

THE INSTITUTE OF FINANCIAL ACCOUNTANTS

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

THE INSTITUTE OF FINANCIAL ACCOUNTANTS

COMPANY INFORMATION

Directors	A Conway D Moore
Company secretary	SGH Company Secretaries Limited
Registered number	09350923
Registered office	CS111, Clerkenwell Workshops 27-31 Clerkenwell Close Farringdon London EC1R 0AT
Independent auditors	James Cowper Kreston Chartered Accountants and Statutory Auditor Reading Bridge House George Street Reading Berkshire RG1 8LS
Bankers	HSBC Bank plc 69 High Street Sevenoaks Kent TN13 1LB

THE INSTITUTE OF FINANCIAL ACCOUNTANTS

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THE INSTITUTE OF FINANCIAL ACCOUNTANTS

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2019

The directors present their report and the financial statements for the year ended 30 June 2019.

Directors

The directors who served during the year were:

A Conway
D Moore

Results and dividends

The loss for the year, after taxation, amounted to £6,429 (2018 - profit £141,186).

Directors' responsibilities statement

The directors are responsible for preparing the directors' report and the financial statements, in accordance with applicable law.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRS as adopted by the EU, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect 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 and other information included in Directors' reports may differ from legislation in other jurisdictions.

Principal activity

The principal activity of the Company during the year was the representation of financial accountants in industry, commerce, public administration and private practice.

THE INSTITUTE OF FINANCIAL ACCOUNTANTS

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2019

Business review

I am pleased to present the company's accounts for the year ended 30 June 2019. The Institute of Financial Accountants made a small loss of £6,429 after tax for the period under review. (2018: profit £141,186; 2017: profit £58,620; 2016: loss of £26,530; 2015: loss of £207,520).

Despite the great strides that have been made during this financial period to raise the profile, recognition and global growth of the IFA as well as providing greater efficiency, greater effectiveness and greater member value to our members, member firms and students, the IFA has made a small net loss.

Although disappointing, the small net loss was not unexpected as it was necessary for us to make some significant changes to our IT systems, compliance processes, our risk-based monitoring and our enforcement programme to meet our obligations as an AML supervisory body and to meet the requirements of the Office of Professional Body Anti-Money Laundering Supervision (OPBAS).

The role of OPBAS is to improve consistency of professional bodies providing AML supervision in the accountancy and legal sectors. It's funded by the professional bodies that it supervises. OPBAS completed its first round of monitoring visits of the 22 professional bodies at the end of 2018 to assess how they were performing against their obligations as a supervisory body.

I am pleased to report OPBAS's assessment of IFA's performance was extremely positive but highlighted certain areas where further improvement was required. The IFA Board made a conscious decision to support a revised AML strategy, recognising the investment required and the impact this would have on this year's financial performance.

Changes in IFRS 16 on leasing resulted in an increase in equity adjustments during this period resulting in an increase in expenses. The changes in IFRS 15 has resulted in us having to split our initial membership application fee into a certification and administration fee whereby the administration fee needs to be recognised over the initial contract period therefore deferring 50% of our income received to the 2019/2020 financial period.

Work has continued over this period to maintain business as usual and creating the foundations to deliver global growth over the next decade, including:

- review and development of back office systems, processes and procedures focusing on more online solutions – annual compulsory member declaration and member firm compliance return
- clear focus on global membership and student growth;
- providing greater member value through services provided, CPD, workshops, conferences, branch meetings, "Financial Accountant" magazine and our weekly e-newsletter via our new digital platform;
- the launch of IFA Direct, our online Education Programme in partnership with CU Coventry
- review of our Bye-laws and Regulations; and
- managing performance and expenditure.

The substantial increase in general expenditure compared to the last financial period is attributed to the work required to further develop our regulatory compliance and monitoring processes and recruitment of temporary/permanent resources to conduct approximately 2,000 member-firm risk assessments and monitoring visits to member firms. The Money Laundering Regulations 2017 places new obligations and demands on member firms and the IFA as a supervisory body. In the area of regulation our approach has been very much around education rather than enforcement. Ensuring members remain up to date with changes in regulations is a responsibility we take extremely seriously. Going forward the IFA will take a much harder stance where members fail or refuse to meet their regulatory obligations and/or the IFA bye-laws/regulations.

