128) and are included in creditors.

Notes to the Financial Statements

for the year ended 30 June 2016 (continued)

21. CURRENCY DERIVATIVES – CASH FLOW HEDGE

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.

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:

| | 2016 | 2015 |
|--------------------------------|---------|---------|
| | £ | £ |
| US Dollar denominated contract | 673,290 | 654,925 |

Currency forward contracts are related to highly probable forecast transactions that are expected to arise in the next eleven months. Included within creditors in the current year the fair value of currency forward contracts amounted to a liability of £18,979 (2015: an asset of £39,908 included within debtors) as spot rates are expected to be lower (2015: higher) than the contracted forward rate when the contracts mature.

Cash at bank includes a balance of £237,000 (2015: £237,000) that is held as security in relation to the currency forward contracts.

22. TRANSITION TO FRS102

The company has adopted FRS102 for the year ended 30 June 2016 and has restated the comparative prior year amounts.

| A. Reconciliation of reserves | As at 1 July 2014 | As at 30 June 2015 |
|---|----------------------|-----------------------|
| | £ | £ |
| Total reserves as previously stated | 3,726,189 | 3,710,585 |
| Adjustment for staff annual leave accrual | (24,961) | (33,149) |
| Adjustment for movement in fair value of forward contract | - | 39,908 |
| Adjustment to realign rent free provision | (10,182) | (20,364) |
| Adjustment for deferred tax | (23,895) | (50,048) |
| Total reserves (as restated) | <u>3,667,151</u> | <u>3,646,932</u> |

B. Reconciliation of 2015 surplus of the year

| | |
|---|-----------------|
| 2015 loss as previously stated | (168,133) |
| Adjustment for staff annual leave accrual | (8,188) |
| Adjustment for movement in fair value of forward contract | 39,908 |
| Adjustment for movement in fair value of investment | 152,529 |
| Adjustment to realign rent free provision | (10,182) |
| Adjustment for deferred tax | (26,153) |
| 2015 loss (as restated) | <u>(20,219)</u> |

Notes to the Financial Statements

for the year ended 30 June 2016 (continued)

Following the change in the treatment whereby unrealised losses on investments are taken to the profit and loss account, the Available for Sale Reserve has been combined with the Profit and Loss Reserve.

Adjustment for staff annual leave accrual

In accordance with FRS102 Section 28, a liability has been included representing annual leave accrued but not yet taken by staff as at the balance sheet date.

Adjustment for movement in fair value of forward contract

In accordance with FRS102 Section 12, the movement in the fair value of the open contracts has been reflected in the profit and loss account.

Adjustment for movement in fair value of investments

In accordance with FRS102, the movement in the fair value of the investments has been reflected in the profit and loss account.

Adjustment to realign rent free provision

In accordance with FRS102 Section 20, the lease incentive has been recognised over the life of the lease.



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