



# SHAPING THE AGENDA

ANNUAL REVIEW 2009



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AND CHIEF EXECUTIVE
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## FOREWORD FROM THE PRESIDENT AND CHIEF EXECUTIVE



'GLOBAL ECONOMIC  
RECOVERY DEPENDS ON A RETURN  
TO CONFIDENCE WHICH IN TURN  
DEPENDS ON TRUST'

2009 has been a difficult year for the global economy. Trading conditions have been exceptionally challenging. It is not yet clear whether we have reached the tipping point between crisis and recovery. Uncertainty has been a constant factor.

Despite a coordinated response to the financial crisis under the UK chairmanship of the G20, it is clear that many economies remain fragile and prey to the aftershocks of what has been an exceptional cycle of events.

Global economic recovery depends on a return to confidence in the information on which decisions are being made. Our members have a key role to play in providing and interpreting this information, and making recommendations based on their integrity and professional judgement.

The advice and support provided by chartered accountants during the course of 2009 made a tangible difference to countless individual organisations as well as to our economic recovery as a whole. As their professional body, ICAEW provides the leadership and support our members need to be able to do this to the highest standards.

In 2009 we have delivered against a challenging economic backdrop. In doing so we have benefited from the unfailing support of our council, district societies and active members as well as the dedication and commitment of our staff.

**Over the next few pages you can read about what we have achieved.**

**Martin Hagen**  
President  
ICAEW

**Michael Izza**  
Chief Executive  
ICAEW

## WHO WE ARE AND WHAT WE DO

‘OUR GREATEST STRENGTH IS OUR MEMBERS, CHARTERED ACCOUNTANTS, WHO LEAD AND ADVISE ORGANISATIONS OF ALL SIZES ACROSS EVERY ECONOMIC SECTOR’

ICAEW is a world-leading professional accountancy body. We were established by a group of forward thinking Victorians in 1880. Many of these individuals were also the founding fathers of the global professional service firms as you can discover if you read the list of our past presidents on the walls of our headquarters, in the City of London. Over the last 129 years we have grown in size and reach and currently represent more than 134,000 members in over 160 countries.

We exist to provide a gateway into the profession by offering qualifications that enable people of ability from all backgrounds to train and qualify as finance professionals.

We provide leadership, representation and support to our members and ensure high standards are maintained across the profession. In doing so we help build trust and confidence in economic activity at all levels.

ICAEW was established by Royal Charter as a public interest body. That means that we have a statutory obligation to act with integrity, to do the right thing. For example, in 2009 we worked with the Government on the appointment of valuers for a number of the financial entities that had come into state ownership. We worked with the Financial Reporting Council (FRC) to ensure an increase in going concern qualifications did not become a systemic problem. We also extended our financial capability initiative into one of Britain’s most deprived communities to help tackle social exclusion. This public interest role is not always easy but it is what enables us to be a trusted partner of governments and regulators as well as a source of impartial expertise on behalf of the profession and business both in the UK and internationally.

Our greatest strength is our members, chartered accountants, who lead and advise organisations of all sizes across every economic sector. Our ability to draw on their expertise is what enables us to comment, contribute and influence – whether we are providing advice to UK Government on the lending environment for SMEs, working with the World Bank on capacity building, or commenting on economic confidence.

In turn, our members rely on us to provide them with the professional development and support they need to provide the very best possible advice to the organisations they advise and run.

**Together we help build confidence.**

## ACHIEVING OUR AIMS



In 2009 we focused on increasing our reputation and influence, providing premium qualifications and services and member support - delivered through partnerships and international growth.

Building on our leadership position in the UK our 10-year strategy focused on helping us become a body capable of representing and supporting an increasingly global profession.

In 2009 we set ourselves eight key objectives to help us deliver our strategy:

- Provide premium qualifications and development for our members as well as wider business leaders.
- Grow the organisation across established and new markets.
- Lead the debate on issues.
- Assist members in a tough economic environment.
- Build our international presence and standing.
- Increase the visibility of the ICAEW brand.
- Embrace new technology.
- Drive cultural change across ICAEW.

We had a successful year in the face of significant economic adversity. What follows is not an exhaustive list of all we achieved but a series of snapshots of the activity we have undertaken.

'THE FINANCIAL REPORTING FACULTY WAS ESTABLISHED  
TO ENABLE US TO CONSOLIDATE OUR ACTIVITY AND  
**EXERCISE A STRONGER VOICE**  
ON ONE OF THE MOST SIGNIFICANT DEBATES TO ARISE  
FROM THE FINANCIAL CRISIS – **THE FUTURE**  
**OF CORPORATE REPORTING**'



# 2009 – A YEAR IN REVIEW

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## DEBATE LEADERS

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In **January** ICAEW appeared before the UK Treasury Select Committee as part of its Parliamentary enquiry into the financial crisis. In our written and oral evidence we argued that chartered accountants have a key role to play in helping restore economic confidence through the provision of high quality financial information. We also suggested that closer dialogue between the major audit firms and the Financial Services Authority could help mitigate the risk of systemic market failure. The committee welcomed this suggestion in its subsequent report which we are now taking forward with the regulator.

The Leader of the Opposition the Rt Hon. David Cameron MP and the Shadow Chancellor, George Osborne MP launched their public sector financial management proposals at Chartered Accountants' Hall. We have a long track record of working with all the major political parties in the interests of good policy-making. We do not come to the table with an axe to grind which means we are well placed to convene this kind of debate.

Our library team undertook a major piece of research on the contribution the profession makes to GDP on behalf of UK Government and the Corporation of London. The research, which was published as part of a larger report on UK competitiveness, identified that the profession contributes 1.4% to GVA and £2.46bn to UK exports each year. We also launched the first of a quarterly series of regional anecdotal insights from our members on the impact of the economic downturn.

Once again ICAEW was the only professional accountancy body to be represented at the World Economic Forum in Davos. This provides an opportunity to engage with an international group of political and business leaders and a platform on which to promote the increasing importance of the profession to the world economy.

As the financial crisis continued to bite, our president wrote to every member impressing on them the need to show leadership and integrity in the face of the prevailing economic storm.

We played host to a major European conference on the ownership and control of audit firms and launched our Financial Reporting Faculty. The faculty was established to enable us to consolidate our activity in this area and exercise a stronger voice on what, during the course of the year, has become one of the most significant debates to arise from the financial crisis – the future of corporate reporting.

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## PUBLIC INTEREST

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In **February** HM Treasury invited our chief executive to chair a government-appointed committee tasked with making a recommendation to the Chancellor on a valuer for Bradford and Bingley. This role was not without reputational risk - in coming to a decision we needed to identify how to serve the many competing priorities of stakeholders. It did underscore the important public interest role of ICAEW.

In the run up to the G20 summit of leading nations we made a policy submission to the heads of government of each of these nations calling for a renewed focus on sustainability. We also argued for the swift implementation of International Financial Reporting Standards (IFRS). Our proposals were presented to the UK Government at a major symposium jointly convened with the Fabian Society and were also the subject of an international policy summit we hosted. The debate over these standards continues to gather pace as both Europe and the US come to terms with the implications of convergence.