Business has continued as normal during this period which has seen an increase in income compared to the previous year. This increase can be attributed to growth in membership, the launch of our new "IFA Direct" education programme, regulatory fees, our strategic partnerships and disciplinary fines and penalties.

Our aim is to continue to grow and return the IFA back to a positive financial position. We have clear and defined strategies designed to grow membership and students (via IFA Direct), raise brand awareness and the quality and standards of members.

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**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2019**

Disclosure of information to auditors

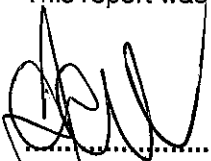
Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

The auditors, James Cowper Kreston, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.


.....
D Moore
Director
Date: 08/08/19

THE INSTITUTE OF FINANCIAL ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE INSTITUTE OF FINANCIAL ACCOUNTANTS

Opinion

We have audited the financial statements of The Institute of Financial Accountants for the year ended 30 June 2019 which comprise the Statement of profit or loss and other comprehensive income, the Statement of financial position, the Statement of cash flows, the Statement of changes in equity and the related notes, including a summary of significant accounting policies set out on pages 13 - 16. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

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 auditors' 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 United Kingdom, including the Financial Reporting Council'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 report, other than the financial statements and our auditors' 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.

THE INSTITUTE OF FINANCIAL ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE INSTITUTE OF FINANCIAL ACCOUNTANTS

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 the audit:

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have 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 Strategic report or 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, 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.

Responsibilities of directors

As explained more fully in the directors responsibilities statement on page 3, 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.

Auditors' 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 auditors' 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 auditors' report.

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE INSTITUTE OF FINANCIAL ACCOUNTANTS

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 auditors' 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.

Alexander Peal BSc (Hons) FCA DChA (Senior statutory auditor)

for and on behalf of

James Cowper Kreston

Chartered Accountants and Statutory Auditor

Reading Bridge House

George Street

Reading

Berkshire

RG1 8LS

Date:

THE INSTITUTE OF FINANCIAL ACCOUNTANTS

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 £	2018 £
Revenue	5	1,917,634	1,626,780
Gross profit		1,917,634	1,626,780
Administrative expenses		(1,920,744)	(1,482,793)
(Loss)/profit from operations		(3,110)	143,987
Finance expense		(6,937)	(11,481)
Gain on foreign exchange		3,622	15,287
(Loss)/profit before tax		(6,425)	147,793
Tax expense	8	(4)	(6,607)
(Loss)/profit for the year		(6,429)	141,186
Total comprehensive income		(6,429)	141,186

There was no other comprehensive income for 2019 (2018: £NIL).

**THE INSTITUTE OF FINANCIAL ACCOUNTANTS
REGISTERED NUMBER: 09350923**

**STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019**

	Note	2019 £	2018 £
Assets			
Non-current assets			
Property, plant and equipment	9	241,178	29,858
Intangible assets	10	184,401	184,401
Trade and other receivables	11	39,564	39,564
		465,143	253,823
Current assets			
Trade and other receivables	11	171,406	214,703
Cash and cash equivalents		904,308	689,675
		1,075,714	904,378
Total assets		1,540,857	1,158,201
Liabilities			
Non-current liabilities			
Loans and borrowings	13	156,432	194,357
Deferred tax liability	8,14	6,611	4,211
		163,043	198,568
Current liabilities			
Trade and other liabilities	12	1,228,161	937,814
Loans and borrowings	13	213,024	56,063
Total assets		1,441,185	993,877
Total liabilities		1,604,228	1,192,445
Net liabilities		(63,371)	(34,244)
Issued capital and reserves			
Retained earnings		(63,371)	(34,244)
TOTAL EQUITY		(63,371)	(34,244)

The financial statements on pages 9 to 24 were approved and authorised for issue by the board of directors and were signed on its behalf by:

