CFA Society United Kingdom

ANNUAL REPORT & FINANCIAL STATEMENTS

For the year ended 30 June 2019

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

CONTENTS

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 was developed in 2019 and 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.

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CHAIR'S REPORT

In some respects, the past 12 months have been a banner year for CFA Society of the UK ('CFA UK'). Perhaps most prominently, we were fortunate to have been chosen as the host society for this year's CFA Institute Annual Conference, an event that took place in London in May. The conference was both successful and stimulating, testament to CFA Institute's organisational skills and the hard work of CFA UK's staffed office in supporting the event.

The conference focussed on the theme of disruption. This theme is particularly relevant in a world that faces increased uncertainty from sources as diverse as Brexit, global trade tensions, environmental change and artificial intelligence. How we react to such factors will determine the success and relevance of our industry in the years ahead. It is incumbent on CFA UK to ensure that our members' needs are met in this regard and this is something the Board and executive continue to attend to keenly, in particular via our educational offerings.

CFA UK has always promoted education as being at the core of its mission and there are a number of initiatives it has taken this year to support our members' educational needs. Many of you will have taken the Investment Management Certificate, which CFA UK launched 25 years ago as a means of providing the investment community with a necessary regulatory qualification. CFA UK has now introduced its second qualification, the Certificate in ESG Investing, for which it has received over 1,500 registrations of interest. Not only does the Board believe that CFA UK is showing important leadership in providing a qualification our members can take to demonstrate their ESG credentials, but we also anticipate that it will help to diversify CFA UK's income.

CFA UK has also spent much of the last year developing a professional learning platform for members and other investment professionals. We want CFA UK to be seen as a provider of relevant learning that helps our members to develop their careers and meet their continuing professional development needs. The new platform has been developed in conjunction with CFA Institute (being built around their new competency framework) and will be piloted in the last quarter of 2019.

Central to everything CFA UK does is the volunteer network, without which CFA UK would cease to function. Our volunteers are the lifeblood of CFA UK and I sincerely thank all our members who give up their time to contribute. We have continued to seek ways to enhance the volunteer experience and I'm pleased to report that the number of active volunteers has increased from about 500 to over 600 over the past 12 months. The work of the Volunteer Steering Committee has been key to encouraging this growth. It is also gratifying that CFA UK has seen impressive growth in its Inclusion & Diversity Network which has grown to over 900 members. The society's Inclusion & Diversity Partner Programme is now in its second year and we are delighted that it was a finalist in the November 2018 Women in Investment awards.

The achievements of the Society over the past year reflect the long-term objectives that were reconfirmed at our Board strategy meeting earlier this year: lifelong learning, connecting professionals and advancing professionalism.

For this year, our objectives in these areas are to:

- successfully launch the ESG qualification and update the associated materials for the second edition;
- establish a framework for the development of future qualifications;
- launch and operate a successful professional learning platform and ensure that sufficient materials are available;
- build and enhance CFA UK's careers services and networking opportunities, and
- become a leading voice for the investment profession in the UK, focussing on the areas of education and ethics.

Separately, the Board has decided to undertake a governance review to ensure that board practices are up to date, remain relevant and are consistent with latest standards. 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 dedication in making sure the Society functions so well.

I look forward to a productive and rewarding year ahead for the Society.

Daniel Murray, CFA
Chair

TREASURER'S REPORT

CFA Society of the UK ('CFA UK') continued to perform well in the year ended 30 June 2019 and made an operating surplus of £147,463 (2018: £450,146) which was boosted, mostly in the prior year, by a one-off subscriptions-related VAT recovery. The total surplus before taxation was £197,957 (2018: £598,491).

Revenue increased 2% to £4,115,949 (2018: £4,046,573). Excluding the effect, in both years, of the one-off VAT recovery (£6,161 in 2019; £325,343 in 2018) revenue increased 10% to £4,109,788 (2018: £3,721,230). The increase was mostly due to higher levels of funding from CFA Institute and higher membership income, partly due to a favourable exchange rate provided by CFA Institute.

Despite the increase in revenues, CFA UK continues to face some challenges in relation to its two main revenue streams, examinations revenue and membership revenue. Investment Management Certificate ('IMC') examination sittings revenue reached an all time high in 2016, then declined in the following two years, but increased slightly, by 2%, in the year to 30 June 2019. Membership numbers as at 30 June 2019 were relatively static at 12,167 compared to prior year (2018: 12,141): the numbers of Regular and Affiliate members, who are also members of CFA Institute, grew by 1% but 'local' IMC and CFA Candidate membership numbers declined 4%.

