

The British Computer Society

Annual Report and Consolidated Financial Statements

Year ended 31 August 2018

**BCS, The Chartered Institute for IT is the business
name of The British Computer Society**



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BCS, The Chartered Institute for IT

OFFICERS, DISTINGUISHED FELLOWS AND EXECUTIVE TEAM

PATRON: HRH The Duke of Kent KG

TRUSTEE BOARD (and Members of Council)

President – C Rees FBCS CITP

Deputy President – M Grant FBCS

Immediate Past President – P Martynenko FBCS

Vice-Presidents

G Arnold MBCS
M V Cooper FCA FBCS
T Crick MBE CEng CSci FBCS
J H Davenport FBCS CITP
R G George OBE FBCS CITP
I Nath FBCS CITP (from 14 March 2018)
S Pattison FBCS
AJC Revell CEng MBCS CITP (from 14 March 2018)
I Thompson CEng HonFBCS CITP (to 14 March 2018)

Chair of Council:

H Fletcher CEng MBCS CITP

Elected by Council:

M Ajibode CEng FBCS CITP (to 5 March 2018)
B Booth FBCS CITP (from 10 May 2018)
R Kaur FBCS CITP
J McCafferty CEng FBCS CITP
M Ross MBE CEng CSci HonFBCS CITP

EXECUTIVES

Group Chief Executive – P Fletcher FBCS

Group Finance Director – R Deri FCA MBCS

Director of Standards – J Barlow MBCS

Director – IT and Operations & Marketing - C Harris MBCS CITP

Director – Community and Policy - D Evans FBCS (to 4 May 2018)

Director – Public Affairs - W Mitchell FBCS CITP

Director – External Affairs - A Thilthorpe FBCS

Director – Education – J Adamson AMBCS

Managing Director, BCS L&D Limited – L Ireland

MEMBERS OF COUNCIL

H Fletcher CEng MBCS CITP - Chair	R Kaur FBCS CITP
C Boldyreff FBCS CITP	L Keighley CEng FBCS CITP
B Booth FBCS CITP	C Long CEng FBCS CITP
J Brookes CEng FBCS CITP	J McCafferty CEng FBCS CITP
R Boyle CEng FBCS CITP	A Pakštas FBCS CITP
P Clarendon MBCS	A Palmer MBCS
S De Silva FBCS CITP	L Parry MBCS
B Duffy FBCS CITP	D Rippon CEng FBCS CITP
P Fletcher FBCS – Group Chief Executive	M Ross MBE CEng CSci HonFBCS CITP
I Glendinning CEng FBCS CITP	L Senanayake CEng FBCS CITP
J Hammond MBCS	C Smythe CEng FBCS CITP
J Hogan MBCS CITP	I Thompson CEng HonFBCS CITP
R Isherwood MBCS	D Toms MBCS
	A G Williamson CEng FBCS CITP
	H Wu MBCS

PAST PRESIDENTS

2017/18	P Martynenko	1986/87	Sir John Fairclough†
2016/17	R J Long CB	1985/86	R A McLaughlin
2015/16	J Creese	1984/85	E S Page
2014/15	E A Bacon	1983/84	D Firnberg
2013/14	R Marshall	1982/83	HRH The Duke of Kent KG
2012/13	R J Harvey		P D Hall OBE†
2011/12	M J Norton FEng	1981/82	F J Hooper
2009/11	E A Sparrow	1980/81	J L Bogod †
2008/09	A W Pollard	1979/80	F H Sumner †
2007/08	R H A Burnett	1978/79	PA Samet †
2006/07	Sir Nigel Shadbolt FEng	1977/78	G A Fisher
		1976/77	C P H Marks †
2005/06	C E Hughes	1975/76	E L Willey †
2004/05	D Morriss	1974/75	R L Barrington
2003/04	Dame Wendy Hall DBE FRS FEng	1973/74	G J Morris
		1972/73	A S Douglas CBE†
2002/03	J L Ivinson†	1971/72	A d'Agapeyeff OBE†
2001/02	N G McMullen	1970/71	The Earl of Halsbury†
2000/01	A J P Macdonald CB	1969/70	B Z de Ferranti†
1999/00	D F Hartley	1968/69	S Gill†
1998/99	I C Ritchie CBE FRSE FEng	1967/68	The Earl Mountbatten of Burma KG PC OM†
		1966/67	Sir Maurice Banks †
1997/98	Sir Brian Jenkins GBE	1965/66	Sir Edward Playfair KCB†
1996/97	R J McQuaker†	1963/65	R L Michaelson†
1995/96	G W Robinson CBE FEng	1962/63	D W Hooper †
		1961/62	F Yates CBE†
1994/95	D W Mann	1960/61	Sir Maurice Wilkes FRS FEng†
1993/94	J P Leighfield CBE	1957/60	
1992/93	R G Johnson		
1991/92	S C T Matheson CB		
1990/91	A R Rousell		
1989/90	Dame Stephanie Shirley CH DBE FEng		
1988/89	B W Oakley CBE†		
1987/88	E P Morris TD		

†deceased

DISTINGUISHED FELLOWS

S Peyton Jones FRS
M Lane Fox, Baroness Lane-Fox of Soho CBE
Dame Wendy Hall DBE FRS FEng
S Furber CBE FRS FEng
H Hauser CBE FRS FEng
W East FEng
V Cerf
S McNealy
P T Kirstein CBE FEng
D Deutsch FRS
Sir Tim Berners-Lee OM KBE FRS FEng

W H Gates III KBE
F P Brookes FEng
R Wilmot OBE
Wladyslaw M Turcki †
A J Robin E. Milner †
I M Barron CBE
D E Knuth
G M Amdahl
Sir Antony Hoare KBE FRS FEng
C W Bachman †
Lord Bowden †

D W Davies †
I L Auerback †
J H Wilkinson †
T Kilburn †
A P Ershov †
Sir Maurice Wilkes †
G M Hopper †
C Strachey †
E W Dijkstra †

†deceased

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PRESIDENT'S MESSAGE

During my first months as President I have met with many members and volunteers in the UK and abroad. I have genuinely found it uplifting to experience first-hand the passion for BCS and to see how the activities of our communities make a real difference; and how the combination of staff and volunteers allows BCS to achieve far more than either could do alone. I have also visited Poland, Sri Lanka, Mauritius and Australia in my role as President. In all these countries, BCS is held in high regard and its contribution to society appreciated.

We live in a time of transformational changes driven by use of data and digital technologies, impacting all sectors of society at an unprecedented pace. The internet and smartphones have created new industries in only a few years and now it appears that Artificial Intelligence and Robotics are likely to have a similar impact. That is one reason why I chose the Ethics of Artificial Intelligence as my Presidential theme. The other reason is that it is impossible to make IT good for Society if our approach to IT is not ethical.

I have given speeches on the Ethics of AI to 10 BCS Branches and Special Interest Groups in the UK, as well as groups in Sri Lanka and Mauritius. I have spoken to branches of the Australian Computer Society on the same theme in Adelaide, Canberra and Sydney, to the IFIP conference in Poland and external audiences, including schools and colleges in the UK and overseas. I have also participated in meetings and conferences on ethics, such as the Conference on Engineering Ethics at Leeds University organised by the Engineering Council and the Royal Academy of Engineering. There is no doubt that the issues raised are striking a chord. The responses have been consistently positive. AI specialists, engineers, academics and business people as well as lay leaders welcome the focus on ethics and wish to engage in the debate.

Consequently, it's been encouraging to see the influence of BCS more broadly in this burgeoning AI and Ethics debate. One of my predecessors as BCS President, Dame Wendy Hall, led the government's review into the future of the AI industry in the UK, resulting in the creation of a new Centre for Data Ethics and Innovation. Furthermore, BCS is working on behalf of the government's Office for AI, with partners including Amazon, Deloitte, ARM, Lloyds, BT and the Turing Institute, to provide expert advice on developing an AI Masters programme, a key plank of the government's AI Sector Deal. As a membership organisation that puts professional ethics and responsibility at its core, it's an area we are strongly placed to lead.

Another fast-developing area this year with professional responsibility at its core is **FEDIP**. At a time when big data is set to transform the health profession, **FEDIP** is building better health and care by bringing together and inspiring professionals who can fully harness IT for the betterment of their communities and the population. 2018 saw the launch of the **FEDIP** professional register, which has the central goal of building shared professional standards to support health and care through the best use of IT. The importance of this was illustrated by the fact that the first Leading Practitioner to add his name to the Register was Matthew Swindells, NHS England's National Director of Operations and Information.

In November 2017 The Royal Society published its report, "After the Reboot: Computing Education in UK Schools". It was very heartening to read about the significant positive impact BCS has made over the past few years and how successful the Computing At School initiative has been in driving the Network of Teaching Excellence in Computer Science (NoE). The report states that the NoE has proved itself effective, despite operating within the constraints of its limited budget. For example, secondary schools reached by the Network generally have larger student cohorts taking computer science at GCSE, and they achieve higher grades than schools not reached by the Network. One of the Royal Society recommendations was that the learned societies in computing should establish a curriculum committee, to provide government with ongoing advice on the content, qualifications, pedagogy, and assessment methods for computing. BCS is leading this work in the newly formed National Centre for Computing Education (NCCE). After a competitive tender, the Department for Education has awarded an £84m contract over three years to a consortium of BCS, Stem Learning and Raspberry Pi to provide a coherent offer of teaching support to teachers and schools. The NCCE is a major investment by the Department for Education and is a great initiative to transform computing education, help prepare young people for the increasingly technological environment they will grow up in and in turn strengthen the UK economy.

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PRESIDENT'S MESSAGE (continued)

Over the past year, BCS has continued to take a lead in investigating, researching and publishing data on diversity and social mobility in the tech industry. Firstly, we released our Diversity in IT Report, which showed the rates of equality and inclusion in IT for women, people with disabilities, people over 50 and those from ethnic minority backgrounds. The results were striking and showed the extent of the challenge we face to deliver a representative profession. Behind these headline statistics there were also positive signs that things were improving and this is welcomed, albeit change is still coming at too slow a pace.

We followed this up by publishing a report into social mobility within the UK technology profession, with a launch event held at Rolls-Royce in Derby, attended by policymakers and industry leaders. This took a deeper look at the ways a career in IT and Computing can support opportunities and foster social change. Unsurprisingly, we found that an accessible and high-quality IT and Computing education is at the heart of enabling people to follow a successful tech career. These reports garnered national attention and are vital in shining a light on problems that we can't ignore as a profession, or a society. Only by having a firm grasp of the facts can steps be taken to address these issues and it is great to see BCS at the forefront of this.

We have also been working with the government on their Internet Safety Strategy, which has been designed to protect young people and other vulnerable groups online by putting robust safety measures into place. BCS have spent the past year collaborating with the Department of Digital, Culture, Media and Sport (DCMS) to build an evidence base with our membership that will help ensure these new measures are fit for purpose.

