

**QACE – Entity for the Quality
Assessment and Certification of
Organisations recognised by
the European Union CIC**

**Annual Report and Financial
Statements**

31 December 2019

Company Limited by Guarantee
Registration Number
7455733 (England and Wales)

Legal and administrative information

Directors	X. Hui C. Breinholt N. Mikelis A. Mahapatra (appointed 1 January 2019) N. B. L. Mortensen (appointed 1 January 2019)
Secretary General	D. Gutteridge
Registered office	3 Shortlands London W6 8DA
Registered number	7455733 (England and Wales)
Auditor	Mercer & Hole 21 Lombard Street London EC3V 9AH
Solicitors	Farrer and Co LLP 66 Lincoln's Inn Fields London WC2A 3LH
Bankers	Unity Trust Bank 4 Brindley Place Birmingham B1 2JB

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The directors present their report with the financial statements of the company for the year ended 31 December 2019. The comparative information is in respect of the year to 31 December 2018.

Principal activity

QACE exercises its mandate under the EU Regulation 391/2009 Art. 11 by conducting observations and assessments of the audits and certification carried out by independent Accredited Certification Bodies (ACBs) contracted by the Recognised Organisations (ROs) to the extent that it will verify and assess that the requirements of ISO 9001 and of the internationally recognised quality standards for ROs are fulfilled, as set out in the QACE Procedures*. The results of the observations and assessments are reported to interested parties according to the EU Regulation.

Review of business

QACE is in its ninth full year of operation. The budget was advised and accepted at the Annual General Meeting in November 2018 with the understanding that, in line with new lean processes, the budget would be subject to a further review at the January 2019 Board meeting.

2019 events:

- 55 audit assessments were held in 2019, reduced from the 62 held in 2018.
- New Directors Ashok Mahapatra and Niels Bjørn Mortensen took up duty in January 2019.
- The three-day Annual Assessor's Meeting was held at the QACE office in London to plan the 2019 QACE Assessment Programme (January 2019).
- QACE completed a successful ISO 9001:2008 surveillance audit (January 2019).
- QACE and the Consultancy Group of interested parties worked on the development of the QACE Interpretation of Quality Standards (QIQS).

Overall summary of 2019: Another successful year which included, making lean existing processes with subsequent reduced travel and an improved carbon footprint and, reduced costs, without an impact on the effectiveness of QACE operations. There was a financial practice and reporting review to give a more accurate financial position throughout the year.

The impact of the COVID-19 pandemic (coronavirus) on the ability of the company to continue as a going concern has been assessed by the directors. Since QACE is established by an EU Regulation, and the members are required to fund the entity through subscription, there is little or no impact on our revenue.

COVID 19 has affected operations. Since the outbreak, the company has had to suspend its global assessment activity. Due to the nature of the pandemic, it cannot be certain how long these conditions will continue to affect operations, but the company's revenue will remain unaffected.

As at the date of approval of these financial statements and taking into consideration the latest information published by the UK Government concerning the pandemic, the directors have prepared the financial statements on the going concern basis.

In assessing whether the going concern basis is appropriate, the directors have considered that there is little or no impact on the company's revenue caused by the pandemic. The financial statements do not include any adjustments that would be necessary if the going concern basis was not appropriate.

Plans for the future

QIQS was published in February 2020, as a trial and feedback year. Full implementation was planned for January 2021.

2020 assessment levels were planned to return the same numbers as earlier years. However, with the outbreak of COVID-19, 2020 audits have been postponed and QACE has suspended assessment activity meantime. At this stage it is not anticipated that there will be a long-term impact on QACE's ability to assess the RO's quality management systems.

Directors

The following directors served throughout the year and up to the date of signature of the financial statements

Director	
C. Breinholt	
X. Hui	
N. Mikelis	
A. Mahapatra	Appointed 1 January 2019
N. B. L. Mortensen	Appointed 1 January 2019

* QACE Procedures are documents decided by the Board of QACE specifying requirements to, or ways to carry out an activity or a process (e.g. the audit process).

Members

The following organisations were members of QACE throughout the period:

- American Bureau of Shipping (USA)
- Bureau Veritas SA (France)
- China Classification Society (China)
- Croatian Register of Shipping (Croatia)
- DNV GL AS (Norway)
- Indian Register of Shipping (India)
- Korean Register of Shipping (Republic of Korea)
- Lloyd's Register (UK)
- Nippon Kaiji Kyokai (Japan)
- Polski Rejestr Statkow SA (Poland)
- Rina Services SPA (Italy)
- Russian Maritime Register of Shipping (Russian Federation)

Members (cont.)

The liability of each member in respect of the undertaking to contribute to the assets of the company is limited to an amount not exceeding £1.