.....
D Moore
 Director
 Date: 08/08/19

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STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2019

	Retained earnings (restated) £	Total equity (restated) £
At 1 July 2018 (as previously stated)	(34,244)	(34,244)
IFRS transition adjustment	(22,698)	(22,698)
	<u>(56,942)</u>	<u>(56,942)</u>
At 1 July 2018 (as restated)		
Loss for the year	(6,429)	(6,429)
	<u>(6,429)</u>	<u>(6,429)</u>
Total comprehensive income for the year		
	<u>(6,429)</u>	<u>(6,429)</u>
At 30 June 2019	<u>(63,371)</u>	<u>(63,371)</u>
	Retained earnings £	Total equity £
At 1 July 2017	(175,430)	(175,430)
Profit for the year	141,186	141,186
	<u>141,186</u>	<u>141,186</u>
Total comprehensive income for the year		
	<u>141,186</u>	<u>141,186</u>
At 30 June 2018	<u>(34,244)</u>	<u>(34,244)</u>

The notes on pages 13 to 16 form part of these financial statements.

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STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2019

	2019 £	2018 £
Cash flows from operating activities		
(Loss)/profit for the year	(6,429)	141,186
Adjustments for		
Depreciation of property, plant and equipment	155,187	13,511
Amortisation of intangible fixed assets	-	7,219
Loss on sale of property, plant and equipment	-	238
Lease charges	20,242	-
Effect of IFRS transition	(9,313)	-
Net foreign exchange gain	(3,622)	(15,524)
Deferred tax expense	2,400	4,211
	<u>158,465</u>	<u>150,841</u>
Movements in working capital:		
Decrease/(increase) in trade and other receivables	43,297	(22,195)
Increase in trade and other payables	290,347	110,121
	<u>492,109</u>	<u>238,767</u>
Net cash from operating activities		
Cash flows from investing activities		
Purchases of property, plant and equipment	(34,518)	(29,800)
	<u>(34,518)</u>	<u>(29,800)</u>
Net cash used in investing activities		
Cash flows from financing activities		
Repayment of interest bearing loan	(83,691)	(100,000)
Repayment of lease principal	(159,267)	-
	<u>(242,958)</u>	<u>(100,000)</u>
Net cash used in financing activities		
Net cash increase in cash and cash equivalents	214,633	108,967
Cash and cash equivalents at the beginning of year	689,675	580,708
Cash and cash equivalents at the end of the year	<u><u>904,308</u></u>	<u><u>689,675</u></u>

THE INSTITUTE OF FINANCIAL ACCOUNTANTS

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

1. Reporting entity

The Institute of Financial Accountants is a limited company incorporated and domiciled in the United Kingdom. The Company's registered office is at given on page 1. The Institute of Financial Accountants principal activities are set out in the Directors report on page 3.

The Company is controlled by The Institute of Public Accountants which is headquartered in Melbourne, Australia. The Company is limited by guarantee without share capital.

2. Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively IFRSs).

Details of the Company's accounting policies, including changes during the year, are included in note 3.

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

The areas where judgements and estimates have been made in preparing the financial statements and their effect are disclosed in note 4.

3. Accounting policies

3.1 New standards and interpretations adopted

The Company has applied certain standards and amendments for the first time for the year end 30 June 2019. The standards that have significantly affected the Company's reporting are as follows:

IFRS 15 Revenue from Contracts with Customers

The Company has adopted IFRS 15 from 1 July 2017. The impact on the financial statements is that membership application fees which were historically recognised at the date of application are now split into two performance obligations; a certification fee which is recognised on application, and a processing fee which is recognised over the duration of the initial contract.

IFRS 16 Leases

The Company has early adopted IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 July 2018.

The impact on the financial statements is that a right of use asset is recognised with a cost equal to the present value of the minimum future lease payments, discounted at the company's incremental borrowing rate, and a corresponding liability held at amortised cost. The right of use asset is depreciated over the life of the lease, and the liability held at amortised cost generates an interest expense.