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Working with our regional teams and district societies we rolled out a series of career clinics across the UK to provide practical help and support to members affected by the economic crisis. We also launched *8 Strategies for Surviving the Downturn* giving practical advice to small businesses on the steps they should take to weather the storm.

Our Corporate Finance Faculty hosted a seminar looking at management buyouts in the adverse economic climate. Our annual Practice Society conference provided an opportunity to hear the views of our many small and medium size practitioners. These members provide frontline business support to small and medium size companies and their views provide an important barometer for policy development in this area.

We used a breakfast event in the House of Commons to launch our Q1 *Business Confidence Monitor* which, perhaps unsurprisingly, showed the seventh consecutive quarterly decline in business confidence – the longest dip since the survey began in 2001.

Despite the economic gloom we continued to focus on our strategy with the appointment of our first regional director for the South East Asia Region. We hosted a successful F-Ten workshop, our initiative to provide mentoring to high flyers in the early stages of their career, the first of many throughout the year. We also chaired the annual London Stock Exchange conference on corporate governance, an issue that continued to come under scrutiny by policy-makers.

For the first time ICAEW was recognised in the list of UK Business Superbrands, a key survey of leading business brands and an independent benchmark of all the work we have undertaken in recent years to build the profile and reputation of the organisation.

## MEMBER SUPPORT

In **March** our International Student Council welcomed Russian trainees to their AGM for the first time. We currently have 124 student members in Russia as well as 396 in China. We also exceeded our Q1 targets for our IFRS training materials, reflecting our ability to align ICAEW expertise with local market need.

During what has been a challenging year for the International Accounting Standards Board (IASB) - which responded well to political pressure in both Europe and the US to modify a number of its standards to mitigate the impact of the credit crunch – we sought to build support for IFRS which was identified as a key G20 priority.

Closer to home, we launched a new shopping cart service on our website and continued to develop our various online communities. As we grow internationally, how we use technology to interact with our members will become increasingly important. We are determined to make the investment necessary to ensure that ICAEW is capable of using IT to best advantage.

We were given a more optimistic analysis of the state of the economy by the managing partners of the Group A firms – those accounting practices immediately below the largest six partnerships. This kind of insight proved invaluable in briefing both UK Treasury ministers and the Shadow Chief Secretary.

‘AS WE GROW INTERNATIONALLY,  
HOW WE USE TECHNOLOGY TO  
INTERACT WITH OUR MEMBERS  
WILL BECOME INCREASINGLY IMPORTANT.’





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## ECONOMIC INSIGHT

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In **April** we led a delegation consisting of representatives from the 100 Group of Finance Directors, the Association of British Insurers and the audit profession, to brief the Business Secretary, Lord Mandelson. The main focus of this delegation was to brief the Minister on business issues arising from the financial crisis, present research findings on Going Concern and request that the UK Government provide assurance to the market that these issues should be looked at pragmatically within the context of the financial crisis.

The meeting also resulted in a request to undertake independent research on the lending environment for small and medium size enterprise. The subsequent work we undertook with MORI was used to brief the Government Chief Economist as well as the Number 10 Policy Unit and provided the evidence base for subsequent decision making in this area.

Despite the difficult economic conditions, at the end of Q1, paid up members of our various special interest groups - which provide members with networking and support in areas such as forensic accounting, media and the charity and voluntary sector - were up by 7.5% on our 2008 figures with faculty membership also holding up well.

As part of our drive to use partnerships to accelerate our strategy we signed a formal agreement with the cebr, an economics house, to provide tailored content, intelligence and support to our members and our thought leadership and public policy activity. This partnership is already bearing fruit in terms of our Budget and pre-Budget Report analysis. We have also introduced a monthly economic briefing which you can find on our website.

In the face of growing debate over the role of mark to market accounting, we made a formal submission to the Securities and Exchange Commission on the need for the US to provide leadership in moving towards mandatory IFRS reporting. Our sense is that while the regulator understands the strategic importance of adoption, other more pressing short-term domestic priorities are taking precedence.

April also brought to a close our negotiations with the FRC over the introduction of their revised Accountancy and Actuarial Disciplinary Board (AADB) scheme. ICAEW is supportive of the scheme which provides an independent means of ensuring public interest cases are dealt with in a way that commands confidence. Nonetheless we had a number of reservations about the proposals which we felt would undermine public confidence. We worked hard with the AADB so that the revised scheme is now fit for purpose.

While we were broadly on track to meet the majority of our targets at the end of Q1, our jobs portal, [icaewjobs.com](http://icaewjobs.com), was down on job numbers reflecting the wider economic malaise. Nonetheless in the short time we have run this service it has become the third largest site in this market.

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## INTERNATIONAL GROWTH

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In **May** we held the formal launch of our South East Asia Region with events in Singapore and Malaysia. This included a graduation ceremony for newly-qualified ACAs, attended by over 420 people including the Malaysian Prime Minister's son who was among those who qualified with us. The staff based in the region provide an important local focus for ICAEW and will enable us to support the increasing number of our members working in the region.

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ICAEW participated in the World Business Summit on Climate Change in Copenhagen as well as chairing a meeting arranged by the Climate Disclosure Standards Board. We also agreed a three-year deal to sponsor an annual corporate responsibility award through the National Business Awards programme. Our work in this area has increased significantly over recent years; you can read more about this later in this *Review*.

We launched our European election manifesto and held a series of hustings events up and down the UK with the Law Society and the Royal Institution of Chartered Surveyors to engage with prospective MEPs.

Our Audit Quality Forum (AQF) published *Changes in Financial Reporting and Audit Practice*, the final report in the Evolution series we have been working on which can be accessed via our website. The AQF continues to provide an important platform on which market participants can come together and consider the issues and challenges facing all those in the financial reporting chain.

Our Corporate Finance Faculty convened separate events on Islamic finance and the challenges facing clean tech companies in the current environment. As part of our ongoing SME activity we partnered with the think tank Business for New Europe on a roundtable on 'Thinking Small First in the Downturn'. The outputs from these have been fed into our SME representations to government.

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## INTERNATIONAL OUTLOOK


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In **June** we were awarded a World Bank contract to twin with the Botswana Institute of Accountants. This project is similar to an earlier one undertaken for the Bangladesh Government and represents an important step forward in our capacity-building activity. Our aim is to help establish the profession in developing economies, so that they benefit from the inward investment and increased economic activity that trust and confidence in their financial systems can bring.

Following the successful appointment of a valuer for the Bradford and Bingley Building Society, the UK Treasury asked ICAEW to chair a panel tasked with the appointment of a valuer for the Dunfermline Building Society. Again this was something we agreed to do as part of our broader public interest role.

We hosted a roundtable breakfast as part of a Cabinet Office-led initiative aimed at encouraging greater access to the professions. The event focused on how the accounting sector can play its part in improving social mobility and increased access to the professions. We have since been asked to represent the accounting profession on a Government-sponsored committee to take our thinking forward.