After meeting with DCMS last year, BCS agreed to conduct a poll of school children between the ages of 7 and 18 regarding their views on social media platforms and companies. The survey elicited a brilliant response, with over 6,500 young people providing their views. The government's official reply to the consultation saw BCS referenced more than any other non-governmental organisation. More importantly, you can see that our survey and wider work in this area has helped to inform and alter government thinking for the better. Since then, BCS has held a number of workshops between our members and DCMS officials, where we have helped test the practicability of the government's existing plans and looked at where improvements can be made. These workshops resulted in plenty of lively debate that will help shape the internet safety agenda and illustrate how our communities can make a big difference in major legislation.

No overview of our successes this year can go without mentioning the prestigious UK IT Industry Awards, which BCS again presented and which saw a celebration of excellence within the profession. As with the awards every year, it is quickly apparent that there is an enormous amount of talent in IT and the awards showcased the innovation and professionalism that makes it such a rewarding industry to work in.

Simply put, there is an enormous amount going on in technology. BCS as an organisation and our members are playing a key role in a great deal of it. While there are concerns about the technological challenges facing society, from the unethical use of AI to lack of diversity and numerous other areas, I am confident that we can continue to play an integral role in meeting these challenges.

I have worked with an amazing group of members, trustees, staff and partners at BCS during what has been a challenging year after the sharp reduction in our income from the Digital Skills and Axelos products. I am most grateful to them all. Together, we can achieve even more in the years to come.

Chris Rees FBCS CITP
President 2018-19
29 January 2019

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GROUP CHIEF EXECUTIVE'S REPORT

During 2017/18 the Institute continues to make significant contribution across a wide range of programmes and made progress in implementing the key strategic and charitable objectives.

Overall it has been a challenging and transitional financial year for BCS. In particular, the significant changes in the market for our commercial subsidiary, BCS Learning and Development (BCS L&D), necessitated a major restructure in the early part of the financial year in order to bring the cost base in line with a reduction in income. Consequently, we undertook a fundamental review of our business and this resulted in a reduction in headcount across the group from an average of 309 in 2016/17 to 244 in 2017/18.

The financial performance for the year resulted in total income of £19.9m compared with £35.1m in 2016/17. Despite the programme to reduce costs it was not possible to achieve the reduction at the same rate as the decline in income which, together with the costs of restructuring, resulted in net expenditure for the year of £3.7m. However, the efforts to realign revenues and costs have enabled the creation of a business plan for 2018/2019 which will deliver a much improved fiscal performance. The strength of our overall level of group reserves of £8.4m has allowed us to maintain a strong level of operations during what has been a transitional year. The budget and strategic plan for future years is to return to a balanced and self-financing operation.

Looking at some of the elements of BCS in turn:

In the Academy area we made massive progress to advance the teaching of Computer Science in Schools. On the 7th November 2018 the government announced the new National Centre for Computing Education to improve the teaching of computing and drive participation in computer science. As part of a consortium with STEM Learning and Raspberry Pi we were chosen as the provider for the project, which is backed by £84million of government investment. We were also awarded a three-year agreement by the Department for Education to award teaching scholarships to aspiring Computing Teachers.

As you will have read in the President's message, we heavily engaged in the important Policy topic of ethics and in particular the ethical considerations in Artificial Intelligence (AI) and machine learning. In June, Business Secretary Greg Clark announced an AI Masters Programme, to be shaped by BCS and the Turing Institute with leading universities, and businesses like Ocado, Amazon and Rolls Royce.

The work in Health and Social Care took a major step forward with the launch of the Federation of Health Informatics (**FEDIP**). Wendy Dearing, Head of Workforce & Organisational Development NHS Wales Informatics Service said "From 'lost tribe' to the backbone of the health and care agenda, I firmly believe we have a community of passionate people who are now central to the digital agenda. **FEDIP** will assist them on their professional journey – supporting their skills and behaviours, allowing them to reflect on their professional practice and plan their learning and development".

In BCS L&D the full impact of the contraction in the schools market for vocational qualifications at Key Stage 4 had a detrimental impact on revenues with a decrease to £3m from £14m in the previous year. This coincided with a conscious decision not to bid for the next round of the AXELOS contract (a joint venture between Capita and the Cabinet Office) to deliver Prince 2 and ITIL qualifications. In contrast, we delivered stellar growth in our apprenticeship business with over 6000 people starting an apprenticeship in one of the 13 standards we deliver, from digital marketer to infrastructure technician. It is very pleasing that digital apprenticeships continue to outperform other apprenticeships sectors. From negligible turnover in the prior year digital apprenticeships produced revenues of £1.5m in the financial year and this will more than double again during the next financial year.

Our Member Groups continued to be very active in running networking events. We have however experienced a reduction in our core paying members of 3.9% over the year. The overall membership base also reduced due to the reduction in free memberships that had previously been offered with the AXELOS qualifications. Towards the end of the year we launched a member consultation to better understand our member's views and gain valuable insight to hopefully reverse this trend.

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GROUP CHIEF EXECUTIVE'S REPORT (continued)

I am pleased to report that the 2018/2019 year has started well and having significantly reduced the cost base our finance position is far better balanced. I would like to thank those BCS members and staff who are so committed to the continued ongoing success of the Institute and we look forward to working with our members, volunteers, staff and partners to deliver a better fiscal performance in the year.

**Paul Fletcher FBCS
Group Chief Executive
29 January 2019**

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TRUSTEES' REPORT

The Trustees' Report covers the activity of the Institute for the year ended 31 August 2018.

1. THE INSTITUTE'S OBJECTIVES

The Institute is incorporated by Royal Charter and is a Registered Charity (number 292786). Its objectives are prescribed by the Royal Charter and the main objective is 'to promote the study and practice of computing and to advance the knowledge and education therein for the benefit of the public'. It serves three main constituencies: IT professionals, employers of IT professionals and society at large. Its governing documents are the Royal Charter, Bye-laws and Regulations.

Delivering Public Benefit

The Institute delivers the objectives of its Royal Charter to provide public benefit through substantial programmes of activities under the direction of its Trustees, Boards and volunteer communities, facilitated by the Institute and its members. The Trustees confirm that they have complied with the duty in Section 4 of the Charities Act 2011 to have due regard to guidance published by the Charities Commission. The scope of our activities is described in Section 3 below and all are primarily aimed at benefiting the public at large.

The Institute's membership at 31 August 2018 and 2017 is shown below:

	Number of Members	
	2018	2017
Fellows	3,249	3,262
Members	35,687	37,142
Associate members	15,460	19,913
Companions	6	6
Students	9,677	10,058
Affiliates	1,912	1,810
	<hr/>	<hr/>
	65,991	72,191
	<hr/>	<hr/>

2. THE FUTURE OF THE INSTITUTE - MAKING IT GOOD FOR SOCIETY

The Institute was created in 1957 to bring together those that work in the field of computing and to educate and inform others for the public benefit. We have made great strides since then and the Institute has evolved continually to meet the ever-changing world we serve.

We live in an increasingly IT - dependent society and technology lies behind almost everything we do. Well over a million people work directly in information technology in the UK alone and computer science lies behind almost everything that happens in society today. To support not only these knowledge workers but an increasingly IT-enabled society, our activities and capabilities must become even more pertinent to our members and volunteers, as well as the academic community, industry, government and the wider public.

Our overriding purpose is defined as "making IT good for society" which unites the many and varied activities carried out by the organisation which can be looked at through the lenses of Leadership, Community and Excellence to provide clarity regarding how we go about our purpose.

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TRUSTEES' REPORT (continued)

Leadership

Over the year, the Institute has been focusing on a number of challenges, not least in reshaping the organisation and ensuring that it is fit for the future. Our work in forming a consortium to successfully bid for the running of the National Centre for Computing Education (NCEE) shows where we can make a significant difference with limited resources; the establishment of Fed-IP in Healthcare shows the influence of BCS and how we have a vital role in informing public policy on how IT can contribute to society as well as championing the global IT profession.

Community

Working with, supporting and encouraging our members is a fundamental part of our work and we aim to increase our focus on giving them the professional development and career support needed. Our Member Groups bring together all our stakeholders and run meaningful events. During the year to 31st August 2018 we held 556 events. Our work in schools is delivered via our community and is laying the foundations for effective education in the fundamentals of computer science.

Excellence

We provide professional standards, qualifications, skills and competence frameworks and professional development opportunities for IT professionals. Through early career activities such as student chapters, the provision and accreditation of apprenticeships and professional recognition via the Register of IT Technicians we can make a real difference to those at the start of their IT careers. As at 31st August 2018 we have registered 6,684 apprentices and 722 RITTech registrations. With the recent changes to the Chartered IT Professional standard we are aiming to broaden its appeal and ensure CITP is the hallmark for competence and professional conduct through a professional career.

3. ACTIVITY REPORTS

An overview of the key activities of the Institute is included in the President's Message and Group Chief Executive's Report on pages 2 to 5.

A summary of the activities and achievements of each individual Board during this period is described by the respective Vice-Presidents and Chairs below.

BCS Academy of Computing

Vice-President & Chair: Prof James Davenport
Vice-President: Prof Tom Crick MBE

The BCS Academy of Computing ('Academy') is a collaborative partnership between BCS, CPHC (the Council for Professors and Heads of Computing) and UKCRC (the UK Computing Research Committee) and its purpose is to advance the creation, study and application of knowledge in computing. The Computing At Schools group (CAS) is a major part of the Academy.

CAS: CAS membership reached over 30,000 in August 2018. Over 80% of members are schoolteachers, the rest are IT professionals and university academics. There are now 240 local CAS Hubs, where teachers meet regularly to share and develop teaching practice. There are over 4,200 online resources available on the CAS website.

BCS Teaching Scholarships: The DfE has awarded a 3 year grant to run teaching scholarships for trainee computing teachers to BCS for the period 2018/21, where each scholarship is worth £28,000 and is tax free. The scheme is now in its fifth year, and has had the support of Microsoft, IBM, BT, HP, Toshiba, Google, Ocado, Metaswitch Networks, CompareTheMarket, Morgan Stanley, Goldman Sachs, Citrix, GE Healthcare and GE Intelligent Platforms.

CAS Network of Teaching Excellence in Computer Science (NoE): The NoE programme funded by the Department for Education (DfE) ended on 31st March 2018. This was a three-year contract to 'maintain the Network of Excellence (NoE) to support:

- the subject of computing becoming firmly established in all primary and secondary schools
- teachers of computing, at both primary and secondary level becoming confident, enthusiastic, possessing the subject knowledge and skills to be effective and become active participants in local communities of practice.'