CFA UK has developed a second qualification during the year, the Certificate in ESG Investing, which has received significant interest and will diversify our revenue streams.

Cost of sales increased by 24% to £1,475,501 (2018: £1,188,654) due to £120,586 of direct costs on development of the Certificate in ESG Investing, an increase in social and volunteer costs as the volunteer network expanded, costs from the purchase of an online community platform to enable volunteers and other groups to connect, and increased irrecoverable VAT.

Administrative expenses which include staff salaries increased 3% to £2,189,740 (2018: £2,120,546). Establishment costs increased 6% to £303,245 (2018: £287,227) partly due to an increase in rent expense, following the lease extension to December 2021 and due to an increase in business rates.

Interest receivable and similar income decreased 39% to £99,818 (2018: £164,523) due to unrealised gains on investments of £93,297 which were lower than in the prior year (2018: £157,119).

During the year, investments have been reclassified from current assets to fixed assets, due to the intention to hold the investments for the longer term and for the income to be used to support CFA UK's continuing activities. As a result of the reclassification, liquidity fund balances were moved from current asset investments to cash at bank which now includes cash, short term deposits with a term of a maximum of three months and liquidity fund balances. The prior year balance sheet and cash flow statements have been restated.

At the year-end, CFA UK held £2,183,434 in cash (2018 restated: £2,284,437) across four financial institutions.

As at 30 June 2019, CFA UK also held £3,737,461 (2018 restated: £2,935,646) of investments which generated an unrealised gain from inception to date of £719,771 (2018: £688,444).

The investments, which are managed by the Investment Committee, make up the Investment Reserves, the purpose of which is to contribute to the long-term financial stability of CFA UK. The investment objective is to preserve and grow the real capital value over the medium-term, with a targeted 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 ensured there was sufficient liquidity, increased diversification and rebalanced the asset allocation. Investments increased by a net £708,518 in the year as a result of purchases funded by transfers from Operating Reserves (2018: net decrease of £16,255 from disposals) before gains due to unrealised investment revaluations. In the year to 30 June 2019, the portfolio of investments in fixed income, equities and other funds returned 1.1% (2018: 3.2%) which was lower than the 3.0% medium-term benchmark. However, the portfolio exceeded its medium-term return objective with annualised returns of 6.1% over three years and 4.4% over seven years to 30 June 2019, respectively.

Net assets were £4,338,570 as at 30 June 2019 which was 3% higher than prior year (2018: £4,195,263).

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 2019.

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, IMC and ASIP designations.

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.

Directors

The following directors held office during the year ended 30 June 2019:

DIRECTORS	DATE RESIGNED/APPOINTED
Daniel Murray, CFA (Chair)	
Graham Cook, CFA (Vice Chair)	
Matthew Lonergan, CFA, CPA (Treasurer)	
Marshall Bailey OBE, CFA	
Hilary Eastman, CFA	Appointed 27th November 2018
Gillian Elcock	Appointed 27th November 2018
Stuart Fiertz, CFA, CAIA	Resigned 27th November 2018
Gerald Fowler, CFA	Resigned 27th November 2018
Alexandra Haggard, CFA	Resigned 27th November 2018
Weiyen Hung, CFA, CAIA, CIPM, FRM	Appointed 21st February 2019
Alan Livsey, CFA	
Fraser Lundie, CFA	
Anne Marden, CFA	Resigned 27th November 2018
Lindsey Matthews, CFA, CIPM	
Tim Nuding, CFA	
Helen Thomas, CFA	
Stephen Wackerle, CFA, FCA, CA(SA), SIRM	Appointed 27th November 2018
David Zahn, CFA, CAIA, FRM	

By order of the Board

Bernadette Barber, Secretary

30 September 2019

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

Opinion

We have audited the financial statements of CFA Society of the UK for the year ended 30 June 2019 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 2019 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 7, 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

9 October 2019

FINANCIAL STATEMENTS

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 2019	Notes	2019	2018
		£	£
Turnover	4	4,115,949	4,046,573
Cost of sales		(1,475,501)	(1,188,654)
Gross profit		2,640,448	2,857,919
Administrative expenses		(2,189,740)	(2,120,546)
Establishment costs	5	(303,245)	(287,227)
		(2,492,985)	(2,407,773)
Operating profit		147,463	450,146
Interest receivable, similar income and gains	6	99,818	164,523
Loss on disposal of fixed asset investments		(49,324)	(16,178)
Profit on ordinary activities before taxation	7	197,957	598,491
Taxation on profit on ordinary activities	8	(54,650)	(77,834)
Profit on ordinary activities after taxation	17	143,307	520,657