3.2 New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for year end 30 June 2019 and have not been early adopted by the Company. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

THE INSTITUTE OF FINANCIAL ACCOUNTANTS

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

3. Accounting policies (continued)

3.3 Revenue

Revenue is measured as the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

The revenue shown in the Statement of Profit and Loss and Other Comprehensive Income represents the amounts invoiced during the year, exclusive of Value Added Tax, as adjusted for deferred income.

The membership subscription year commences on 1 January of each year when the annual subscription is due for the year ending 31 December. Subscriptions are accounted for over the period covered by the subscription and subscriptions received during the period for future membership subscription years are carried forwards as deferred income.

3.4 Foreign currency

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Consolidated Statement of Comprehensive Income.

3.5 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

THE INSTITUTE OF FINANCIAL ACCOUNTANTS

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

3. Accounting policies (continued)

3.6 Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment. Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss. Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Depreciation is provided on all other items of property, plant and equipment so as to write off their carrying value over their expected useful economic lives. It is provided at the following rates:

Office equipment & other	10% - 33% per annum
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3.7 Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Learning materials	- 3 Years
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3.8 Goodwill

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of the Company's share of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, goodwill is tested for impairment annually, or more frequently when there is an indication of impairment. If the recoverable amount is less than its carrying amount, the impairment loss is allocated to reduce the carrying amount. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

3.9 Financial instruments

Financial assets and financial liabilities are recognised when an entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

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

3. Accounting policies (continued)

3.10 Defined contribution schemes

Contributions to defined contribution pension schemes are charged to the statement of comprehensive income in the year to which they relate.

4. Accounting estimates and judgements

4.1 Critical judgements in applying accounting policies

Revenue recognition

The key judgement made by management in respect of revenue is the point at which that revenue should be recognised. Management consider that revenue is to be recognised in line with the membership year, all income received in respect of the subsequent subscription year is deferred.

On implementation of the IFRS 15 judgement has been made regarding the performance obligations and associated rights afforded to members to ensure revenue is recognised to reflect the consideration the Company expects to be entitled to in exchange for their services.

4.2 Key sources of estimation uncertainty

Useful lives of intangible assets

The Company establishes a reliable estimate of the useful life of intangible assets acquired on business combinations. This estimate is based on a variety of factors such as the expected use of the acquired assets, any legal, regulatory or contractual provisions that can limit useful life and assumptions that market participants would consider in respect of similar businesses.

Useful lives of property, plant and equipment

Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. Residual value assessments consider issues such as the remaining life of the asset and projected disposal values.

Taxation

The Company establishes provisions based on reasonable estimates, for possible consequences of audits by the tax authorities. The amount of such provisions is based on various factors, such as experience with previous tax submissions. Management estimation is required to determine the amount of deferred tax assets that can be recognised, based upon likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies.

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

5. Revenue

The following is an analysis of the Company's revenue for the year from continuing operations:

	2019 £	2018 £
Continuing Operations		
Revenue from rendering of services	1,917,634	1,626,780
Total revenue for the year	1,917,634	1,626,780

6. Employee benefit expenses

	2019 £	2018 £
Employee benefit expenses (including directors) comprise:		
Wages and salaries	698,228	553,968
National insurance	73,755	59,777
Defined contribution pension cost	22,890	16,449
	794,873	630,194

The average monthly number of employees, including directors, during the year was 16 (2018: 12)

Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, including the directors of the Company listed on page 1. Aggregate emoluments for key management personnel in the year was £151,518 (2018: £133,746).