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TRUSTEES' REPORT (continued)

The programme proved very successful and schools supported by the NoE attracted more students to GCSE Computer Science and achieved higher grades than students in schools not supported by the NoE. The most common grade for schools supported by the NoE is grade B, compared to grade C for unsupported schools. This has been true for each of the last three years of the NoE programme and has been achieved at a cost of less than £25 per teacher CPD hour. An additional 222 CAS Master Teachers were recruited, trained and supported providing a good regional spread across the country. This was 11% above the target and makes the total number of CAS Master Teachers recruited and trained 630, with 500 still registered. Approximately 90% of the funding provided by DfE went directly to the 10 Regional Centres to recruit the educational teams (experienced primary and secondary computing teachers) needed to support and train the CAS Master Teachers.

Barefoot Computing project: Back in 2014, BCS were awarded a £1m DfE grant to run the Barefoot Computing project, which is now being run in partnership with BT. The project provides cross curricular computer science exemplifications for primary schools that demonstrate how learning in English, maths, science and history can be improved through teaching computer science. The Barefoot website has had over 236,000 resources downloaded, reached over 63,000 teachers and engaged 1000's of industry volunteers in In-school workshops.

In the Pye Tait survey of schools report from September 2017, Barefoot Computing and CAS were the top two most beneficial supporting organisations and resources as indicated by surveyed teachers in primary schools and Computing at School was the top supporting organisation in secondary schools. In surveyed secondary schools/ colleges, CAS resources account for more than a third (37%) of all external resources used.

Quantum: 'tests worth teaching to': Microsoft, Google and ARM have provided a grant of £250k in 2017 to CAS to create a crowd sourcing platform where teachers can develop and refine classroom assessment materials. The grant runs over two years.

Shadbolt review of Computer Science degree accreditation: BCS supported the independent Department for Business, Energy and Industrial Strategy (BEIS) commissioned review of Computer Science degree accreditation chaired by Sir Nigel Shadbolt. As a result of the report, BCS has now successfully piloted a new accreditation scheme for placement students at the University of Bath, which will be gradually rolled out as an option available to all universities.

Community Board

Vice-President & Chair: Alastair Revell

The Community Board has responsibility for the strategic oversight of all aspects of BCS membership, including application, recruitment, retention, member benefits and communications.

Its aims are:

- to develop new policies, procedures, and services to grow the BCS membership communities, within the UK and internationally in line with BCS strategic objectives,
- to act as a champion for BCS communities (including geographic branches, specialist groups & international sections), and
- to provide effective, responsive and focused support, encouragement and guidance for all the BCS Member Groups.

Support for the Member Groups is delivered with the assistance of three committees (Finance, Policy and Best Practice) which all report to the Community Board.

Our Member Groups – which include Specialist Groups, Branches, Young Professionals' Group, ELITE (the forum for IT Directors and Senior Managers) and International Sections – are an important part of the life of the Institute. They run in the region of 60 events each month on a vast range of computing-related topics, engaging members both in the UK and around the globe. The BCS Health & Care Executive Committee, whose responsibilities include working with government, industry and other bodies to improve the use of informatics in health, and raising public awareness and confidence in health informatics, also reports to Community Board. The BCS Security & Privacy Executive Committee aims to build on the work of the Security Community of Expertise and take forward work plans on topics such as cyber security professionalism and the future of data protection.

BCS Health & Care under the leadership of Andy Kinnear has continued to be impactful with the launch of the Federation of Informatics Professionals in Health & Social Care, working together with other professional institutions and NHS organisations.

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TRUSTEES' REPORT (continued)

Organisation and Employers Board

Vice-President & Chair: Rebecca George OBE

The Board's main objectives are to:

- increase the number of Organisation Members
- champion the involvement of organisations, especially those that employ IT professionals, in the Institute's purpose of making IT good for society
- promote the IT profession and relevant recognition and accreditation to organisations with the ambition that this profession is valued and respected for excellence, rigour, creativity and innovation for the benefit of all in society; with special attention to new/young/digital members
- ensure that all activities undertaken to promote the IT profession are risk managed with appropriate mitigations

The Board has set up the following workstreams, aligned to BCS purpose and their objectives:

- increasing the number of new organisation members in the private, public and third sector, with an initial focus on three sectors – health, technology and the third sector
- creating an ambassador programme to support BCS Fellows to introduce potential new organisation members and Fellow candidates
- develop a 'digital dipping' offering, initially for non-digital staff in organisation member organisations, to up-skill large populations in digital understanding

A key principle of the work that the O&E board does is collaboration – internally and externally.

Society Board

Vice-President & Chair: Stephen Pattison

The Society Board was established in August 2017. The Society Board remit is:

- ensuring that the society-facing activity of BCS is effective, impactful and strategic;
- championing BCS in civil society; and
- commissioning, reviewing and approving policies, procedures and services to facilitate effective external relations in political and media spheres; involving a broad spectrum of members in this activity and supporting the development of organisational partnerships around societal goals.

In its first full year the Society Board has been effective at helping shape the overarching strategic priorities of BCS. Those priorities are to develop a competent and ethical IT profession with a diverse, inclusive and plentiful supply of talented people at all levels, and to help everyone in society have the knowledge, skills and access to technology needed to be resilient and thrive in a digital world.

Based on those priorities BCS has:

- joined the Diversity and Inclusion Progression Framework Steering Group, hosted by the Royal Academy of Engineering in conjunction with the Science Council
- partnered with organisations like EPSRC to develop strategies to address issues of discrimination in academia
- supported the Office for AI to help develop a new industry funded Machine Learning Masters programme
- strongly advocated the need to ensure all AI practitioners properly understand the ethical issues surrounding applications of machine learning
- worked with partners to develop a culture across industry that promotes and supports ethical practice
- conducted extensive research on child internet safety that has been extensively referenced in the Government response to the Internet Safety Strategy Green Paper

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TRUSTEES' REPORT (continued)

Registration and Standards Committee

Chair: Dr Chris Ireland

The purpose and key responsibilities of the Registration and Standards Committee has been extended to include strategic oversight of the admission of members and the award of professional registration alongside the responsibilities of BCS as the regulator for the Chartered IT Professional and Registered IT Technician standards developed by BCS.

During the past year the Committee has:

- Maintained oversight of:
 - BCS standards and the licensing of awarding bodies;
 - accreditation of third party qualifications recognised as meeting the criteria for entry to professional registers maintained and published by BCS. Accredited qualifications include Digital Industry Apprenticeships allowing a successful apprentice entry to the RITTech register without further assessment; and
 - all regulatory policies covering the award of BCS standards and the policies concerning membership of BCS and the professional registration of BCS members.
- Having due regard for the role of governance, evaluated and discharged its responsibilities and agreed terms of reference for member panels. These panels oversee the operational aspects of implementing agreed policy connected with the admission of members, the award of professional registration to members of BCS and appeals against decisions made in assessment.

Risk Audit and Finance Committee

Vice-President Finance & Chair: Michael Cooper

The principal objectives of the Risk Audit and Finance Committee (RAFc) are to:

- Provide additional assurance on the quality and reliability of the financial information used by Trustee Board and the Boards of BCS subsidiaries, and the financial statements issued by the Institute and its subsidiaries;
- Review the policies and procedures operated for both financial and non-financial risk management and internal control; and
- Oversee all BCS Group internal and external audit activities, including the engagement of the external auditor to supply audit and non-audit services to the Institute and its subsidiaries.

The policy of RAFc is to undertake an annual review of the performance of the existing external auditor against specific criteria prior to making its recommendation of the appointment of the external auditor for the following year.

RAFc held four meetings and fulfilled its obligations and responsibilities to Trustee Board including its review of the Risk Register and annual audit meeting with the external auditors.

During the year, Trustee Board asked VP-Finance to review the risks facing the BCS Group arising from changes in the digital skills environment and some of its other markets and the impact of the resultant business changes. The Business Plan for BCS Learning & Development Ltd has been closely monitored and a breakeven budget is proposed for 2018/19, moving into profit the year after, mainly as a result of growth in Apprenticeships. It was concluded that the reasons to have a separate commercial subsidiary to transact commercial business remain valid and no further change to the Group's structure is considered necessary.

BCS Council

Chair: Dr Helen Fletcher

Council is a representative body of the membership and primarily reviews and comments on the direction of the Institute, with particular focus on strategy and budget. Trustee Board delegates its authority to additional Boards to run the Institute and Council also engages pro-actively with these Boards. Council also elects the Honorary Officers and other members of Trustee Board. Council represents a collective body of wisdom that can be consulted for the benefit of the Institute, and consists of members elected from various constituencies from the membership, and the senior officers of the Institute.

During the year, Council has considered a wide range of topics, and provided comment to Trustee Board on a range of strategic matters. In January 2018, Council conducted a strategy away day with Trustees and the Executive team.

BCS, The Chartered Institute for IT

TRUSTEES' REPORT (continued)

In addition to the regular business of electing the President, Deputy President, Vice-Presidents and Trustees, and reviewing its own methods of communication and collaboration, some of the other major topics of discussion have been:

- IT skills provision in the UK
- Apprenticeships
- The digitally disadvantaged
- Honorary Officers / Chartered membership
- The work of Academy Board, Organisations and Employers Board and Society Board
- BCS Strategy and Business Plan

4. FINANCIAL REVIEW (INCLUDING POLICY STATEMENTS)

These financial statements have been prepared in accordance with the statutory requirements of the Charity's governing documents and with FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland.

During the period, the Group operating activities from unrestricted funds had net expenditure of £3,501,000 (2017: net expenditure £1,423,000). Total group revenues were £19.9m (2017: £35.1m). The reduction is due to reduced activity in BCS Learning & Development Limited outlined below.

A summary of the key highlights are noted in the Group Chief Executive's Report on page 4.

BCS Learning & Development Limited (BCS L&D) finished the year with a deficit of £2,144,715 before tax (2017: surplus before tax £1,337,000). Income has decreased in the year to £11.5m (2017: £26.3m) due to the changes in the schools market following the removal of performance points from the Level 2 ECDL Certificate in IT Application Skills and our exit from the Axelos contract. As part of its diversification strategy BCS L&D has entered the fast growing IT Apprenticeship market focussing on the delivery of standards and the provision of end point assessments.

In addition to operating activity, there was a decrease during the year in restricted funds of £219,000 (2017: £124,000) reflecting expenditure of grants previously received, which is outlined in note 17 to the financial statements.

As at 31 August 2018 BCS's reserves and net assets were £8.4m (2017: £12.1m), the decrease reflecting the net expenditure mentioned above.

Remuneration of Key Management Personnel

The key management consist of the Trustees, the Group Chief Executive, BCS Learning & Development Managing Director and members of both Institute and L&D executive teams who regularly attend Board meetings.

In addition to the main boards and committees listed on page 16, BCS also have a Nominations Committee (members of which are responsible for nominating people for key roles, public honour and distinguished fellowship) and a Remuneration Committee.

The Remuneration Committee is made up from current Trustees plus members appointed by Trustee Board. The committee has responsibility for agreeing the pay and remuneration of Executives and has access to external professional advice including benchmarking and market trends.

BCS's policy is that no member of Trustee Board is remunerated for their services as a Trustee; see page 32.