'THE AQF CONTINUES TO PROVIDE AN IMPORTANT PLATFORM ON WHICH MARKET PARTICIPANTS CAN COME TOGETHER AND CONSIDER THE ISSUES AND CHALLENGES FACING ALL THOSE IN THE FINANCIAL REPORTING CHAIN'



Over recent years we have increased our level of activity in the charitable and voluntary sector with the introduction of a qualification and a special interest group aimed at this sector. In June we held a charities evening at Chartered Accountants' Hall to celebrate the significant amount of work our members put into charity and voluntary work on a pro bono basis through our Everybody Counts initiative as well as to celebrate the success of our Charity Diploma award winners.

We published research on the attitudes of FTSE 350 audit committee chairs to audit partner rotation which you can find on our website. This research was undertaken to gauge business support for a move from five to seven years and was submitted to the Auditing Practices Board as part of their consultation in this area. We also held a debate on the role of the auditor in systemic risk management as part of the work of the AQF.

For the first time ICAEW was a finalist in the Marketing Society's 2009 Excellence Awards.



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## TOWARDS A SUSTAINABLE PROFESSION

In **July** we hosted a two-day summit of the International Federation of Accountants to discuss the contribution of the global profession to the G20 agenda. The summit was attended by the CEOs of over 30 of the major accounting institutes and included a keynote address from Rt Hon. Stephen Timms MP, the UK Government Minister leading on G20 issues.

We appointed a director for the Middle East with a brief to establish an ICAEW presence in the region as part of our broader international ambition. As well as focusing on commercial opportunities in the region she has begun to align us with the regulatory community in Dubai with a view to ICAEW sharing best practice with our stakeholders in the Gulf.

Meetings were convened in the US with officials on a range of business issues arising from the credit crunch including the need for early adoption of IFRS. While ICAEW does not have a physical presence in Washington, we are still well received as an informed commentator and interlocutor on professional issues. We also participated in the annual meeting of the American Accounting Association in New York where we helped organise a number of high-profile panel sessions. We will continue to develop these relationships as the debate over the reform of the global financial architecture continues.

## SCHOLARSHIPS AND RESEARCH

In **August** we launched our second consultation paper on an Audit Firm Governance Code for firms that audit FTSE listed entities. This project, which was led by Norman Murray, Chairman of Cairn Energy, evolved from a request from the FRC that we work on a governance code for these firms and has involved extensive consultation with market participants on the shape and value of such a code. Governance reform has been a key issue during 2009 with the profession leading the reform agenda. Due in no small part to the efforts of the major firms, the code was launched in January 2010 and included a range of measures including the appointment of independent non-executives on a comply or explain basis.

We published *Instilling Integrity in Organisations* as part of our Market Foundations thought leadership programme and hosted the annual Wyman lecture which this year was entitled 'If taxes have to rise, which goose should be plucked first?'

Pledges and donations to the ICAEW Foundation passed the £2m mark with the Foundation now actively sponsoring scholarships and research including bursaries at the London School of Economics and Nottingham University.

WE PUBLISHED A JOINT REPORT WITH THE ENVIRONMENT AGENCY ON ENVIRONMENTAL ISSUES AND ANNUAL FINANCIAL REPORTING AS PART OF OUR SUSTAINABLE BUSINESS THOUGHT LEADERSHIP PROGRAMME.



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## SUSTAINABLE BUSINESS

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In **September**, following support from members to amend our bye-laws, the Privy Council formally approved our application to move to electronic member communications as a default option unless members expressly request otherwise. This move will improve efficiencies, reduce our overheads as well as having a positive environmental benefit.

Liberal Democrat Shadow Chancellor Vince Cable MP launched his public sector reform proposals at an ICAEW breakfast event which gave members the opportunity to question the Liberal Democrats on their economic reform plans.

Our Northern Region held a joint event with the Institute of Directors at which Mervyn King, Governor of the Bank of England was guest speaker. Similar briefings by members of the MPC were held across the UK during the course of the year.

We published a joint report with the Environment Agency on environmental issues and annual financial reporting as part of our Sustainable Business thought leadership programme.

We also published our UK manifesto, *Going for Growth*, which contained a number of public policy proposals around the economic reform agenda which we will be encouraging all political parties to adopt in the run up to the 2010 UK elections. The manifesto provided the content for our representations at all three party conferences where we met with government and opposition spokespeople as well as other MPs with an interest in our sector.

Following a number of productive discussions with the Greek Oversight Body for Accountancy (ELTE) we began a consultancy project aimed at sharing best practice with the ELTE on the effective oversight of Greek auditing firms responsible for the listed company sector.

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## OUR APPROACH

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In **October** we launched our autumn marketing campaign 'Qualified to Succeed' to promote the value of the ACA with a series of posters and advertisements across the major broadsheets including the *FT* and *The Times* as well as prominent sites across the London Underground and at City Airport. The themes of the campaign were the benefits of training to be an ACA and employing our members.

We also launched our new forensic witness accreditation programme which provides formal training and accreditation to forensic accountants required to act as expert witnesses in criminal and civil proceedings.

In Singapore, on the back of a sustained nine month marketing campaign, ACA student numbers increased by 154% with positive feedback from both employers and students. Our strategy is about attracting and then supporting the best into the profession rather than high volume and we are also now actively growing our student base on this basis.

ICAEW gave evidence to the Treasury Select Committee as part of their enquiry into Women in the City, stressing that more needed to be done to encourage women into the boardroom.



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Responding to growing demands from government and the development sector on the need for transparent country-by-country financial reporting, we hosted a breakfast which brought together ministerial special advisers, NGOs and the FDs of leading multi-national companies to discuss the practicalities of reporting at subsidiary level. This issue has risen up the political agenda in recent months and we have embarked on a sustained programme of outreach to try and forge consensus on the best way forward.

In response to consultation by the FRC, the ICAEW Foundation published a major piece of research on corporate governance, *Getting it Right*. The research concluded that while the current risk management regime for listed companies outside the financial services sector was broadly fit for purpose, organisations needed to do more to embed this regime.

As part of a late stage in the World Bank-funded capacity building project in Bangladesh, we signed a Memorandum of Understanding with the Institute of Chartered Accountants of Bangladesh

We were also invited to share a platform with the World Bank and the Chinese Finance Ministry at a major event on the future of the profession in Beijing.

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## PARTNERSHIP

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In **November** ICAEW was asked to chair a working group set up by the French Government on behalf of the Group of Leading Nations to explore the practical aspects of a levy on foreign exchange transactions. The group will explore the workability of such a tax and report in the spring of 2010. The proposal itself has generated divided opinion among market participants with questions remaining over the political will needed to implement such a scheme.

Chinese Vice-Finance Minister Dr Wang Jun came to our UK headquarters to accept honorary membership of ICAEW and further cement relations between the UK and Chinese professions.

We met with the Social Mobility Foundation, a government-funded body which aims to get work placements and internships across the major professions for young people from disadvantaged communities. Dialogue is continuing and will form an important aspect of our access to the professions work.

Our pre-Budget Report submission focused on rebuilding UK competitiveness and public sector spending reform and included recommendations on tax simplification, VAT and National Insurance. David Hartnett, Permanent Secretary at HMRC, delivered the annual Hardman lecture at ICAEW at which a number of these issues were discussed.