7. Auditors' remuneration

	2019 £	2018 £
Fees payable for the audit of the financial statements	6,350	6,180
Non-audit services	4,180	3,605
	10,530	9,785

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

8. Tax expense

8.1 Income tax recognised in profit or loss

	2019 £	2018 £
Current tax		
Current tax on profits for the year	(2,396)	2,396
Deferred tax expense		
Origination and reversal of timing differences	2,400	4,211
Tax expense	4	6,607
	<u>4</u>	<u>6,607</u>

The reasons for the difference between the actual tax charge for the year and the standard rate of corporation tax in the United Kingdom applied to profits for the year are as follows:

	2019 £	2018 £
(Loss)/profit for the year	(6,429)	141,186
Income tax expense	4	6,607
(Loss)/profit before income taxes	<u>(6,425)</u>	<u>147,793</u>
Tax using the Company's domestic tax rate of 19% (2018:20%)	(1,221)	28,081
Non-tax deductible amortisation of goodwill and impairment	-	1,372
Expenses not deductible for tax purposes, other than goodwill, amortisation and impairment	3,345	2,987
Income not taxable for tax purposes	(939)	(21,180)
Deferred tax not recognised	-	(4,653)
Losses carried back	1,497	-
Adjustments to opening and closing deferred tax rates	(282)	-
Prior year adjustment	(2,396)	-
Total tax expense	<u>4</u>	<u>6,607</u>

Changes in tax rates and factors affecting the future tax charges

Legislation has been passed to reduce the rate of UK corporation tax to 17% from 1 April 2020.

THE INSTITUTE OF FINANCIAL ACCOUNTANTS

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

9. Plant and equipment

	Right-of-Use Assets £	Office equipment & other £	Total £
At 1 July 2017	-	43,031	43,031
Additions	-	29,800	29,800
Disposals	-	(305)	(305)
At 30 June 2018	-	72,526	72,526
Additions	331,989	34,518	366,507
Disposals	-	(4,323)	(4,323)
At 30 June 2019	331,989	102,721	434,710
	Right-of-Use Asset £	Office equipment & other £	Total £
Accumulated depreciation and impairment			
At 1 July 2017	-	29,223	29,223
Charge for the year	-	13,511	13,511
Disposals	-	(66)	(66)
At 30 June 2018	-	42,668	42,668
Charge for the year	144,249	10,938	155,187
Disposals	-	(4,323)	(4,323)
At 30 June 2019	144,249	49,283	193,532
Net book value			
At 1 July 2017	-	13,808	13,808
At 30 June 2018	-	29,858	29,858
At 30 June 2019	187,740	53,438	241,178

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10. Intangible assets

	Goodwill £	Learning materials £	Total £
Cost			
At 1 July 2017	194,106	46,515	240,621
At 30 June 2018	<u>194,106</u>	<u>46,515</u>	<u>240,621</u>
At 30 June 2019	<u>194,106</u>	<u>46,515</u>	<u>240,621</u>
	Goodwill £	Learning materials £	Total £
Accumulated amortisation and impairment			
At 1 July 2017	9,705	39,296	49,001
Charge for the year	-	7,219	7,219
At 30 June 2018	<u>9,705</u>	<u>46,515</u>	<u>56,220</u>
At 30 June 2019	<u>9,705</u>	<u>46,515</u>	<u>56,220</u>
Net book value			
At 1 July 2017	184,401	7,219	191,620
At 30 June 2018	184,401	-	184,401
At 30 June 2019	<u>184,401</u>	<u>-</u>	<u>184,401</u>

Learning materials reflect development costs for the education online learning materials and obtaining Ofqual/QCF accreditation.

Goodwill reflects the costs of acquiring the Federation of Tax Advisers and the former Institute of Financial Accountants.

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11. Trade and other receivables

	2019 £	2018 £
Trade receivables	24,168	26,587
Receivables from related parties	-	10,302
Prepayments and accrued income	90,177	142,220
Other receivables	96,625	75,158
Total trade and other receivables	210,970	254,267
Less: current portion - trade receivables	(24,168)	(26,587)
Less: current portion - prepayments and accrued income	(90,177)	(142,220)
Less: current portion - other receivables	(57,061)	(35,594)
Less: current portion - receivables from related parties	-	(10,302)
Total current portion	(171,406)	(214,703)
Total non-current portion	39,564	39,564

Trade receivables at 30 June 2019 include amounts billed in advance for membership subscriptions, practising certificates and anti-money laundering services due for renewal from 1st January each year. The Company's exposure to credit risk is disclosed in note 16.

Other receivables include rental deposits and VAT refundable.