Reserves Policy

The consolidated total reserves of the Institute are represented by general and restricted funds. The basis of the restricted fund is described in note 16 of the financial statements.

BCS, The Chartered Institute for IT

TRUSTEES' REPORT (continued)

The current level of consolidated "free reserves" which consists of the general funds represents approximately four months' operating costs which is within the three to nine month target range monitored on an annual basis. The consolidated free reserves in 2018 is £7,301,000 (2017: £10,802,000).

The Institute operates the policy of maintaining the self-financing nature of its core activities and the retention of adequate accumulated general funds to ensure efficient operations and provide financial stability for future development.

The movement and description of the restricted fund is included in note 17 of the financial statements.

Risk Management Policy

The Trustee Board is responsible for the management of risks faced by the Institute. Detailed reviews of the effectiveness of the control environment for both financial and non-financial risks are delegated to all Boards and, in particular, the Group Risk Audit and Finance Committee (RAFc), who are assisted by the Senior Staff Management team. The risk management strategy includes the maintenance and regular review of the risk register which identifies strategic and operational risks, and the identification of risk mitigation strategies. Additionally, a formal review of the risk management processes of the Institute is undertaken on an annual basis.

The key controls of the Institute include:

- Formal structure and agendas for Trustee Board, Council, Boards and Committees governed in line with detailed terms of reference
- Specific support to the Trustees from RAFc
- Comprehensive business planning, budgeting and management accounting
- Established organisational structure and lines of reporting
- Formal written policies including delegated approval and authorisation procedures.

Through the risk management process of the Institute, the Trustees are satisfied that the major risks identified have been adequately mitigated where necessary. It is recognised that systems can only provide reasonable assurance that major risks have been adequately managed. The most significant risks faced by the Institute are shown in the following table.

Description	Action taken
BCS Learning & Development Limited suffers a material decline in net profit resulting in a reduction in gift aid to the Institute	<ul style="list-style-type: none">• Restructure and reduction in cost base carried out during 2017/18• Business planning gives focus on new product development to diversify income streams
Financial sustainability of the Institute's activities	<ul style="list-style-type: none">• Longer term source of extra income is a priority and detailed in the business plan• Annual budget planning• Strategy and business planning with Trustee Board, Council and Executive teams with regular ongoing reviews are carried out
High complexity across the organisation requires robust governance processes	<ul style="list-style-type: none">• Terms of Reference defined for each committee• Board effectiveness survey being completed annually• New organisational structure reduces complexity and improves the decision-making and governance processes
Processes and systems are not fitting business needs nor offer sufficient protection for a business continuity occurrence	<ul style="list-style-type: none">• Business continuity procedures have been well developed and BCS is certified against BCM standard ISO 22301• Programme in place for all major systems to be cloud based
Risk of reduced income through decline in paid membership	<ul style="list-style-type: none">• Membership consultation carried out to inform strategy and investment

BCS, The Chartered Institute for IT

TRUSTEES' REPORT (continued)

Investment Policy

The Institute continued the policy to hold surplus cash as bank deposits and not invest in higher risk equity investments. The Trustees adopted this approach, given both the short and medium term requirements for the use of these funds, and the current economic volatility and uncertainties.

However, having reviewed the continuance of this policy as part of its routine business processes, Trustee Board agreed with Risk Audit and Finance committee recommendations in an investment strategy review to better manage part of its free reserves. Plans have been agreed and will be enacted during the next financial year, which will provide for a blend of ethical investments in order to balance long term returns and security.

People with Disabilities

It is the policy of the Institute to encourage the employment and development of suitable people with disabilities. No unnecessary limitations are placed on the type of work that they perform, and the policy ensures that in appropriate cases consideration is given to modifications to equipment or premises and to adjustments in working practices. Full and fair consideration will be given to applicants with disabilities for employment and existing employees who become disabled will have the opportunity to retrain if necessary and continue in employment.

Employee Involvement

The Institute is committed to informing and consulting with its employees. Periodic internal staff communication events raise awareness of the financial and economic factors which the charity faces. There is also an annual staff satisfaction survey.

The Institute's aim is to fit the qualifications, aptitude and ability of all members of staff and applicants for employment to the appropriate job and to provide equal opportunity regardless of gender, religion and ethnic origin.

Modern Slavery Act 2015 Statement

This statement is made pursuant to section 54 of the Modern Slavery Act 2015 and sets out the steps that BCS, The Chartered Institute for IT (and its subsidiaries) has taken and continues to take to ensure that modern slavery or human trafficking is not taking place within our business or supply chain.

Modern slavery encompasses slavery, servitude, human trafficking and forced labour. BCS has a zero-tolerance approach to any form of modern slavery and is committed to acting ethically and with integrity and transparency in all business dealings. BCS has, in the last 12 months, introduced more effective systems and controls to safeguard against any form of modern slavery taking place within our business or our supply chain.

BCS is a professional body and a charity with a Royal Charter. Our purpose is to Make IT Good for Society.

BCS operates a number of internal policies to ensure that we are conducting business in an ethical and transparent manner. These include:

Anti-slavery policy: This policy sets out the organisation's stance on modern slavery and explains how employees can identify any instances of this and where they can go for help.

Recruitment policy: We operate a robust recruitment policy, including conducting eligibility to work in the UK checks for all employees to safeguard against human trafficking or individuals being forced to work against their will.

Whistleblowing policy: We operate a whistleblowing policy so that all employees know that they can raise concerns about how colleagues are being treated, or practices within our business or supply chain, without fear of reprisals.

Code of conduct: This code explains the manner in which we behave as an organisation and how we expect our employees, members and suppliers to act.

TRUSTEES' REPORT (continued)

Supplier policy: BCS has a supplier policy and maintains a preferred supplier list. We conduct due diligence on all suppliers before allowing them to become a preferred supplier. We have introduced new terms which apply to all of our suppliers and where suppliers have not agreed to them, we have removed them from our preferred suppliers list. These terms are detailed below.

In addition to the above, as part of our contract with suppliers, we require that they confirm to us that:

1. They have taken steps to eradicate modern slavery within their business
2. They hold their own suppliers to account over modern slavery
3. (For UK based suppliers) They pay their employees at least the national minimum wage / national living wage (as appropriate)
4. (For international suppliers) They pay their employees any prevailing minimum wage applicable within their country of operations
5. we may terminate the contract at any time should any instances of modern slavery come to light.

Our Anti-slavery policy forms part of our contract with all suppliers and they are required to confirm that no part of their business operation contradicts this policy.

We have trained all of our employees so that they understand the signs of modern slavery and we have outlined to them the steps they should take if they suspect that it is taking place within our supply chain. All new staff receive this training during our induction process.

5. STRUCTURE, GOVERNANCE AND MANAGEMENT

A list of the members of the Trustee Board, all of whom are the Trustees of the Institute, is included on page 1.

The constitution of Trustee Board is:

- President
- Deputy President
- Immediate Past President
- Up to nine Vice-Presidents
- Chair of Council
- Four elected members of Council

Council provides support to the Trustee Board in an advisory capacity and elects Honorary Officers. Trustees are elected to office by Council itself in accordance with the Bye-laws. On election, Trustees are provided with both guidance on the structure of the Institute, and duties of Trustees, through induction training. More formal training events for all Trustees are held throughout the year as necessary. Trustees are precluded from receiving remuneration from the Institute except when acting as examiner for professional exams.

Trustee Board delegates much of the strategic work of the Institute's key activities to Boards and Committees. Each Board is normally chaired by a Vice-President, and also includes a senior member of HQ staff appointed by the Group Chief Executive. The Boards adopt and progress programmes of work in their respective areas to meet the Institute objectives.

BCS, The Chartered Institute for IT

TRUSTEES' REPORT (continued)

Attendance at the six Trustee Board meetings during the year was as follows:

Trustee	Attendance	
	Eligible	Present
Paul Martynenko	6	6
Ray long	3	3
Chris Rees	6	6
Michael grant	3	3
Michael Cooper	6	6
Iain Thompson	3	3
Alastair Revell	3	1
Rebecca George	6	6
James Davenport	6	6
Stephen Pattison	6	6
Tom Crick	6	5
Margaret Ross	6	6
James McCafferty	6	5
Gillian Arnold	6	5
Indranil Nath	3	2
Helen Fletcher	6	4
Margaret Ajibode	3	2
Rubi Kaur	6	3
Ben Booth	2	2

In addition, Trustee Board held four electronic meetings in the year.

Key Boards and Committees of Trustee Board

Part of the strategic imperative is for BCS to become substantially more outward-facing beyond the sector. This is driven by the changing context for IT; the increasing pivot towards social impact and people, and the resulting need for broader, multi-disciplinary engagement.

BCS Academy of Computing

Promote the creation, study and application of knowledge in computing in collaboration with other key bodies

Community Board

Provide strategic oversight of all aspects of BCS membership, including application, recruitment, retention, member benefits and communications

Organisation and Employers Board

Champion the involvement of the IT profession and promote the value, innovation, excellence, rigour and creativity of IT for the benefit of society as a whole

BCS, The Chartered Institute for IT

TRUSTEES' REPORT (continued)

Society Board	Ensure societal activities are effective, impactful and strategic, and champion BCS in civil society. Commission and review procedures, policies & services to facilitate effective external relations and help develop partnerships around societal goals
Registration and Standards Committee	Exercise the responsibilities of BCS as the regulator for standards developed by BCS for professionals employed in the IT profession
Risk Audit and Finance Committee	Oversee all internal and external audit processes and risk management. Provide additional assurance on the quality and reliability of financial information

The Executive Management team is detailed on page 1.

The administration of the Institute is undertaken by a full-time executive staff based at the registered office in Swindon. Although the Institute's operations have a full-time staff, as mentioned in the President's Message, the Institute benefits from the significant input and contribution of its Honorary Officers and volunteers. However, it is not considered practical to include an estimate of this time due to the nature and variety of the contribution by volunteers to the various Boards, Committees and Member Groups.

The Institute also maintains offices in London, which are used primarily for meetings.

The AGM was held in March 2018 and the following business was conducted:

- Adoption of the Trustees' Report and the Financial Statements for the year ended 31 August 2017.
- Reappointment of KPMG LLP as auditors.

Bankers

Lloyds Bank Plc in Barnwood 1, Barnett Way, Gloucester GL4 3RL.

Legal Advisers

Charles Russell Speechlys Solicitors of 5 Fleet Place, London EC4M 7RD.

Auditors

KPMG LLP, 66 Queen Square, Bristol BS1 4BE.

Registered Office

The registered office of the Institute is First Floor, Block D, North Star House, North Star Avenue, Swindon SN2 1FA

Relationships with Related Parties

Relationships with related parties are detailed in note 21 and note 23 to the financial statements.