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## ROBUST FINANCIAL MANAGEMENT

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In **December** ICAEW was the only UK-headquartered accountancy body to attend the climate change summit in Copenhagen where we delivered a major presentation on carbon disclosure reporting as part of our Information for Better Markets programme.

Following the successful recruitment of our director for the Middle East we formally opened our Middle East office in Dubai. The office will focus on promoting our qualifications and services in the region and will target ACA training across the financial services sector.

Extensive media coverage was generated around our response to the pre-Budget Report where we argued that the Government needed to ensure tighter financial management across Whitehall.

Our chief executive met with officials at 10 Downing Street to discuss the financial crisis and explore the possibility of an international financial transaction levy to help invest in sustainable economic recovery.

ICAEW launched *Beyond Accounting – the impact of sustainability reporting*, in collaboration with Tomorrow's Company. The report summarises the sustainability reporting frameworks and guidelines that have been developed around the world, what they are trying to achieve, and the issues which need to be considered to assess their lasting impact on business decisions and society.

In December, the Financial Reporting Faculty published *Developments in new Reporting Models* a major report in the Information for Better Markets campaign which argued that business reporting is a social institution that continually evolves in response to changes in its environment and that evolution – not revolution – is the right approach.

At our fifth annual Information for Better Markets conference, ICAEW also awarded honorary membership to Stephen A Zeff, Herbert S Autrey Professor of Accounting at Rice University, for his outstanding contribution to the field of accountancy.

'IN DECEMBER ICAEW WAS THE ONLY UK-HEADQUARTERED ACCOUNTANCY BODY TO ATTEND THE **CLIMATE CHANGE SUMMIT** IN COPENHAGEN WHERE WE DELIVERED A **MAJOR PRESENTATION ON CARBON DISCLOSURE REPORTING**'



# STRATEGY 2010

'WE HAVE SOUGHT TO ENSURE THAT  
**ALL VOICES ARE HEARD** AND THAT WE  
DO NOT SHY AWAY FROM THE DIFFICULT DISCUSSIONS,  
**CHALLENGING CONVENTIONAL THINKING'**

## Our international growth

International growth is a key part of our strategy. It has to be. Our members are now working in over 160 different countries. The convergence of accounting and auditing standards across the major capital markets has brought the world closer together. Increasingly we are being asked to support the development of the profession across developing economies. 70% of our UK members now have some form of business interest beyond UK shores. As the recent financial crisis has demonstrated, market regulation is now being determined at an inter-governmental level.

Our international strategy has a number of distinct elements. We are establishing offices in new territories such as South East Asia and the Middle East where we can marry our expertise with local market need and take advantage of commercial opportunities as these arise.

We are in dialogue with governments and regulators on an increasingly international footing as the policy debate evolves in this direction. We are working with organisations like the World Bank and the OECD to encourage and promote transparency and accountability across developing economies. And we are actively seeking international partnerships such as the Global Accounting Alliance to give us the scale to deliver where we cannot on existing resource alone.

While the vast majority of our activity continues to focus on the UK, our home market, we must be at the forefront of the growth of the international profession if we are to maintain our leadership position over the long term.

## Sustainability


We believe that sustainability is central to long-term business success and so throughout the year it has continued to be at the heart of our activities.

We have had a busy year in our thought leadership programme, Sustainable Business. We have sought to ensure that all voices are heard and that we do not shy away from the difficult discussions, challenging conventional thinking. We have also ensured that members' interests are served by developing useful and relevant guidance and events.

In its own activities ICAEW takes its responsibility seriously. It is right that ICAEW minimises its negative impact on the environment, driving out waste and carbon, improving efficiency levels and influencing others.

In addition we understand we have an opportunity to build capacity in our local communities both in the UK and internationally. We continue our Financial Literacy initiative and our work in London's East End with the Poplar Housing and Regeneration Community Association and Grant Thornton UK LLP. Internationally we continue to work in Bangladesh and Africa.

We will continue to be a loud voice in sustainability, we will be ambitious in minimising our negative environmental impact and we will develop further financial capability activities.



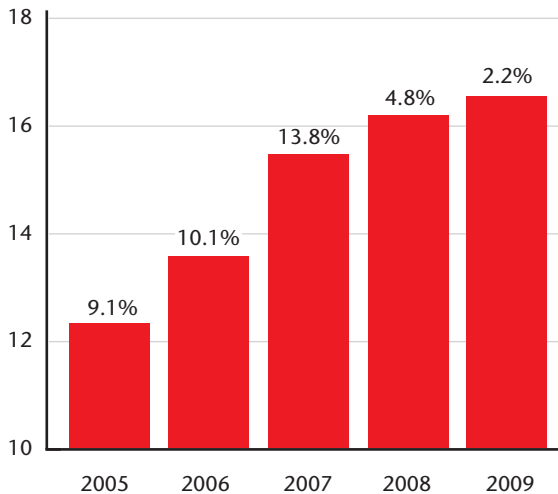
## Investment

In 2010 we have budgeted for a controlled deficit of £1.5m. We are in a good position financially to take advantage of the upturn - this deficit will apply some of the £7.0m of surplus we have accumulated in recent years in order to accelerate the delivery of our strategy.

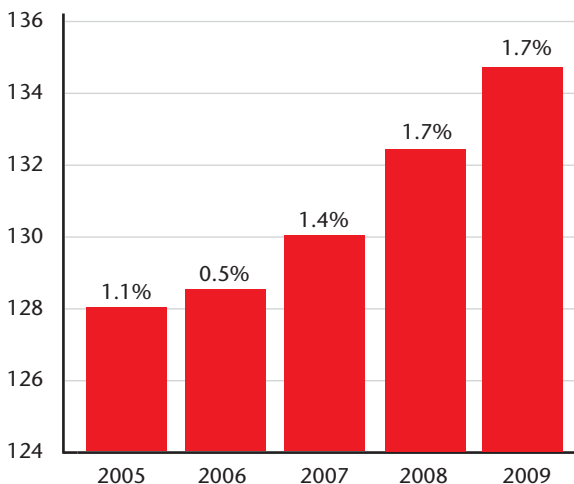
In particular, we will use this money to further develop our profile and standing as a world leader of the accounting and finance profession both in the UK and internationally. Strategy accelerators will include additional investment in our qualifications and services to members as well as business development opportunities across new and existing markets to ensure we take advantage of the opportunities economic recovery brings.

# FINANCIAL REVIEW

## Student growth ('000)



## Membership growth ('000)



## Results

The financial statements for 2009 include the four charitable trusts together with our international subsidiaries. The commentary below relates primarily to the operating activities of ICAEW.

2009 was a challenging year. At the outset it was clear that many of our commercial income targets were optimistic in light of the significant economic downturn that started at the end of 2008. In addition it became apparent that the investment income assumptions in the budget, based mainly on the interest income generated by the significant monies in certificates of deposit, were also going to be overly ambitious given the sharp reduction in the Bank of England base rate. So we took immediate action in January 2009 on three fronts. First was the decision to freeze pay, second was the announcement of a vacancy freeze with the exception of strategic business-critical roles and third was a deep procurement review. As a result of these three key actions 2009 turned out to be a year when ICAEW made significant progress in its main strategic objectives at the same time as controlling its finances in the face of a difficult financial environment.