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

BALANCE SHEET AS AT 30 JUNE 2019	Notes		2019		2018 restated
			£		£
Fixed assets					
Tangible assets	9	33,357		24,233	
Intangible assets	10	88,786		130,540	
Investments	11	3,737,461		2,935,646	
			3,859,604		3,090,419
Current assets					
Stock	12	15,792		16,509	
Debtors	13	335,042		559,528	
Cash at bank and in hand		2,183,434		2,284,437	
		2,534,268		2,860,474	
Creditors					
Amounts falling due within one year	14	(906,384)		(706,971)	
Net current assets			1,627,884		2,153,503
Total assets less current liabilities			5,487,488		5,243,922
Provisions for liabilities and charges	15		(137,265)		(139,429)
Deferred income	16		(1,011,653)		(909,230)
Net assets			4,338,570		4,195,263
Reserves					
Profit and loss account	17		4,338,570		4,195,263
Members' funds			4,338,570		4,195,263

The financial statements on pages 10 to 23 were approved and authorised for issue by the Board of Directors on 30 September 2019 and signed on their behalf by:

D Murray, CFA, Chair
M Lonergan, CFA, CPA, Treasurer

FINANCIAL STATEMENTS (CONTINUED)

CASH FLOW STATEMENT	Notes	2019	2018 restated
		£	£
Net cash provided by operating activities	19	733,089	500,667
Cash flows from investing activities			
Interest received and investment income		19,654	11,011
Payments to acquire fixed asset investments		(1,074,688)	(266,691)
Proceeds from sale of fixed asset investments		316,846	266,768
Payments to acquire tangible fixed assets		(23,049)	(8,059)
Payments to acquire intangible assets		(12,529)	-
Net cash (used in) / provided by investing activities		(773,766)	3,029
Taxation			
Corporation tax paid		(60,326)	(58,137)
(Decrease) / Increase in cash in the period	19	(101,003)	445,559

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%

ACCOUNTING PRINCIPLES (CONTINUED)

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

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 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.

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 surplus 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.

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 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 £2,312,348 (2018 restated: £2,711,289), financial assets at fair value through income or expenditure of £3,724,328 (2018 restated: £2,935,646) and financial liabilities at amortised cost of £791,295 (2018 restated: £584,815).

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

Q. RELATED PARTY TRANSACTIONS

There were no related party transactions during the period.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

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 2019, the total number of members was 12,167 (2018: 12,141) and the number of Regular members was 10,098 (2018: 9,986).

2. EMPLOYEES	2019	2018
The average monthly number of persons, excluding 14 volunteer directors (2018: 14) employed by the Society was:		
Total employees	24	23

The full-time equivalent average monthly numbers of employees was 24 (2018: 23).

Staff costs for the above persons:	2019	2018
	£	£
Wages and salaries	1,322,698	1,282,240
Social security costs	156,073	150,482
Other pension costs	82,185	81,057
	1,560,956	1,513,779

No remuneration was paid to the directors during the year (2018: nil). No director (2018: nil) is accruing benefits under money purchase or defined benefit pension schemes.
Expenses incurred by or reimbursed to the directors during the year totalled £359 (2018: £15).

3. KEY MANAGEMENT PERSONNEL	2019	2018
	£	£
The total employee benefits for the leadership team of the Society were £680,049 (2018: £683,742).		
Staff costs for the above persons:		
Wages and salaries	555,263	557,814
Social security costs	76,626	76,978
Other pension costs	48,160	48,950
	680,049	683,742

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019 (CONTINUED)

4. TURNOVER	2019	2018
	£	£
Subscriptions	1,458,796	1,357,702
Subscriptions VAT recovery	6,161	325,343
Publications	351,776	314,936
Examinations	1,291,920	1,264,895
Professional Development	66,150	42,488
CFA Support	13,300	17,187
Social	14,522	28,669
Other Activities	224,279	200,347
CFA Institute Funding	601,031	442,540
CFA Institute Investment Foundations Program revenue	88,014	52,466
	4,115,949	4,046,573

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

Subscriptions income VAT recovery of £6,161 (2018: £325,343) relates to a one-off reclaim 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 £88,014 (2018: £52,466) relates to the release of deferred income from a revenue share from the CFA Institute Investment Foundations Program, previously known as Claritas. CFA Institute made the Program freely available in September 2018 which reduced the value of the society's revenue share to nil.