Disclosure of information to auditor

The Trustees who held office at the date of approval of this Trustees' Report confirm that, so far as they are each aware, there is no relevant audit information of which the auditor is unaware; and each Trustee has taken all steps that he/she ought to have taken as a Trustee to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

TRUSTEES' REPORT (continued)

Statement of Trustees' responsibilities in respect of the Trustees' Annual Report and the Financial Statements

Under the Royal Charter and Bye-laws of the charity and charity law, the Trustees are responsible for preparing the Trustees' Report and the financial statements in accordance with applicable law and regulations.

Charity law requires the Trustees to prepare financial statements for each financial year. The Trustees have elected to prepare the financial statements in accordance with UK Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

The Group and charity's financial statements are required by law to give a true and fair view of the state of affairs of the Group and the charity and of the group's excess of expenditure over income for that period.

In preparing these financial statements, generally accepted accounting practice entails that the Trustees:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements;
- state whether the financial statements comply with the Royal Charter and Bye-laws, subject to any material departures disclosed and explained in the financial statements; and
- assess the group and the charity'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 group or the charity or to cease operations, or have no realistic alternative but to do so.

The Trustees are required to act in accordance with the Royal Charter and Bye-laws of the charity, within the framework of trust law. They are responsible for keeping proper accounting records, sufficient to disclose at any time, with reasonable accuracy, the financial position of the charity at that time, and to enable the Trustees to ensure that, where any statements of accounts are prepared by them under section 132(1) of the Charities Act 2011, those statements of accounts comply with the requirements of regulations under that provision. 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 charity and to prevent and detect fraud and other irregularities.

The Trustees are responsible for the maintenance and integrity of the financial and other information included on the charity's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board

Chris Rees FBCS CITP
Chair of Trustee Board
29 January 2019

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF THE BRITISH COMPUTER SOCIETY

Opinion

We have audited the group and charity financial statements of The British Computer Society ("the charity") for the year ended 31 August 2018 which comprise the Consolidated Statement of Financial Activities, the Balance Sheets, the Consolidated Cash Flow Statement, the Institute Statement of Changes in Reserves and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the charity's affairs as at 31 August 2018 and of the group's incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- have been properly prepared in accordance with the requirements of the Charities Act 2011.

Basis for opinion

We have been appointed as auditor under section 144 of the Charities Act 2011 (or its predecessors) and report in accordance with regulations made under section 154 of the Act.

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

The impact of uncertainties due to Britain exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the trustees such as the carrying value of the investment in subsidiaries held in the charity's balance sheet and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the group's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the group's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a charity and this is particularly the case in relation to Brexit.

Going concern

The Trustees have prepared the financial statements on the going concern basis as they do not intend to liquidate the group or the charity or to cease their operations, and as they have concluded that the group and the charity's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the trustees' conclusions, we considered the inherent risk to the group's business model, including the impact of Brexit, and analysed how those risks might affect the group and charity's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF THE BRITISH COMPUTER SOCIETY (continued)

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the group or the charity will continue in operation.

Other information

The Trustees are responsible for the other information, which comprises the Trustees' Report, President's Message and Group Chief Executive's Report. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. We are required to report to you if:

- based solely on that work, we have identified material misstatements in the other information; or
- in our opinion the information given in the Trustees' Report is inconsistent in any material respect with the financial statements.

We have nothing to report in these respects.

Matters on which we are required to report by exception

Under the Charities Act 2011, we are required to report to you if, in our opinion:

- the charity has not kept sufficient accounting records; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Trustees' responsibilities

As explained more fully in their statement set out on page 18, the trustees are responsible for: the preparation of financial statements which give a true and fair view; 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; assessing the group and the charity'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 they either intend to liquidate the group or the charity or to cease operations, or have no realistic alternative but to do so.

BCS, The Chartered Institute for IT

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF THE BRITISH COMPUTER SOCIETY (continued)

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the charity's Trustees as a body, in accordance with section 144 of the Charities Act 2011 (or its predecessors) and regulations made under section 154 of that Act. Our audit work has been undertaken so that we might state to the charity's Trustees 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 charity and its Trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Emma Holiday

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

66 Queen Square

Bristol

BS1 4BE

Date:

KPMG LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006

**CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES
FOR THE YEAR ENDED 31 AUGUST 2018**

	Notes	General Fund £000	Restricted Fund £000	Total 2018 £000	Total 2017 £000
Income and endowments from:					
Investments	8	18	-	18	1
Charitable activities:					
Membership and Other Professional Programmes	4 (a)	6,515	1,519	8,034	8,425
Qualifications and Examination Programmes	4 (b)	10,977	-	10,977	25,800
Publications	4 (c)	496	-	496	523
		<u>17,988</u>	<u>1,519</u>	<u>19,507</u>	<u>34,748</u>
Other:					
Other income	6 (b)	76	-	76	73
		<u>18,082</u>	<u>1,519</u>	<u>19,601</u>	<u>34,822</u>
Total income and endowments					
Expenditure on:					
Charitable activities					
Membership and Other Professional Programmes	4 (a)	8,250	1,738	9,988	11,482
Qualifications and Examination Programmes	4 (b)	13,167	-	13,167	24,594
Publications	4 (c)	435	-	435	388
Goodwill amortised	10 (b)	194	-	194	193
		<u>22,046</u>	<u>1,738</u>	<u>23,784</u>	<u>36,657</u>
Total expenditure					
Net gains/(losses) on investments		278	-	278	288
Net (expenditure)/income before tax	6 (a)	(3,686)	(219)	(3,905)	(1,547)
Tax on surplus/(deficit)	9	185	-	185	-
Net (expenditure)/income for the year being net movement in funds		(3,501)	(219)	(3,720)	(1,547)
Reconciliation of funds					
Total funds brought forward		10,802	1,294	12,096	13,643
Total funds carried forward	16	7,301	1,075	8,376	12,096

All results arose from continuing activities.

The Group has no recognised gains or losses other than the net movement in funds for the period.

BCS, The Chartered Institute for IT

BALANCE SHEETS AT 31 AUGUST 2018

	Notes	Group 2018 £000	Institute 2018 £000	Group 2017 £000	As revised Institute £000
Fixed assets					
Intangible assets					
Goodwill	10(b)	2,001	-	2,195	-
Other intangibles	10(b)	298	-	446	-
		<u>2,299</u>	<u>-</u>	<u>2,641</u>	<u>-</u>
Tangible assets	10(a)	145	145	298	297
Investments	10(c)	1	4,396	1	4,396
		<u>2,445</u>	<u>4,541</u>	<u>2,940</u>	<u>4,693</u>
Current assets					
Debtors	11	2,759	3,166	3,605	1,965
Investments		1,000	1,000	-	-
Cash at bank – current holdings – held on deposit		7,107 1,001	6,252 1,001	12,189 -	11,031 -
Total cash and cash equivalents		<u>8,108</u>	<u>7,253</u>	<u>12,189</u>	<u>11,031</u>
		<u>11,867</u>	<u>11,419</u>	<u>15,794</u>	<u>12,996</u>
Creditors: amounts falling due within one year	13	<u>(5,393)</u>	<u>(4,518)</u>	<u>(5,827)</u>	<u>(4,707)</u>
Net current assets		<u>6,474</u>	<u>6,901</u>	<u>9,967</u>	<u>8,289</u>
Total assets less current liabilities		<u>8,919</u>	<u>11,442</u>	<u>12,907</u>	<u>12,982</u>
Provisions for liabilities	15	<u>(543)</u>	<u>(543)</u>	<u>(811)</u>	<u>(519)</u>
Net assets		<u>8,376</u>	<u>10,899</u>	<u>12,096</u>	<u>12,463</u>
Funds					
General (unrestricted) fund	17	7,301	9,824	10,802	11,169
Restricted fund	17	1,075	1,075	1,294	1,294
		<u>8,376</u>	<u>10,899</u>	<u>12,096</u>	<u>12,463</u>

The notes on pages 25 to 43 form part of these financial statements

These financial statements were approved by Trustee Board on 29 January 2019 and signed on its behalf by:

C Rees
President: 2018-19

M V Cooper
Vice-President Finance

P Fletcher
Group Chief Executive

BCS, The Chartered Institute for IT

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 AUGUST 2018

	<i>Notes</i>	2018		2017	
		£000	£000	£000	£000
Cash flows from operating activities					
Net Cash Flow from/(used in) operating activities	(a)		(3,801)		(2,386)
Cash flows from investing activities					
Dividends, interest and rent from investments		18		1	
Acquisition of tangible fixed assets		(47)		(201)	
Purchase of intangible fixed assets		(251)		(546)	
Net cash from investing activities			(280)		(746)
Net (decrease)/increase in cash and cash equivalents			(4,081)		(3,132)
Cash and cash equivalents at 1 September 2017			12,189		15,321
Cash and cash equivalents at 31 August 2018			8,108		12,189

(a) Reconciliation of net (expenditure)/income for the year to net cash flow from/(used in) operating activities

	2018	2017
	£000	£000
Net (expenditure)/income for the reporting period (as per the statement of financial activities)	(3,720)	(1,547)
Adjustment for depreciation and amortisation charges	793	501
Dividends, interest and rent from investments	(18)	(1)
Decrease/(increase) in trade and other debtors	846	1,796
Decrease/(increase) in cash investments	(1,000)	-
(Decrease)/increase in trade and other creditors	(434)	(3,427)
Increase/(Decrease) in provisions	(268)	292
Net cash flow from/(used in) operating activities	(3,801)	(2,386)

BCS, The Chartered Institute for IT

INSTITUTE STATEMENT OF CHANGES IN RESERVES

	General Fund	Restricted Fund	As revised Total Reserves
	£000	£000	£000
Balance at 1 September 2016	10,389	1,418	11,807
Net (expenditure)/income for the period			
Net income	780	(124)	656
Balance at 31 August 2017	<u>11,169</u>	<u>1,294</u>	<u>12,463</u>

	General Fund	Restricted Fund	Total Reserves
	£000	£000	£000
Balance at 1 September 2017	11,169	1,294	12,463
Net (expenditure)/income for the period			
Net expenditure	(1,345)	(219)	(1,564)
Balance at 31 August 2018	<u>9,824</u>	<u>1,075</u>	<u>10,899</u>

BCS, The Chartered Institute for IT

NOTES (forming part of the financial statements)

1. STATUS OF THE INSTITUTE

The Institute is incorporated by Royal Charter and is a registered charity. The charity number is 292786 and its registered office is 1st Floor North Star House, North Star Avenue, Swindon, Wiltshire, SN2 1FA.

2. ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with the items which are considered material in relation to the Institute's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015) - (Charities SORP FRS 102) and, the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102). The Bye-laws require the Institute to prepare financial statements in accordance with the Companies Act 2006.

Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy or note. The Institute has taken advantage of the reduced disclosure framework exemptions as noted in FRS 102 section 1.12, in relation to the cash flow statement, disclosure of related party transactions, key management personnel remuneration and disclosures relating to financial instruments.

Basis of consolidation

The consolidated financial statements incorporate the accounts of the Institute and its active subsidiaries, BCS Learning & Development Limited and the Institute for the Management of Information Systems for the year ended 31 August 2018.