Total income of £73.7m was flat compared to 2008. The retained surplus after taxation for the year was £0.7m (2008: £0.2m). This included an operating surplus (before funding of the Joint Disciplinary Scheme (JDS)) of £0.8m (2008: £0.3m).

Net assets at 31 December 2009 were £21.4m (2008: £28.8m, 2007: £29.6m). The Staff Pensions Fund liability was £14.2m (2008: £8.6m, 2007: £15.9m). Cash and cash equivalents ended the year at £10.0m (2008: £8.7m, 2007: £9.3m). Including restricted and non-restricted available for sale investments, cash and investments total £38.2m (2008: £34.8m, 2007: £35.4m). The net increase in cash and cash equivalents in 2009 was £1.3m (2008: £0.6m decrease).

The consolidated outcome for the year, including the results of ICAEW's charitable trusts, was a surplus after tax of £1.1m (2008: £0.2m).

## Student and membership numbers

2009 was the first full calendar year of the wider economic downturn which provided a particularly challenging environment for the recruitment of students. Nevertheless, we achieved student intake of 4,854 (2008: 5,104). Of this intake 22.0% were based internationally (2008: 13.3%). Total student numbers were 16,517 (2008: 16,165) of which 14.0% were based internationally (2008: 9.9%).

Our membership grew by 1.7% to 134,698, from admissions of newly-qualified students to membership, together with reciprocal and similar arrangements with members of other institutes. Growth in membership was further helped by a decrease in the levels of resignations and ceased memberships, which dropped to their lowest levels in 21 years.

## Income

The main source of revenue is from members' fees and subscriptions, which made up 47.2% (2008: 45.0%) of total revenue. Fees and subscriptions income rose by 5.1% to £34.8m (2008: £33.1m). This included the effects of a 4.0% increase in the main subscription rate.

Income in areas outside of core fees and subscriptions reduced by 4.1% (2008: increased by 8.0%) reflecting the difficult economic climate.

Income from students and other qualifications, including ACA, International Financial Reporting Standards (IFRS), Corporate Finance and the Diploma in Charity Accounting was flat at £11.8m.

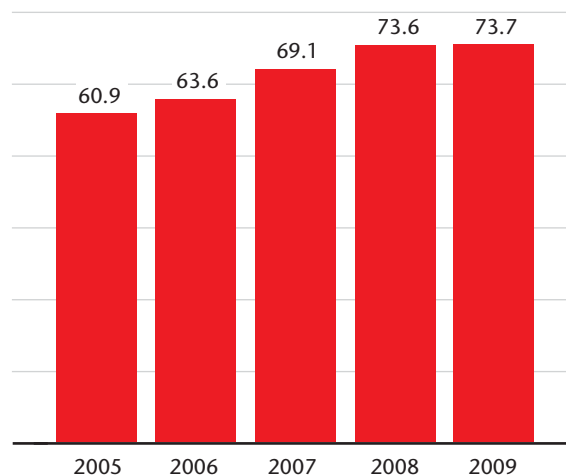
Income from practice regulation and faculties continued to grow (up by 5.6% to £18.7m) mainly as a result of the ongoing increase in admission and subscription fees generated by new affiliates from the European operations of two major firms. Faculty and technical-related income increased to £3.8m (2008: £3.6m).

Income from subscription-based services, sponsorship of ICAEW events and publications, commercial activities and consultancy work reduced by 8.9% to £5.1m (2008: £5.6m). Revenues from commercial initiatives such as sponsorship, advertising, affinity products and the recruitment portal were flat. Although sponsorship revenues declined in 2009, this was largely compensated for by increases in advertising, the recruitment portal and other revenues.

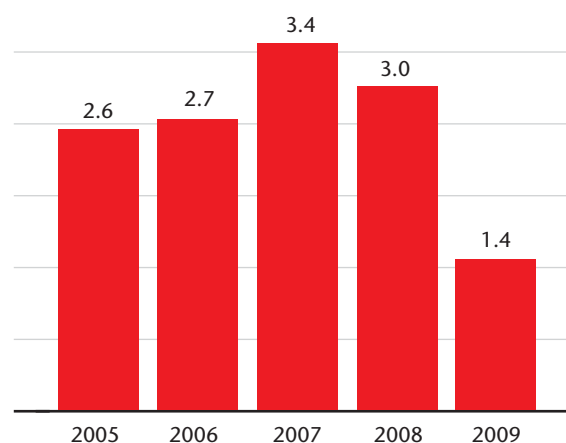
Investment income was impacted by the reduction in Bank of England base rates in early 2009 and declined 53.3% to £1.4m (2008: £3.0m). Further information on the management of our investments is included in the financial position and cash flow section later on.

Income summary	2009	2008
	£m	£m
Fees and subscriptions	34.8	33.1
Students and other qualifications	11.8	11.8
Practice regulation and faculties	18.7	17.7
Subscription-based services and commercial income	5.1	5.6
Investment and equity portfolio	1.4	3.0
Licence fees from Wolters Kluwer	1.9	1.9
External bodies	-	0.5
	<b>73.7</b>	<b>73.6</b>

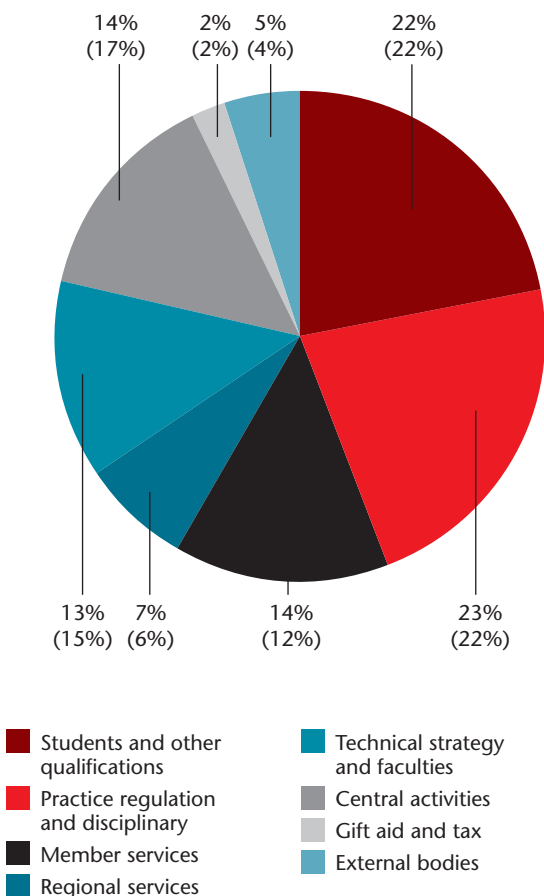
## Income growth (£m)



## Investment income (£m)



### Total expenditure 2009 (2008)



### Expenditure

Total expenditure decreased by 0.5% to £73.0m (2008: £73.4m). In order to manage expenditure in the challenging economic environment, we implemented a pay freeze, a vacancy freeze and a robust review of procurement.