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12. Trade and other payables

	2019 £	2018 £
Trade payables	133,340	146,211
Payables to related parties	21,381	4,584
Other payables	1,758	5,117
Accruals	158,601	24,167
Other taxation and social security payments	20,616	18,829
Deferred income	892,465	738,906
Total trade and other payables	1,228,161	937,814
Less: current portion - trade payables	(133,340)	(146,211)
Less: current portion - payables to related parties	(21,381)	(4,584)
Less: current portion - other payables	(22,374)	(23,946)
Less: current portion - accruals	(158,601)	(24,167)
Less: current portion - deferred income	(892,465)	(738,906)
Total current portion	(1,228,161)	(937,814)
Total non-current position	-	-

13. Loans and borrowings

	2019 £	2018 £
Non-current		
Interest bearing borrowings (unsecured)	107,768	194,357
Finance leases	48,664	-
	156,432	194,357
Current		
Interest bearing borrowings (Unsecured)	55,340	56,063
Finance leases	157,684	-
	213,024	56,063
Total loans and borrowings	369,456	250,420

Interest was payable to the parent company totalling £6,937 (2018: £11,481).

There was interest on finance leases of £20,242 (2018: £nil).

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14. Deferred taxation

	2019 £	2018 £
Fixed asset timing differences	8,375	4,211
Losses and other deductions	(1,764)	-
	<u>6,611</u>	<u>4,211</u>

15. Financial instruments

15.1 Capital management

The Company manages its capital to ensure that it can continue as a going concern while providing services to its members.

The Company only enters into basic financial instruments. The company has the following financial instruments; trade and other receivables (see note 11); trade and other payables (see note 12) and an interest bearing loan from group (see note 13).

15.2 Financial risk management

Financial risk is overseen by the non-executive directors. The Company does not enter into or trade financial instruments for speculative purposes.

15.3 Interest rate risk management

The Company monitors its risk on its floating interest rate borrowings and does not believe future movements will have significant impact on the Company's cash flow.

15.4 Credit risk management

The Company adopted a policy of only dealing with credit-worthy counter-parties often receiving cash before providing goods and services.

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16. Related party transactions

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

Disclosures required in respect of IAS 24 regarding remuneration of key management personnel are covered by the disclosure of directors' remuneration included within note 6.

During the year the Company incurred costs of £35,253 (2018: £10,302) on behalf of their ultimate holding company The Institute of Public Accountants and at the year end £21,381 (2018: £4,584) was owed. This amount is included in payables to related parties.

At the year end, an amount of £163,108 (2018: £250,420) was owed to The Institute of Public Accountants in relation to a loan held in Australian Dollars. The terms and conditions of the loan are that the Company will repay 100,000 Australian Dollars per annum, payable in quarterly instalments.

At the year end, an amount of £4,030 (2018: £4,780) was owed to the Company by John Edwards (CEO). This amount is included within the Other receivables.

The directors regard all the transactions disclosed above as being in the normal course of business and the transactions were enacted at arms' length.

17. Ultimate holding company

The ultimate holding company is The Institute of Public Accountants which is a company limited by guarantee, incorporated under the Australian Corporations Act 2001. The Institute of Public Accountants is a professional membership organisation whose constitution requires each member of the institute to contribute fixed amount in the event of the company being wound up.

The Company's financial statements will be consolidated in to The Institute of Public Accountants financial statements. Copies of The Institute of Public Accountants financial statements are available from the following website www.publicaccountants.org.au.

18. Subsidiaries

Details of the Company's material subsidiaries at the end of the reporting period are as follows:

Name of subsidiary	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Company (%)	
			2019	2018
1) Institute of Financial Accountants in Hong Kong Limited	Dormant	Hong Kong	-	-
2) Institute of Financial Accountants in China Limited.	Dormant	Hong Kong	100	100
3) Federation of Tax Advisers Limited	Dormant	United Kingdom	100	100
4) IFA Institute of Public Accountants Limited	Dormant	United Kingdom	100	100

As permitted under s398 of the Companies Act 2006 the directors have elected not to produce group accounts.