The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated statement of financial activities from the date of acquisition or up to the date of disposal. The results of the Institute and its subsidiaries are consolidated on a line by line basis.

An associate is an undertaking in which the Group has a long-term interest, usually from 20% to 50% of the equity voting rights, and over which it exercises significant influence. A joint venture is an undertaking in which the Group has a long-term interest and over which it exercises joint control. The Group's share of the profits less losses of associates and joint ventures is included in the consolidated statement of financial activities and its interest in their net assets is included in investments in the consolidated balance sheet.

The consolidated financial statements account for ITEXT Limited as a joint venture.

A separate statement of financial activities, or income and expenditure account, for the charitable company itself is not presented because the charitable company has taken advantage of the exemptions afforded by section 408 of the Companies Act 2006.

Public benefit entity

The charitable company meets the definition of a public benefit entity under FRS 102.

BCS, The Chartered Institute for IT

NOTES (continued)

Going concern

After reviewing the Group and Institute's forecasts and projections, the Trustees consider that there are no material uncertainties about the Group and charitable company's ability to continue as a going concern, based on the anticipated continued success and growth in the apprenticeship market and the reduction in the Group and Institutes cost base. Despite the losses incurred in the current and preceding year, based on these forecasts and projections, including the measures taken to restructure the Group's cost base, the Trustees consider that the Group and Institute have adequate cash flows and cash based reserves in order to meet their liabilities as they fall due for at least a year from the date of approval of these financial statements. The Trustees therefore continue to adopt the going concern basis in preparing the financial statements.

Significant estimates and judgements

The Trustees do not consider that there are any sources of estimation uncertainty at the reporting date or any judgements made that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period, save for the risk around the carrying value of the investment held in the Institute accounts given the valuation relies on forecasts and the inherent uncertainty present in any forecast.

Goodwill

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on consolidation in respect of acquisitions since 1 January 1998 is capitalised. Positive goodwill is amortised to nil by equal annual instalments over its estimated useful life, which ranges from two to twenty years based on the Trustees' assessment of useful economic life. The Institute is not applying the standard ten year life to the Activ Training goodwill.

Fund accounting

General funds comprise accumulated unrestricted surpluses and deficits on general funds and are available for use at the discretion of the Trustees in furtherance of the objects of the Institute.

Restricted funds are funds subject to specific instructions by the donor, but still within the objects of the Institute.

Income

Income is reported gross and the Statement of Financial Activities recognises all incoming resources receivable during the period after adjustments for any deferred income which is included in the balance sheet as creditors.

Investment income is recognised on a receivable basis.

Income for ECDL from accredited centres is recognised at the time of purchasing registrations. Income is recognised at this point as it is non-refundable and all obligations have been fulfilled.

Examinations income is recognised when candidates sit examinations.

Event income is recognised when the course or event is run. Income received in advance of the course or event dates is deferred and included in creditors on the balance sheet.

Membership subscription income is accounted on a receivable basis and represents only that part of the subscription which relates to the financial year for which it is paid, the balance is included in deferred income in creditors on the balance sheet and released in the period to which it relates.

Life membership is accounted for on a receivable basis and released into the Statement of Financial Activities over ten years. The balance is included in creditors and carried forward to future years.

The two active subsidiary companies, BCS Learning & Development Limited (BCS L&D) and the Institute for the Management of Information Systems (IMIS) both provide goods and services. The income for these goods and services is recognised at the time the goods and services are delivered.

BCS, The Chartered Institute for IT

NOTES (continued)

Expenditure

Expenditure is shown gross and an accrual adjustment has been made for all known liabilities at the year end.

Charitable activities include expenditure associated with professional programmes, events, meetings and special projects and publications. The costs are incurred by the Institute, Specialist Groups and Branches and include both direct and indirect costs relating to these activities.

Direct costs are allocated on an actual basis to the relevant expense heading.

Governance costs include those costs incurred in the governance of the Institute and its assets and are primarily associated with constitutional and statutory requirements. Support costs and governance costs are reallocated to the relevant expense heading on the basis of staff numbers engaged in the relevant activity.

Debtors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Creditors

Short term trade creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs and are measured subsequently at amortised costs using the effective interest method.

The charity only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value with the exception of bank loans which are subsequently measured at amortised cost using the effective interest method.

Provisions for liabilities

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Foreign Currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the Statement of Financial Activities.

Research and Product Development

Expenditure on research is written off to the profit and loss account in the year in which it is incurred.

Product development expenditure is capitalised only where there is a clearly defined project, the expenditure is separately identifiable, the outcome of the project can be assessed with reasonable certainty, aggregate costs are expected to be exceeded by related future sales and adequate resources exist to enable the project to be completed. This development expenditure is written off to the profit and loss account over a two year period from the date of completion of the project.

BCS, The Chartered Institute for IT

NOTES (continued)

Taxation

The Institute, as a registered charity, is exempt from taxation on its income and gains falling within section 505 of the Income and Corporation Taxes Act 1988 or Section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that they are applied to its charitable objectives. No tax charge has arisen in the period.

The Profits of the non-charitable subsidiaries are normally gift aided to the parent Charity and any profit remaining is subject to a taxation charge. The charge or credit for taxation is based on the result for the period. Deferred tax is recognised without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 102.

Operating leases

The cost of operating leases is charged to the Statement of Financial Activities over the period to which they relate.

Fixed Assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation. The de-minimus capitalisation limit is £500. A provision is made for depreciation at a rate based on the estimated useful life of each class of asset. The rates currently in use are as follows:

Office and computer equipment	–	25% - 33% per annum on cost
Fixtures & fittings	–	10% per annum on cost
Short leasehold improvements	–	over the period of the lease

Investments

Investments in subsidiary, associate and joint venture undertakings are carried in the balance sheet of the Institute at cost, less any provisions for diminution in value.

Pensions

The Institute operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Institute in an independently administered fund. The amount charged to the Statement of Financial Activities represents the contributions payable to the scheme in respect of the accounting period.

Irrecoverable VAT

All resources expended are classified under activity headings that aggregate all costs related to the category. Irrecoverable VAT is charged against the category of resources expended for which it is incurred.

NOTES (continued)

3 Detailed comparatives for the consolidated statement of financial activities

	General Fund 2017 £000	Restricted Fund 2017 £000	Total 2017 £000
Income and endowments from:			
Investments	1	-	1
Charitable activities:			
Membership and Other Professional Programmes	6,862	1,563	8,425
Qualifications and Examination Programmes	25,800	-	25,800
Publications	523	-	523
	<u>33,185</u>	<u>1,563</u>	<u>34,748</u>
Other:			
Other income	73	-	73
	<u>33,259</u>	<u>1,563</u>	<u>34,822</u>
Total income and endowments			
Expenditure			
Charitable activities:			
Membership and Other Professional Programmes	9,795	1,687	11,482
Qualifications and Examination Programmes	24,594	-	24,594
Publications	388	-	388
Goodwill amortised	193	-	193
	<u>34,970</u>	<u>1,687</u>	<u>36,657</u>
Total expenditure			
Net gains/(losses) on investments	288	-	288
	<u>(1,423)</u>	<u>(124)</u>	<u>(1,547)</u>
Net (expenditure)/income for the year			

NOTES (continued)

4 Income and expenditure

	Income	Staff costs	Other direct costs	Support Costs	Governance Costs	Charitable expenditure	Surplus/ (deficit) 2018	Surplus/ (deficit) 2017
	£000	£000	£000	£000	£000	£000	£000	£000
4 (a) Membership and Other Professional Programmes								
Membership	6,187	1,993	211	1,536	374	4,114	2,073	2,306
Member Groups	167	190	528	156	45	919	(752)	(973)
BCS Academy /Education	42	444	13	390	75	922	(880)	(1,210)
Corporate Events /Marketing	119	864	593	651	187	2,295	(2,176)	(3,056)
	<u>6,515</u>	<u>3,491</u>	<u>1,345</u>	<u>2,733</u>	<u>681</u>	<u>8,250</u>	<u>(1,735)</u>	<u>(2,933)</u>
Government Grants	1,519	281	1,457	-	-	1,738	(219)	(124)
	<u>8,034</u>	<u>3,772</u>	<u>2,802</u>	<u>2,733</u>	<u>681</u>	<u>9,988</u>	<u>(1,954)</u>	<u>(3,057)</u>
4 (b) Qualifications and Examination Programmes	<u>10,977</u>	<u>2,922</u>	<u>5,851</u>	<u>4,394</u>	<u>-</u>	<u>13,167</u>	<u>(2,190)</u>	<u>1,206</u>
4 (c) Publications								
Journals and books	496	-	208	227	-	435	61	135
	<u>496</u>	<u>-</u>	<u>208</u>	<u>227</u>	<u>-</u>	<u>435</u>	<u>61</u>	<u>135</u>
4 (d) Goodwill amortised	<u>-</u>	<u>-</u>	<u>194</u>	<u>-</u>	<u>-</u>	<u>194</u>	<u>(194)</u>	<u>(193)</u>
4 (e) Support and governance costs								
Support costs (note 5)	-	3,239	4,115	(7,354)	-			
Governance costs (note 5)	-	301	380	-	(681)			
	<u>-</u>	<u>3,540</u>	<u>4,495</u>	<u>(7,354)</u>	<u>(681)</u>			
Total expenditure 2018		<u>10,234</u>	<u>13,550</u>					
Total expenditure 2017		<u>12,575</u>	<u>24,082</u>					

NOTES (continued)

Membership income comprises:

	2018 £000	2017 £000
Membership Subscriptions:		
Subscriptions received during the year	5,805	6,002
Adjustments for subscriptions received in advance	64	31
	<hr/>	<hr/>
Net subscription income	5,869	6,033
Engineering Council	167	175
Other	151	108
	<hr/>	<hr/>
	6,187	6,316

5 Support Costs Allocation

	Staff Costs £000	Direct Costs £000	2018 Total £000	2017 Total £000
IT	1,104	1,262	2,366	2,625
Finance & Administration, HR	935	936	1,871	2,435
Premises	219	1,202	1,421	1,561
Offices Supplies and Equipment	-	93	93	107
Depreciation & Amortisation	-	599	599	308
Secretariat & Legal	234	251	485	317
General and Administration	1,048	152	1,200	1,719
	<hr/>	<hr/>	<hr/>	<hr/>
	3,540	4,495	8,035	9,072
Allocation to individual Charitable Activities	(3,239)	(4,115)	(7,354)	(8,620)
Governance costs allocated to individual Charitable Activities	(301)	(380)	(681)	(452)
	<hr/>	<hr/>	<hr/>	<hr/>
	(3,540)	(4,495)	(8,035)	(9,072)

Governance costs comprise:

Secretariat	234	252	486	317
Audit	-	58	58	45
Governance legal costs	-	66	66	25
Apportionment of Directorate	67	4	71	65
	<hr/>	<hr/>	<hr/>	<hr/>
	301	380	681	452

Cost allocation includes an element of judgement and the Institute has had to consider the cost benefit of detailed calculations and record keeping. To ensure full cost recovery on projects the charity adopts a policy of allocating costs to the respective cost headings through the period. This allocation includes support costs where they are directly attributable. Therefore, the allocation of costs shown are a best estimate of the support costs.