Practice, disciplinary related and consultancy costs reduced by 5.3% to £16.2m (2008: £17.1m) reflecting the full year benefit of the restructure carried out during 2008, together with additional staff and procurement savings.

2009 also saw the first full financial year of new products in our commercial portfolio in direct support of our strategy. A number of reallocations of costs from other departments, principally the transfer of the catering and functions areas into Member Services, resulted in an increase in reported costs in this area of £1.8m to £10.3m (2008: £8.5m).

International expenditure across ICAEW increased by 31.3% to £4.2m (2008: £3.2m) reflecting our strategic priorities. 2009 saw the opening of the South East Asia regional office in Singapore and the Middle East regional office in Dubai. These are our first regional offices and they have already provided evidence of extending the reputational reach of ICAEW across the globe. Activities continued in China (including Hong Kong), Malaysia and Pakistan, particularly on student training and conferences. These activities contributed to increased student intake and the enhancement of ICAEW's reputation.

Expenditure on communications and marketing increased to £8.0m (2008: £7.7m), with specific investment on our new brand identity and public policy. This has contributed to a higher profile for ICAEW as illustrated by our award of Superbrand status for the first time in 2009. Only the top 500 UK brands, as selected by an independent process, are awarded Business Superbrand status every year.

During 2009 we charged costs of £0.1m to the income statement in relation to the JDS, and £2.1m in relation to the Accountancy and Actuarial Discipline Board (AADB).

The JDS carries out independent investigations of the work and conduct of chartered accountants, both in public practice and elsewhere, where this has given rise to public concern. Following the closure of the JDS to new cases in 2004, the AADB was established as the successor scheme.

	2009 £m	2008 £m
Net result before JDS	0.8	0.3
Funding of JDS	(0.1)	(0.1)
Net result after tax	0.7	0.2



## Tax

The net corporation tax credit for the year was £0.1m (2008: £nil).

## Pensions

ICAEW's defined benefits pension scheme was closed to new members in 2000. The whole scheme IAS 19 deficit at 31 December 2009 was £14.8m (2008: £9.1m, 2007: £16.5m).

The increase in the fund deficit is primarily due to an increase in liabilities to £120.4m (2008: £99.9m, 2007: £115.4m) caused by a reduction in the discount rate and an increase in inflation assumptions used for IAS19 purposes.

	2009	2008	2007
Discount rate	5.68%	6.35%	5.75%
Price inflation	3.55%	3.20%	3.50%

Improving investment performance of the fund's assets, mainly driven by recovering equity markets, has to some extent offset the increase in the fund's deficit. At the end of 2009 the value of fund assets was £105.6m (2008: £90.8m, 2007: £98.9m).

Following the last full actuarial valuation at April 2007, ICAEW agreed with the trustee to provide further deficit funding in 2009 of £3.9m (2008: £3.7m, 2007: £1.8m).

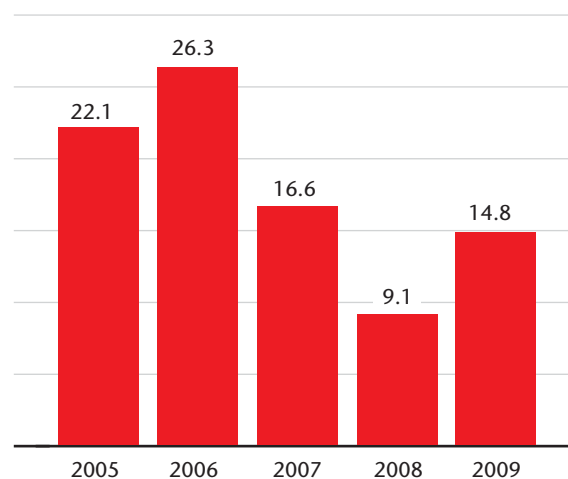
As part of the 2007 actuarial valuation of the fund, the trustee commissioned a review of the strength of ICAEW's financial covenant. The resulting agreement set a number of trigger points in relation to the key financial ratios.

During 2007 to secure this arrangement, ICAEW agreed to a charge being made over Chartered Accountants' Hall and to ring-fence £5.0m of available for sale investments, which the trustee of the scheme may call upon should ICAEW's financial position deteriorate materially between 1 January 2008 and the conclusion of the next triennial valuation of the scheme in 2010. None of these trigger points had been breached at 31 December 2009 and significant headroom existed on each of the key measures.

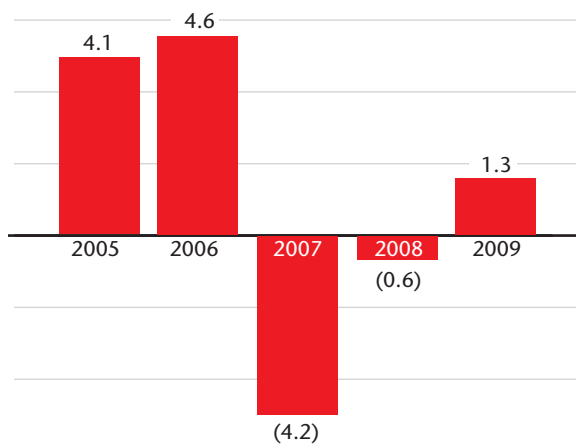
In November 2009 ICAEW entered consultation with active members of the defined benefits scheme regarding the proposal to close the scheme to future accrual.

The scheme was a multi-employer scheme comprising ICAEW group and the Chartered Accountants' Benevolent Association (CABA). ICAEW group is the main employer in the scheme. During 2009, CABA ceased to be a participating member of the scheme.

IAS 19 pension deficit (£m)



## Cash flows (£m)



## Financial position and cash flow

Net assets at 31 December 2009 were £21.4m (2008: £28.8m, 2007: £29.6m). The most significant movement on the statement of financial position has been the increase in ICAEW's share of the pension deficit to £14.2m (2008: £8.6m, 2007: £15.9m).

During 2009 the market value of ICAEW's investments increased to £28.2m (2008: £26.1m, 2007: £26.1m). We decided that, in light of the decline in the Bank of England base rate, our long-term investments of c. £22.0m held primarily in certificates of deposit should be invested by way of a multi-asset based mandate. The resulting mandate was split evenly between Jupiter Asset Management Limited and Rathbones Investment Management Limited.

Inventories were unchanged at £0.8m (2008: £0.8m, 2007: £0.9m). Trade and other receivables were £8.3m (2008: £8.7m, 2007: £8.7m). Trade and other payables were £26.8m (2008: £24.0m, 2007: £21.0m). This increase was generated by the focused approach to working capital management as well as the increase in 2010 fees and subscriptions in advance.