Auditor

Mercer & Hole will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

Statement of directors' responsibilities

The directors are responsible for preparing the directors' report and financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- ◆ select suitable accounting policies and then apply them consistently;
- ◆ make judgements and estimates that are reasonable and prudent;
- ◆ state whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- ◆ prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Each of the directors confirms that:

- ◆ so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- ◆ the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s 418 of the Companies Act 2006.

Directors' report Year ended 31 December 2019

In preparing the above report, the directors have taken advantage of special exemptions applicable to small companies provided by Part 15 of the Companies Act 2006.

Signed on behalf of the board of directors:

A handwritten signature in black ink, appearing to read 'Chr. Breinholt', written in a cursive style.

Christian Breinholt, Director

Approved by the board on 12 May 2020

Independent auditor's report to the members of QACE – Entity for the Quality Assessment and Certification of Organisations recognised by the European Union CIC

Opinion

We have audited the financial statements of QACE – Entity for the Quality Assessment and Certification of Organisations recognised by the European Union CIC (the 'company') for the year ended 31 December 2019 which comprise the Income and Expenditure Account, the Balance Sheet and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's

Independent auditor's report Year ended 31 December 2019

report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

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

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Independent auditor's report Year ended 31 December 2019

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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



Helen Cain, Senior Statutory Auditor
For and on behalf of Mercer & Hole, Statutory Auditor
21 Lombard Street
London
EC3V 9AH

Date: 13 May 2020

Income and expenditure account Year ended 31 December 2019

	Notes	31 December 2019 £	31 December 2018 £
Turnover	1	624,497	663,973
Cost of sales		(428,317)	(494,745)
Gross profit		196,180	169,228
Administrative expenses		(177,538)	(185,454)
Operating surplus (deficit)		18,642	(16,226)
Taxation	2	—	—
Surplus (deficit) for the financial year	3	18,642	(16,226)
Reconciliation of retained earnings			
Retained reserves brought forward at 1 January 2019		104,854	121,080
Surplus (deficit) for the financial year		18,642	(16,226)
Retained surplus at 31 December 2019		123,496	104,854

All of the company's activities derived from continuing operations.

The company has no recognised gains and losses other than those shown above and therefore no separate statement of total recognised gains and losses has been presented.

Balance Sheet 31 December 2019

	Notes	2019 £	2019 £	2018 £	2018 £
Current assets					
Debtors	4	14,175		38,027	
Cash at bank and in hand		<u>362,168</u>		<u>220,491</u>	
			376,343		258,518
Creditors: amounts falling due within one year	5		<u>(34,217)</u>		<u>(50,314)</u>
Net current assets			342,126		208,204
Total net assets			<u>342,126</u>		<u>208,204</u>
Capital and reserves					
Other reserves	8		218,630		103,350
Income and expenditure account			<u>123,496</u>		<u>104,854</u>
Members' funds			<u>342,126</u>		<u>208,204</u>

The directors have taken advantage of special exemptions conferred by Part 15 of the Companies Act 2006 applicable to small companies in the preparation of the financial statements and have done so on the grounds that, in their opinion, the company qualified as a small company.

Approved by, and signed on behalf of the board of directors by:



Christian Breinholt, Director

Approved by the board on 12 May 2020

Company registration number 7455733.

Principal accounting policies Year ended 31 December 2019

QACE is a community interest company (limited by guarantee) incorporated in England and Wales (Company Registration Number 7455733). The registered office is 3 Shortlands, London W6 8DA.

Basis of accounting

The financial statements have been prepared under the historical cost convention with items recognised at cost or transaction value unless otherwise stated in the relevant accounting policies or notes to the accounts. They are prepared in accordance with applicable United Kingdom Accounting Standards, including section 1A of Financial Reporting Standard 102 – ‘The Financial Reporting Standard applicable in the UK and Republic of Ireland’ (FRS102) and the Companies Act 2006.

The financial statements are prepared in Sterling to the nearest pound.

Going concern

After reviewing the company’s forecast and projections, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its financial statements.

As stated in the director’s report the impact of the COVID-19 pandemic on the ability of the company to continue as a going concern has been assessed by the directors. Since QACE is established by an EU Regulation, and the members are required to fund the entity through subscription, there is little or no impact on our revenue. The directors consider the CIC to be a going concern based on it fulfilling its obligations under EU Regulation (EC) 391/2009 for the foreseeable future, notwithstanding the limited impact caused by COVID-19.

As at the date of approval of these financial statements and taking into consideration the latest information published by the UK Government concerning the pandemic, the directors have prepared the financial statements on the going concern basis.

In assessing whether the going concern basis is appropriate, the directors have considered that there is little or no impact on the company’s revenue caused by the pandemic. The financial statements do not include any adjustments that would be necessary if the going concern basis was not appropriate.