The above total support costs have been allocated to individual charitable activities on the basis of staff numbers engaged in the relevant activity as shown in note 4.

NOTES (continued)

6 (a) Net income

	2018 £000	2017 £000
Net income is stated after charging:		
Audit of these financial statements	26	25
Audit fee prior year	12	-
Amounts receivable by the auditor and its associates in respect of:		
Audit of financial statements of subsidiaries pursuant to legislation	20	20
Other services relating to taxation	13	13
All other services	7	5
Depreciation and other amounts written off owned tangible fixed assets	200	208
Amortisation of intangible assets	399	100
Amortisation of goodwill	194	193
Hire of assets under operating leases	877	915
and after crediting:		
Rent receivable	(62)	(69)

6 (b) Other income

	2018 £000	2017 £000
Miscellaneous income	76	73

7 Staff numbers and costs

The average number of persons employed by the Group during the year was 244 (2017: 309). The aggregate payroll costs of these persons were as follows:

	2018 £000	2017 £000
Wages and salaries	8,502	10,760
Redundancy and ex-gratia payments	394	272
Social security costs	896	1,025
Other pension costs (see note 19)	442	518
	10,234	12,575

The termination benefits are for both redundancy and termination and were all settled during the year.

Remuneration of Trustees

No Trustees have received any form of remuneration for their services provided to the Institute or its subsidiary undertakings. During the year, 13 Trustees (2017: 14) were reimbursed for expenses of £22,149 (2017: £27,997) incurred for undertaking their duties and attending meetings on behalf of the Institute.

NOTES (continued)

Employees

The number of employees whose emoluments for the period fell within each of the following bands is as follows:

	Total	2018 Institute	L&D	Total	2017 Institute	L&D
£280,000 – 289,999	-	-	-	1	1	-
£250,000 – 259,999	1	1	-	-	-	-
£240,000 – 249,999	-	-	-	1	-	1
£160,000 – 169,999	-	-	-	1	1	-
£140,000 – 149,999	1	1	-	-	-	-
£130,000 – 139,999	1	1	-	1	-	1
£120,000 – 129,999	1	-	1	-	-	-
£110,000 – 119,999	-	-	-	4	3	1
£100,000 – 109,999	3	3	-	1	1	-
£90,000 – 99,999	-	-	-	1	1	-
£80,000 – 89,999	2	1	1	2	-	2
£70,000 – 79,999	4	3	1	5	1	4
£60,000 – 69,999	4	2	2	6	4	2

The above analysis of emoluments excludes pension contributions of £95,811 (2017: £119,939) in respect of 17 (2017: 22) employees.

Key management personnel remuneration

The total employee benefits including pension contributions of the key management personnel were £1,463,140 (2017: £1,899,435).

8 Investment income

	2018 £000	2017 £000
Interest receivable on bank balances	<u>18</u>	<u>1</u>

9 Taxation

Total tax expenses/(credit) recognised in the statement of financial activities.

	2018 £	2017 £
Current tax		
Current tax on net expenditure for the period	-	-
Payment in respect of prior periods	<u>222</u>	-
Total current tax	<u>222</u>	-
Deferred tax		
Tax income related to incurred usable tax losses	<u>(407)</u>	-
Total deferred tax	<u>(407)</u>	-
Total tax included in statement of financial activities	<u>(185)</u>	-

NOTES (continued)

	2018 £	2017 £
Reconciliation of effective tax rate		
Net (expenditure)/income before tax	(3,905)	(1,547)
Current tax at 19% (2017: 20%)	(742)	(294)
Net expenditure no subject to corporation tax	335	294
Payment in respect of prior periods	222	-
	<hr/>	<hr/>
Total tax included in statement of financial activities	(185)	-
	<hr/>	<hr/>

The UK corporation tax reductions from 20% to 19% from 1 April 2017 and 18% from 1 April 20120 were substantively enacted on 26 October 2015. An additional reduction to 17% from 1 April 2020 was substantively enacted on 6 September 2016. The deferred tax assets and liabilities at 31 August 2018 have been calculated based on these rates.

The Institute, as a registered charity is exempt from taxation on its income and gains falling within section 505 of the Income and Corporation Taxes Act 1988 or Section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that they are applied to its charitable objectives. The tax credit in the period is in respect of tax relating to BCS Learning & Development Ltd.

There is a deferred taxation asset at 31 August 2018 of £407k (2017: £nil) arising in respect of incurred usable tax losses in BCS Learning & Development Ltd.

10 Fixed assets

(a) Tangible fixed assets:

<u>Group</u>	Short leasehold improvements £000	Office and computer equipment £000	Fixtures and fittings £000	Total £000
Cost				
At 1 September 2017	618	637	242	1,497
Additions	25	19	3	47
Disposals	(100)	(187)	(2)	(289)
At 31 August 2018	<hr/> 543	<hr/> 469	<hr/> 243	<hr/> 1,255
Depreciation				
At 1 September 2017	586	478	135	1,199
Charged for year	33	145	22	200
On disposals	(102)	(186)	(1)	(289)
At 31 August 2018	<hr/> 517	<hr/> 437	<hr/> 156	<hr/> 1,110
Net book value				
At 31 August 2018	<hr/> 26	<hr/> 32	<hr/> 87	<hr/> 145
At 31 August 2017	<hr/> 32	<hr/> 159	<hr/> 107	<hr/> 298
	<hr/>	<hr/>	<hr/>	<hr/>

BCS, The Chartered Institute for IT

NOTES (continued)

<u>Institute</u>	Short leasehold improvements £000	Office and computer equipment £000	Fixtures and fittings £000	Total £000
Cost				
At 1 September 2017	518	556	240	1,314
Additions	25	19	3	47
Disposals	-	(106)	-	(106)
At 31 August 2018	543	469	243	1,255
Depreciation				
At 1 September 2017	484	399	134	1,017
Charged for year	33	145	22	200
On disposals	-	(107)	-	(107)
At 31 August 2018	517	437	156	1,110
Net book value				
At 31 August 2018	26	32	87	145
At 31 August 2017	34	157	106	297

The fixed assets are held for charitable activities.

(b) *Intangible fixed assets:*

<u>Group</u>	Goodwill £000	Product Development £000	Total £000
Cost			
At 1 September 2017	4,452	733	5,185
Additions	-	251	251
At 31 August 2018	4,452	984	5,436
Amortisation			
At 1 September 2017	2,257	287	2,544
Charged in year	194	399	593
At 31 August 2018	2,451	686	3,137
Net book value			
At 31 August 2018	2,001	298	2,299
At 1 September 2017	2,195	446	2,641

(c) *Investments:*

<u>Institute</u>	Shares in group undertaking £000	Participating interests £000	Total £000
At 1 September 2017	4,395	1	4,396
Additions	-	-	-
At 31 August 2018	4,395	1	4,396

BCS, The Chartered Institute for IT

NOTES (continued)

The undertakings in which the Institute's interest at the period end is more than 20% are as follows:

	Company Registration	Country of incorporation	Principal activity	Direct/ Indirect	Class and percentage of shares held
Subsidiary undertakings					
Activ Training Limited	03123597	England and Wales	Dormant	Direct	100% of ordinary shares
BCS Learning & Development Limited	01005485	England and Wales	Qualifications & Publications	Direct	100% of ordinary shares
Institute for the Management of Information Systems	01160852	England and Wales	Examinations & Standards	Direct	100% limited by guarantee
BCS ITEXT Limited	02624911	England and Wales	Dormant	Direct	100% of ordinary shares
Information Systems Examination Board Limited	02474836	England and Wales	Dormant	Indirect	100% limited by guarantee
i-2-K Limited	04231899	England and Wales	Dormant	Direct	100% of ordinary shares
Communications Management Association	02238045	England and Wales	Dormant	Direct	100% limited by guarantee
Institute for Communications Arbitration and Forensics	04452710	England and Wales	Dormant	Indirect	100% limited by guarantee
ICAF Limited	04227423	England and Wales	Dormant	Indirect	100% of ordinary shares
Associated undertakings – joint ventures					
ITEXT Limited	02717318	England and Wales	Production of Publications	Direct	50% of ordinary shares & 100% of preference shares
Activ Educate Limited	06343657	England and Wales	E-learning Software	Indirect	50% of ordinary shares
Associated undertakings – associates					
SFIA Foundation	04770377	England and Wales	Skills Framework	Direct	20% limited by guarantee

The Institute holds the following other investments:

European Computer Driving Licence Foundation (ECDL-F)		Ireland	IT Examinations Licensing Body	Direct	3% limited by guarantee
Federation for Informatics Professionals (FED-IP)		England and Wales	Register and Standards	Direct	100% limited by guarantee

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NOTES (continued)

Group

The amounts included in respect of joint ventures/associates comprise the following:

<i>Joint venture/associates</i>	2018	2017
	£000	£000
Investment in joint venture:		
– share of gross assets	3	3
– share of gross liabilities	(2)	(2)
	<u>1</u>	<u>1</u>

11 Debtors

	Group	Institute	Group	As revised
	2018	2018	2017	Institute
	£000	£000	£000	2017
				£000
Trade debtors	1,245	327	2,468	844
Prepayments and other debtors	1,107	706	1,137	1,057
Amounts owed by group undertakings	-	2,133	-	64
Deferred tax asset (note 12)	407	-	-	-
	<u>2,759</u>	<u>3,166</u>	<u>3,605</u>	<u>1,965</u>

Amounts owed by group undertakings includes a £1,374,915 (2017: £nil) loan to BCS Learning & Development Limited which is repayable on demand and carries an interest rate of 4%. The remaining amount owed relates to the central costs recharge.

12 Deferred tax asset

	Group	Institute	Group	Institute
	2018	2018	2017	2017
	£000	£000	£000	£000
Unused tax losses	407	-	-	-
	<u>407</u>	<u>-</u>	<u>-</u>	<u>-</u>

Of the £407,496 deferred tax asset we expect to utilise £222,022 as result of carrying back against 16/17 profits with the remainder to be utilised against future profits in more than 1 year.

13 Creditors

	Group	Institute	Group	Institute
	2018	2018	2017	2017
	£000	£000	£000	£000
Trade creditors	474	326	1,015	531
Other creditors	254	100	144	73
Accruals	1,121	567	1,044	716
Deferred income (note 13)	3,544	3,352	3,624	3,387
Amounts owed to group undertakings	-	173	-	-
	<u>5,393</u>	<u>4,518</u>	<u>5,827</u>	<u>4,707</u>

NOTES (continued)

14 Deferred income

Deferred income comprises advance income for extended membership periods including life membership, sales of consultancy, training and examinations for which the relevant service income has yet to be earned at the year end.