Net cash inflow was £1.3m (2008: £0.6m outflow). Capital expenditure was £3.3m (2008: £7.7m). In 2008 we invested in the fit-out of Metropolitan House in Milton Keynes and the new Business Centre in Chartered Accountants' Hall. Funding of the JDS saw a cash outflow of £1.2m (2008: £1.4m). ICAEW provided £0.7m of costs relating to the JDS at 31 December 2009. It is expected that 2009 will be the last year of operations for the JDS and as a result this provision also includes closure costs. Funding of the AADB saw a cash outflow of £1.3m (2008: £1.0m). The increase in this funding is a result of the increasing case load of the AADB generated by the economic downturn. We have provided £5.3m (2008: £4.5m) of costs relating to the AADB at 31 December 2009. We do not take account of any potential future income from fines or cost recoveries from JDS or AADB before a judicial judgement has been made.

ICAEW provided £3.9m (2008: £3.7m) of deficit funding to the Staff Pensions Fund, in line with the agreement of January 2008.

ICAEW generated a cash inflow from working capital of £3.7m (2008: £4.2m). This was as a result of efficient working capital management, as well as increased cash inflow relating to receipts for 2010 fees and subscriptions in advance. The cash profile of ICAEW fluctuated throughout the year, peaking at £35.7m in February and bottoming out at £5.4m in November.



## Capital expenditure and property assets

Capital expenditure was £3.1m (2008: £6.0m, 2007: £3.3m). Chartered Accountants' Hall was valued at £7.7m (2008: £8.9m, 2007: £11.7m). We expect to spend £3.0m of capital expenditure in 2010 split between £1.8m on systems and £1.2m on property.

## The effects of the economic downturn

The progressive reduction in the Bank of England base rate in 2009 affected the level of investment income received. This will continue to impact investment income in 2010.

The principal risks and uncertainties facing ICAEW as a result of the global economic downturn could affect:

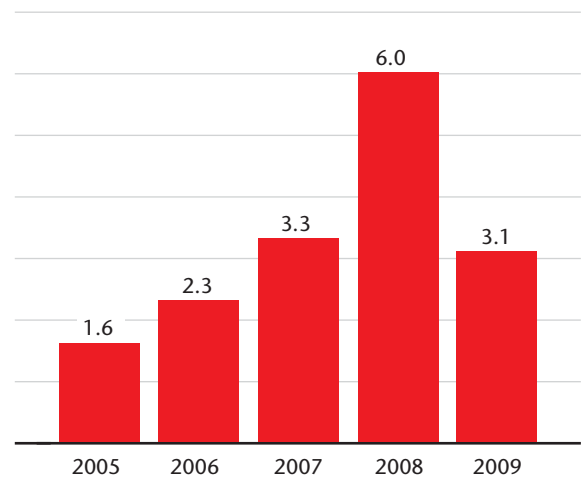
- the numbers of students training in the larger member firms. This is likely to be mitigated by ICAEW's move into international markets where there remain opportunities for growth in numbers of students training with ICAEW;
- increased take up of reduced subscription rates that ICAEW offers for members; and
- ICAEW's commercial income streams.

## Further information

You can get full financial statements:

- online at [icaew.com/review](http://icaew.com/review);
- by emailing [fullaccounts@icaew.com](mailto:fullaccounts@icaew.com); or
- by writing to Daniel Quint, Finance Director at the address listed on the back cover of this review.

Capital expenditure (£m)



# SUMMARY FINANCIAL STATEMENTS

## SUMMARY GROUP INCOME STATEMENT

as at 31 December 2009

	2009			2008		
	Income £m	Expenditure £m	Net £m	Income £m	Expenditure £m	Net £m
<b>Subscriptions and other income</b>						
Subscriptions and fees	34.8	–	34.8	33.1	–	33.1
Licence and data access fees	1.9	–	1.9	1.9	–	1.9
	<b>36.7</b>	<b>–</b>	<b>36.7</b>	<b>35.0</b>	<b>–</b>	<b>35.0</b>
<b>Subscription-based services</b>						
Learning and professional development	11.8	(16.1)	(4.3)	11.8	(15.8)	(4.0)
Professional standards	2.1	(4.2)	(2.1)	2.2	(4.7)	(2.5)
Member services	3.9	(10.3)	(6.4)	3.5	(8.5)	(5.0)
Regional services	0.1	(5.4)	(5.3)	0.2	(4.7)	(4.5)
Technical strategy	0.1	(5.9)	(5.8)	–	(6.8)	(6.8)
Central activities	0.1	(10.8)	(10.7)	1.0	(12.8)	(11.8)
	<b>18.1</b>	<b>(52.7)</b>	<b>(34.6)</b>	<b>18.7</b>	<b>(53.3)</b>	<b>(34.6)</b>
<b>Self-financing activities and charitable trusts</b>						
Practice regulation	13.8	(12.0)	1.8	12.8	(12.4)	0.4
Faculties	3.7	(3.6)	0.1	3.6	(3.9)	(0.3)
Charitable trusts	0.3	(1.3)	(1.0)	0.2	(1.3)	(1.1)
	<b>17.8</b>	<b>(16.9)</b>	<b>0.9</b>	<b>16.6</b>	<b>(17.6)</b>	<b>(1.0)</b>
<b>Funding of external bodies</b>						
Funding of external bodies – excluding Joint Disciplinary Scheme	–	(3.5)	(3.5)	–	(2.5)	(2.5)
Funding of Joint Disciplinary Scheme	–	(0.1)	(0.1)	0.5	(0.6)	(0.1)
	<b>–</b>	<b>(3.6)</b>	<b>(3.6)</b>	<b>0.5</b>	<b>(3.1)</b>	<b>(2.6)</b>
<b>Operating result</b>	<b>72.6</b>	<b>(73.2)</b>	<b>(0.6)</b>	<b>70.8</b>	<b>(74.0)</b>	<b>(3.2)</b>
Investment income	1.6	–	1.6	3.4	–	3.4
<b>Result before taxation</b>	<b>74.2</b>	<b>(73.2)</b>	<b>1.0</b>	<b>74.2</b>	<b>(74.0)</b>	<b>0.2</b>
Taxation			0.1			–
<b>Analysis of net result after taxation</b>						
Net result before funding of Joint Disciplinary Scheme		1.2			0.3	
Funding of Joint Disciplinary Scheme		(0.1)			(0.1)	
<b>Net result after taxation</b>			<b>1.1</b>			<b>0.2</b>