Significant judgements and estimates

No significant accounting estimates or judgements were required to prepare the accounts.

Revenue recognition

Turnover represents income generated from membership subscriptions. Such income is recognised over the period in which the member is entitled to the service provided to them.

Debtors

Short-term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

Expenditure recognition

Liabilities are recognised as expenditure as soon as there is a legal or constructive obligation committing the company to make a payment to a third party, it is probably that a transfer of economic benefits will be required in settlement and the amount of the obligation can be measured reliably.

All expenditure is accounted for on an accruals basis.

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 the transaction costs, and are measured subsequently at amortised cost using the effective interest method.

Cash at bank and in hand

Cash on the balance sheet comprises cash at bank available on demand only.

Cash Flow

The financial statements do not include a cash flow statement because the company is exempt from the requirement to prepare such a statement under FRS 102.

Operating lease

Rentals applicable to operating leases where substantially all the benefits and risks of ownership remain with the lessor are charged to the income and expenditure account on a straight line basis over the term of the lease.

Pension and post-retirement benefits

Contributions in respect of the company's defined contribution pension scheme are charged to income and expenditure account when they are payable to the scheme.

1 Turnover

The turnover and surplus result are wholly attributable to the principal activity in the United Kingdom.

2 Taxation

Due to the unique nature of QACE, an agreement was achieved from HM Revenue and Customs that the principal activities of QACE are not trading activities and are not subject to UK corporation tax.

3 Surplus for the financial period

	31 December 2019 £	31 December 2019 £
This is stated after charging:		
Auditor's remuneration		
Audit fee	5,820	5,520

4 Debtors

	2019 £	2018 £
Due within one year		
Trade debtors	96	5,661
Prepayments and accrued income	6,751	14,930
Other debtors	7,328	17,436
	14,175	38,027

5 Creditors: amounts falling due within one year

	2019 £	2018 £
Trade creditors	—	27
Other creditors	10,613	16,128
Social security and other taxes	23,604	34,159
	34,217	50,314

6 Staff costs

	31 December 2019 £	31 December 2018 £
Wages and salaries	246,599	249,912
Social security costs	23,520	24,898
Other pension costs	8,041	24,345
	278,160	299,155

The average number of employees during the year was 7 (2018 – 7).

The directors consider that they, together with the Executive Secretary, comprise the key management personnel of the company in charge of directing and controlling, running and operating the company on a day to day basis.

The total remuneration (including taxable benefits but excluding employer's pension contributions) of the key management personnel for the year was £212,905 (2018 - £221,343)

7 Operating lease commitments

The company's future minimum operating lease payments are as follows:

	2019 £	2018 £
Within one year	40,200	48,240
Between one and five years	—	40,200

8 Other reserves

	2019 £	2018 £
Reserve fund from member contributions	218,630	103,350
	218,630	103,350

The Reserve Fund represents additional funds, to be used for supporting QACE's operations as set up in the Annual Work Plan in cases when the funds from members' subscriptions have been completely used up. The Board of Directors has to authorise in advance any withdrawal of money from the reserve fund. The Members are to be informed as soon as any need for a withdrawal arises together with the relevant reasons and amount. This will be reported during the Board meeting minutes as part of the financial reporting.

9 Reserves

Income and expenditure account – includes all current and prior period retained profits and losses.

10. Events after the reporting date

The directors have assessed the impact of the COVID-19 pandemic (coronavirus) on the company. In accordance with Financial Reporting Standard 102, the directors consider this to be a non-adjusting post-balance sheet event with no material impact on the balance sheet at the reporting date and therefore no adjustment has been made in the financial statements.

Detailed income and expenditure account Year ended 31 December 2019

This page does not form part of the audited accounts

	31 December 2019 £	31 December 2018 £
Turnover	624,497	663,973
Expenditure		
Procedure and certification costs	858	2,412
Individual recommendation costs	—	14,214
Consultancy	116,122	131,398
Secretary General	173,007	209,543
Administration assistance	40,847	35,458
Board meeting expenses	20,100	38,911
Pension management charges	270	325
Directors' remuneration	66,612	57,835
Travel and accommodation	67,647	80,620
Assessors' meeting costs	29,566	20,775
Office expenses	52,487	46,891
Insurance	12,479	19,651
Computer expenses	8,968	2,726
Accountancy and bookkeeping & admin	8,595	8,547
Audit fee	6,480	5,520
AGM & EGM expenses	1,817	5,373
	605,855	680,199
Surplus (deficit) on ordinary activities before taxation	18,642	(16,226)
Taxation	—	—
Surplus (deficit) for the financial period	18,642	(16,226)