Group

	Events Income £000	Life Membership £000	Annual Membership £000	Examinations Income £000	Consultancy and Training £000	Total £000
Balance at 1 September 2017	10	157	3,220	165	72	3,624
Amounts released to incoming resources	(10)	(32)	(3,043)	(165)	(69)	(3,319)
Amount deferred in year	11	35	3,006	144	43	3,239
Balance at 31 August 2018	11	160	3,183	144	46	3,544

Institute

	Events Income £000	Life Membership £000	Annual Membership £000	Examinations Income £000	Consultancy and Training £000	Total £000
Balance at 1 September 2017	10	157	3,220	-	-	3,387
Amounts released to incoming resources	(10)	(32)	(3,043)	-	-	(3,085)
Amount deferred in year	11	35	3,004	-	-	3,050
Balance at 31 August 2018	11	160	3,181	-	-	3,352

15 Provisions for liabilities

Group

	Dilapidation Provision £000	Stock Transfer £000	Total £000
Balance at 1 September 2017	519	292	811
Increase in provision	24	-	24
Utilised during the year	-	(121)	(121)
Reversed during the year	-	(171)	(171)
Balance at 31 August 2018	543	-	543

Institute

	Dilapidation Provision £000	Stock Transfer £000	Total £000
Balance at 1 September 2017	519	-	519
Increase in provision	24	-	24
Balance at 31 August 2018	543	-	543

NOTES (continued)

The dilapidation provision relates to the leasehold properties held by the Institute and is the Trustees best estimate of the cost of the work which it is required to perform either during or at the end of the lease.

The stock transfer provision related to registration and test stock held by customers where refunds may have been provided pending transition to other BCS Qualifications. This was only partly utilised during the year and the remainder released as no longer required.

16 Analysis of group net assets between funds

	Unrestricted funds £	Restricted funds £	Total funds £
Fixed assets	2,444	-	2,444
Investments	1	-	1
Net current assets	5,399	1,075	6,474
Non-current liabilities	(543)	-	(543)
	<u>7,301</u>	<u>1,075</u>	<u>8,376</u>
Net assets at the end of the year	<u>7,301</u>	<u>1,075</u>	<u>8,376</u>

17 Funds

	2017 £000	Incoming Resources £000	Outgoing Resources £000	Net share of results of joint ventures £000	2018 £000
<u>Group</u>					
General Fund	10,802	18,082	(21,861)	278	7,301
Restricted Fund					
- Network of Teaching Excellence	824	897	(1,140)	-	581
- Scotland Computing at Schools	42	-	(14)	-	28
- Computing at Schools	148	-	(21)	-	127
- Countdown to Computing	73	-	(44)	-	29
- Barefoot Computing	98	50	(23)	-	125
- Scholarship Scheme	12	111	(116)	-	7
- Quantum	97	104	(132)	-	69
- Gatsby Foundation	-	248	(248)	-	-
- Microsoft Creative Computing	-	109	-	-	109
Total Funds	<u>1,294</u>	<u>1,519</u>	<u>(1,738)</u>	<u>-</u>	<u>1,075</u>
	<u>12,096</u>	<u>19,601</u>	<u>(23,599)</u>	<u>278</u>	<u>8,376</u>

BCS, The Chartered Institute for IT

NOTES (continued)

	2017	Incoming Resources	Outgoing Resources	Net share of results of joint ventures	2018
	£000	£000	£000	£000	£000
<i>Institute</i>					
General Fund	11,169	6,904	(8,249)	-	9,824
Restricted Fund					
- Network of Teaching Excellence	824	897	(1,140)	-	581
- Scotland Computing at Schools	42	-	(14)	-	28
- Computing at Schools	148	-	(21)	-	127
- Countdown to Computing	73	-	(44)	-	29
- Barefoot Computing	98	50	(23)	-	125
- Scholarship Scheme	12	111	(116)	-	7
- Quantum	97	104	(132)	-	69
- Gatsby Foundation	-	248	(248)	-	-
- Microsoft Creative Computing	-	109	-	-	109
	1,294	1,519	(1,738)	-	1,075
Total Funds	12,463	8,423	(9,987)	-	10,899

The restricted fund relates to the government grants received under the Network of Teaching Excellence, Scotland Computing at Schools, Computing at Schools, Countdown to Computing, Barefoot Computing, Digital Education Scotland, Computer Science Teaching Scholarship, Quantum, Gatsby Foundation and Microsoft Creative Computing schemes.

18 Operating leases

Non-cancellable operating lease rentals for the Group are payable as follows:

	2018		2017	
	Land & Buildings £000	Other £000	Land & Buildings £000	Other £000
Within 1 year	734	5	833	29
Within 2 to 5 years inclusive	419	-	1,154	5
After more than 5 years	-	-	-	-
	1,153	5	1,987	34

19 Capital commitments

There were no capital commitments at 31 August 2017 and 2018.

NOTES (continued)

20 Pensions

The Group operates two pension schemes arranged through Standard Life and Scottish Widows. Both schemes invest contributions individually in the name of each scheme member. Members receive individual valuations of their own fund on an annual basis.

The Standard Life scheme is a defined contribution arrangement to which the member and the employer contribute 2 - 9% of scheme earnings. The Group recognises the cost of contributions when they fall due. The pension costs charge for the period represents contributions by the Institute to the fund and amount to £442,000 (2017: £518,000). There are no outstanding or prepaid contributions at the balance sheet date.

The Scottish Widows scheme is closed to new members and there are no current employees contributing to the scheme.

21 Related party disclosures

The Institute has a 50% share in the joint venture ITEXT Limited and wholly owned subsidiaries BCS Learning & Development Limited and the Institute for the Management of Information Systems. The Group has taken advantage of the exemptions not to disclose any transactions with its wholly owned subsidiaries conferred by the FRS 102 reduced disclosure framework, on the grounds that the subsidiaries' results are included in the consolidated results of the Group.

The transactions between the Institute and ITEXT Limited, the joint venture referred to in note 10, are as follows:

- i) The Institute received income during the period of £278,171 (2017: £287,738) being the covenanted 50% share of the pre-tax profits of ITEXT Limited and £20,000 (2017: £20,000) rental income;
- ii) The Institute purchased publications of £126,607 (2017: £124,881) from ITEXT Limited.
- iii) The balance outstanding at 31 August 2018 was nil.

There are no donations from related parties which are outside the normal course of business and no restricted donations from related parties.

22 Prior year restatement - Institute

For the years ended 31 August 2016 and 31 August 2017, it was identified that the gift aid payments from BCS Learning & Development Limited to the Institute had been recognised as liabilities by BCS Learning & Development Limited and as a receivable by the Institute in the year in which the profits arose when no valid deed of covenant was in place. As a result no debtor should have been recognised by the Institute. As, at the reporting dates, the gift aid payments were still intended to be made, the tax deductions previously included by BCS Learning & Development Limited have not been adjusted.

The impact on the prior year financial statements of the Institute is as follows:

	£000
Debtors at 31 August 2017	
Debtors as previously reported	3,302
Reduction in amounts owed by group undertakings	1,337
Restated debtors	<u>1,965</u>
Debtors at 31 August 2016	
Debtors as previously reported	5,259
Reduction in amounts owed by group undertakings	3,347
Restated debtors	<u>1,912</u>

NOTES (continued)

	£000
Total reserves at 31 August 2017	
Reserves as previously reported	13,800
Reversal of gift aid debtor	1,337
Restated reserves	12,463
Total reserves at 31 August 2016	
Reserves as previously reported	15,154
Reversal of gift aid debtor	3,347
Restated reserves	11,807

Net incoming resources for the Institute for the period ended 31 August 2017 increased by £2,010,000, from a deficit of £1,354,000 to a surplus of £656,000. The above had no effect on the financial statements of the group.

In addition to the above, a small share of joint venture income has been reclassified as a gain on investment.

23 Operating results of subsidiary undertakings

Institute for the Management of Information Systems

On 5 June 2013, the Institute acquired controlling interest in The Institute for the Management of Information Systems (IMIS). IMIS is a registered charity (number 291495) and a company limited by guarantee. Its objectives are to advance the interests of the data processing profession and its members.

A summary of its trading results is shown below:

	2018 £000	2017 £000
Statement of financial activities		
Incoming resources	13	39
Resources expended	(21)	(34)
Interest receivable	-	-
	<hr/>	<hr/>
Net movement of funds	(8)	5
	<hr/>	<hr/>
The assets and liabilities of the subsidiary were:		
Fixed assets	-	-
Current assets	378	390
Creditors amounts falling due within one year	(5)	(9)
	<hr/>	<hr/>
Total net assets	373	381
	<hr/>	<hr/>
Reserves	373	381
	<hr/>	<hr/>

NOTES (continued)

BCS Learning & Development Limited

The wholly-owned trading subsidiary BCS Learning & Development Limited (BCS L&D), which is incorporated in the United Kingdom, pays its profits to the Institute by gift aid. From 1 September 2012, BCS L&D undertakes qualifications and publications activities on behalf of the Institute. The Institute owns the entire issued share capital of fifty thousand ordinary shares of £1 each. A summary of the trading results is shown below:

	2018	As revised
	£000	2017
		£000
Summary profit and loss account		
Turnover	11,462	26,285
Cost of sales and administrative expenses	(13,582)	(24,948)
Interest paid	(25)	-
	<hr/>	<hr/>
Net (loss)/profit before tax	(2,145)	1,337
Tax on (loss)/profit	453	(267)
	<hr/>	<hr/>
Net (loss)/profit after tax	(1,692)	1,070
	<hr/>	<hr/>

The amount of gift aid to the Institute in 2017/18 was £nil (2016/17 £nil).

The assets and liabilities of the subsidiary were:

Fixed Assets	298	447
Current assets	2,392	2,856
Creditors: amounts falling due within one year	(3,207)	(1,568)
Provisions for liabilities	-	(292)
	<hr/>	<hr/>
Total net (liabilities)/assets	(517)	1,443
	<hr/>	<hr/>
Aggregate share capital and reserves	(517)	1,443
	<hr/>	<hr/>

24 Financial activities of the charity

A summary of the financial activities undertaken by the Institute is set out below:

	2018	As revised
	£000	2017
		£000
Gross incoming resources	8,405	12,137
Total unrestricted expenditure on charitable activities	(8,249)	(9,795)
Restricted fund expenditure	(1,738)	(1,687)
Investment income	18	1
	<hr/>	<hr/>
Net incoming resources	(1,564)	656
Total funds brought forward	12,463	11,807
	<hr/>	<hr/>
Total funds carried forward	10,899	12,463
	<hr/>	<hr/>
Represented by:		
General fund	9,824	11,169
Restricted fund	1,075	1,294
	<hr/>	<hr/>
	10,899	12,463
	<hr/>	<hr/>

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