5. ESTABLISHMENT COSTS		2019		2018
	£	£	£	£
Rent	116,365		90,135	
Rates	50,414		38,742	
Lighting and heating	4,136		4,406	
		170,915		133,283
Insurance		17,197		21,561
Office building maintenance		35,240		29,696
Office repairs and renewals and health & safety		2,249		31,614
Office security		1,937		852
Office cleaning		7,497		9,820
Lease dilapidations		-		(33,600)
Depreciation		13,927		39,403
Amortisation		54,283		54,598
		303,245		287,227

6. INTEREST RECEIVABLE, SIMILAR INCOME AND GAINS	2019	2018
	£	£
Bank interest	5,748	1,862
Dividend income received	13,906	9,149
Movement in fair value of hedge	(13,133)	(3,607)
Movement in fair value of investments	93,297	157,119
	99,818	164,523

7. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2019	2018
	£	£
Profit on ordinary activities before taxation is stated after charging/(crediting):		
Depreciation of tangible fixed assets	13,927	39,403
Amortisation of intangible assets	54,283	54,598
Currency exchange gains	(87)	(1,656)
Operating leases:		
Plant and machinery	6,316	6,316
Land and buildings	116,365	90,135
Auditor's remuneration – audit	12,400	12,100
Auditor's remuneration – taxation	3,150	9,280
Auditor's remuneration – other services	-	4,000

8. CORPORATION TAX	2019	2018
	£	£
Current Tax: UK corporation tax	56,814	60,326
Total current tax	56,814	60,326
Deferred taxation:		
Origination of timing differences	(2,164)	17,508
Tax on profits on ordinary activities	54,650	77,834

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019 (CONTINUED)

8. CORPORATION TAX (CONTINUED)	2019	2018
	£	£
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	197,957	598,491
Profit on ordinary activities multiplied by the effective rate of corporation tax of 19% (2018: 19%)	37,612	113,713
Effects of:		
Expenses not deductible for tax purposes	23,256	15,710
(Profit)/ loss on member income not deductible	(8,142)	(58,508)
Other permanent differences	648	893
Other short term timing differences	293	(194)
FRS102 adjustments	983	6,220
Total tax charge for the year	54,650	77,834

9. TANGIBLE FIXED ASSETS	Leasehold Improvements	Office Equipment	Furniture & Fittings	Total
	£	£	£	£
Cost				
At 30 June 2018	122,992	63,209	41,132	227,333
Additions	-	18,306	4,745	23,051
At 30 June 2019	122,992	81,515	45,877	250,384
Depreciation				
At 30 June 2018	122,032	55,405	25,663	203,100
Charged in the year	960	8,555	4,412	13,927
At 30 June 2019	122,992	63,960	30,075	217,027
Net book value				
At 30 June 2019	**-**	**17,555**	**15,802**	**33,357**
At 30 June 2018	960	7,804	15,469	24,233

10. INTANGIBLE ASSETS	Systems Software	Website	Total
	£	£	£
Cost			
At 30 June 2018	398,908	148,150	547,058
Additions	-	12,529	12,529
Disposals	-	(11,724)	(11,724)
At 30 June 2019	398,908	148,955	547,863
Depreciation			
At 30 June 2018	361,599	54,919	416,518
Charged in the year	23,406	30,877	54,283
Disposals	-	(11,724)	(11,724)
At 30 June 2019	385,005	74,072	459,077
Net book value			
At 30 June 2019	**13,903**	**74,883**	**88,786**
At 30 June 2018	37,309	93,231	130,540

11. FIXED ASSET INVESTMENTS	2019	2018 restated
	£	£
At 1 July	2,935,646	2,794,782
Acquired in the period (at cost)	1,074,688	266,691
Less: Disposal in the period	(366,170)	(282,946)
Market value adjustment	93,297	157,119
Market value at 30 June	3,737,461	2,935,646

The historical cost of investments held at the year end was £3,017,690 (2018: £2,247,202).

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.

The Society has reviewed the presentation of its investments in the year. As investments are being held on a long term basis, the assets have been reclassified as fixed assets rather than current asset investments, other than liquidity fund balances which have been included as part of cash at bank. See Note 22 for further details.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019 (CONTINUED)

12. STOCK	2019	2018
	£	£
Stock	15,792	16,509

13. DEBTORS – DUE WITHIN ONE YEAR	2019	2018
	£	£
Trade debtors	78,471	41,490
Other debtors	50,443	309,622
Prepayments and accrued income	206,128	208,416
	335,042	559,528

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	2019	2018 restated
	£	£
Creditors control account	457,718	281,847
Corporation tax liability	56,814	60,326
Other taxation and social security costs	45,142	61,830
Sundry creditors and accruals	333,577	302,968
Forward exchange contract liability	13,133	-
	906,384	706,971

15. PROVISIONS FOR LIABILITIES AND CHARGES	2019	2018
	£	£
Deferred tax provision at 1 July	139,429	121,921
Transfer from profit and loss account	(2,164)	17,508
Deferred tax provision at 30 June	137,265	139,429

Deferred tax arises due to timing differences we expect to reverse in future years.

16. DEFERRED INCOME

	2019	2018 restated
	£	£
Deferred income	1,011,653	909,230

Included in deferred income is £nil (2018: £83,314) due after more than one year relating to the remaining revenue share from CFA Institute's Investment Foundations Program, which was released in 2019.

17. RESERVES

	2019	2018
	£	£
Profit and loss account at 1 July	4,195,263	3,674,606
Profit for the financial year	143,307	520,657
Profit and loss account at 30 June	4,338,570	4,195,263

18. COMMITMENTS UNDER OPERATING LEASES

	2019	2018
	£	£
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	480	120
Due in more than 5 years	-	-
Land and buildings:		
Due within 1 year	116,012	116,012
Due between 2 and 5 years	174,018	290,030
Due in more than 5 years	-	-
	290,990	406,642

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019 (CONTINUED)

19. CASH FLOW	2019	2018 restated
	£	£
A. Reconciliation of operating profit to net cash provided by operating activities		
Operating profit	147,463	450,146
Depreciation of tangible fixed assets	13,925	39,403
Amortisation of intangible assets	54,283	54,598
Decrease in stock	717	2,029
Decrease / (increase) in debtors	224,486	(136,732)
Increase in creditors	106,478	161,166
Increase / (decrease) in deferred income	185,737	(69,943)
Net cash provided by operating activities	733,089	500.667
B. Reconciliation of net cash flow to movement in net funds		
Change in cash and cash equivalents in the year	(101,003)	445,559
Closing cash and cash equivalents	2,183,434	2,284,437
Opening cash and cash equivalents	2,284,437	1,838,878
Movement in cash and cash equivalents in the period	(101,003)	445,559

20. PENSION COMMITMENTS

The Society makes contributions to the pension schemes of employees.
The pension charge for the year was £82,185 (2018: £81,057).

At 30 June 2019, pension contributions amounting to £4,096 (2018: £2,723) were outstanding and are included in creditors.

21. CURRENCY DERIVATIVES - CASH FLOW HEDGE

	2019	2018
	£	£
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:		
US Dollar denominated contract	400,723	-

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 liability of £13,133 included within creditors (2018: nil).

Cash at bank includes a balance of £237,000 (2018: £237,000) that is held as security in relation to the currency forward contract facilities.

22. RESTATEMENT OF PRIOR YEAR BALANCE SHEET AND CASH FLOW

The Society has reviewed the presentation of its investments and deferred income in the year. As investments are being held on a long term basis, the assets have been reclassified as fixed assets rather than current asset investments, other than liquidity fund balances which have been included as part of cash at bank. Deferred income is presented separately on the face of the balance sheet, and not as part of total creditors within net current assets. The comparative balances have also been restated to reflect the presentational change.

The presentational changes have resulted in an increase in fixed asset investments of £2,935,646, an increase in cash of £272,535, a decrease in current asset investments of £3,208,181, a decrease in short term creditors of £825,916, a decrease in long term creditors of £83,314 and an increase in deferred income of £909,230 in the prior year.

As a result of the reclassification, fixed assets increased by £2,935,646 (2018 restated: £3,090,419) and net current assets decreased by £2,109,730 (2018 restated: £2,153,503).

The impact on the cash flow statement, of the reclassification of liquidity funds as cash rather than current asset investments, was a £589 increase in the 'Increase in cash in the period' figure (2018 restated 'Increase in cash in the period': £445,559).

ESG INVESTING: PUTTING THEORY INTO PRACTICE

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The burden of academic evidence also suggests that implementing ESG investment strategies will have either a neutral or positive impact on returns and lowers borrowers' costs of capital. Asset owners and their investment managers are keen to get started or to deepen their involvement, but it's sometimes hard for people to know where and how to start.

Our members have been telling us that there is a real need for an industry wide body of knowledge. They have asked for a coherent framework to ensure practitioners are equipped with the right tools to build their capabilities and advance ESG investing.

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We are proud and excited to have launched the new certificate and look forward to working with the market to build and adapt it over time. We hope that the certificate will allow the investment sector to accelerate its progress on sustainable development and to demonstrate its purpose.

For more information visit www.cfauk.org/esg

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