SUMMARY ICAEW INCOME STATEMENT  
for the year ended 31 December 2009

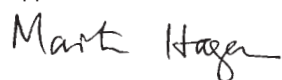
	2009			2008		
	Income £m	Expenditure £m	Net £m	Income £m	Expenditure £m	Net £m
<b>Subscriptions and other income</b>						
Subscriptions and fees	34.8	–	34.8	33.1	–	33.1
Licence and data access fees	1.9	–	1.9	1.9	–	1.9
	<b>36.7</b>	<b>–</b>	<b>36.7</b>	<b>35.0</b>	<b>–</b>	<b>35.0</b>
<b>Subscription-based services</b>						
Learning and professional development	11.8	(16.1)	(4.3)	11.8	(15.8)	(4.0)
Professional standards	2.1	(4.2)	(2.1)	2.2	(4.7)	(2.5)
Member services	3.9	(10.3)	(6.4)	3.5	(8.5)	(5.0)
Regional services	0.1	(5.4)	(5.3)	0.2	(4.7)	(4.5)
Technical strategy	0.1	(5.9)	(5.8)	–	(6.8)	(6.8)
Central activities	0.1	(10.2)	(10.1)	1.0	(12.3)	(11.3)
	<b>18.1</b>	<b>(52.1)</b>	<b>(34.0)</b>	<b>18.7</b>	<b>(52.8)</b>	<b>(34.1)</b>
<b>Self-financing activities</b>						
Practice regulation	13.8	(12.0)	1.8	12.8	(12.4)	0.4
Faculties	3.7	(3.6)	0.1	3.6	(3.9)	(0.3)
	<b>17.5</b>	<b>(15.6)</b>	<b>1.9</b>	<b>16.4</b>	<b>(16.3)</b>	<b>0.1</b>
<b>Funding of external bodies</b>						
Funding of external bodies – excluding Joint Disciplinary Scheme	–	(3.5)	(3.5)	–	(2.5)	(2.5)
Funding of Joint Disciplinary Scheme	–	(0.1)	(0.1)	0.5	(0.6)	(0.1)
	<b>–</b>	<b>(3.6)</b>	<b>(3.6)</b>	<b>0.5</b>	<b>(3.1)</b>	<b>(2.6)</b>
<b>Gift aid and library funding</b>	<b>–</b>	<b>(1.8)</b>	<b>(1.8)</b>	<b>–</b>	<b>(1.2)</b>	<b>(1.2)</b>
<b>Operating result</b>	<b>72.3</b>	<b>(73.1)</b>	<b>(0.8)</b>	<b>70.6</b>	<b>(73.4)</b>	<b>(2.8)</b>
Investment income	1.4	–	1.4	3.0	–	3.0
<b>Result before taxation</b>	<b>73.7</b>	<b>(73.1)</b>	<b>0.6</b>	<b>73.6</b>	<b>(73.4)</b>	<b>0.2</b>
Taxation			0.1			–
<b>Analysis of net result after taxation</b>						
Net result before funding of Joint Disciplinary Scheme		0.8			0.3	
Funding of Joint Disciplinary Scheme		(0.1)			(0.1)	
<b>Net result after taxation</b>			<b>0.7</b>			<b>0.2</b>

## SUMMARY STATEMENTS OF FINANCIAL POSITION

as at 31 December 2009

	Note	2009 £m	2008 £m	Group 2007 £m	2009 £m	2008 £m	ICAEW 2007 £m
<b>Assets</b>							
Non-current assets	2	60.1	58.6	62.3	49.9	49.8	51.4
Current assets		19.6	18.5	19.0	19.1	18.2	18.9
Non-current asset held for sale	3	-	-	3.0	-	-	3.0
<b>Total assets</b>		<b>79.7</b>	<b>77.1</b>	<b>84.3</b>	<b>69.0</b>	<b>68.0</b>	<b>73.3</b>
<b>Liabilities</b>							
Current liabilities		(30.8)	(29.4)	(25.3)	(30.4)	(29.1)	(25.0)
Non-current liabilities		(17.8)	(10.5)	(19.3)	(17.2)	(10.1)	(18.7)
<b>Total liabilities</b>		<b>(48.6)</b>	<b>(39.9)</b>	<b>(44.6)</b>	<b>(47.6)</b>	<b>(39.2)</b>	<b>(43.7)</b>
<b>Total net assets</b>		<b>31.1</b>	<b>37.2</b>	<b>39.7</b>	<b>21.4</b>	<b>28.8</b>	<b>29.6</b>
<b>Reserves</b>							
Revaluation reserve		4.2	5.9	11.3	4.2	5.9	11.3
Investment revaluation reserve		1.3	(0.1)	0.8	1.3	(0.1)	0.8
Accumulated fund		10.0	17.0	13.1	9.9	16.9	13.0
		<b>15.5</b>	<b>22.8</b>	<b>25.2</b>	<b>15.4</b>	<b>22.7</b>	<b>25.1</b>
<b>Reserves retained by self-financing activities and charitable trusts</b>							
Self-financing activities		6.0	6.1	4.5	6.0	6.1	4.5
Charitable trusts		9.6	8.3	10.0	-	-	-
		<b>15.6</b>	<b>14.4</b>	<b>14.5</b>	<b>6.0</b>	<b>6.1</b>	<b>4.5</b>
	4	<b>31.1</b>	<b>37.2</b>	<b>39.7</b>	<b>21.4</b>	<b>28.8</b>	<b>29.6</b>

Approved on behalf of the council



Martin Hagen, President  
19 March 2010



Michael Izza, Chief Executive

## SUMMARY STATEMENTS OF CASH FLOWS

### for the year ended 31 December 2009

	Group		ICAEW	
	2009	2008	2009	2008
	£m	£m	£m	£m
Cash generated from operations	9.0	7.3	8.7	7.7
Income taxes paid	-	(0.4)	-	(0.4)
Cash outflow on pension liabilities	(3.9)	(3.7)	(3.9)	(3.7)
Cash outflow on JDS and AADB	(2.5)	(2.4)	(2.5)	(2.4)
Purchase of property, plant and equipment	(2.5)	(6.5)	(2.5)	(6.5)
Sale of property	-	3.1	-	3.1
Purchase of intangible assets	(0.8)	(1.2)	(0.8)	(1.2)
Deferred consideration received	1.0	1.0	1.0	1.0
Net purchase of available for sale investments	(0.1)	0.2	0.1	-
Investment income received	1.4	2.2	1.2	1.8
<b>Net increase/(decrease) in cash and cash equivalents in the year</b>	<b>1.6</b>	<b>(0.4)</b>	<b>1.3</b>	<b>(0.6)</b>
Net cash and cash equivalents at 1 January	8.9	9.3	8.7	9.3
<b>Net cash and cash equivalents at 31 December</b>	<b>10.5</b>	<b>8.9</b>	<b>10.0</b>	<b>8.7</b>

## NOTES TO THE SUMMARY FINANCIAL STATEMENTS

### for the year ended 31 December 2009

#### 1 Basis of preparation

The summary financial statements have been extracted from ICAEW's full financial statements for the year ended 31 December 2009, which have been prepared in accordance with International Financial Reporting Standards, and under the historical cost convention as modified by the revaluation of properties and available for sale investments.

#### 2 Non-current assets

	Group			ICAEW		
	2009	2008	2007	2009	2008	2007
	£m	£m	£m	£m	£m	£m
Carrying amounts						
Property, plant and equipment	17.2	18.2	18.4	17.2	18.2	18.4
Intangible assets	2.4	2.6	2.8	2.4	2.6	2.8
Investments in associated undertakings	0.1	0.1	0.1	-	-	-
Available for sale investments	38.3	34.8	36.9	28.2	26.1	26.1
Deferred consideration receivable	1.5	2.5	3.5	1.5	2.5	3.5
Deferred tax asset	0.6	0.4	0.6	0.6	0.4	0.6
	<b>60.1</b>	<b>58.6</b>	<b>62.3</b>	<b>49.9</b>	<b>49.8</b>	<b>51.4</b>

#### 3 Non-current asset held for sale

At 31 December 2007, the freehold property, Gloucester House, Milton Keynes, was classified as a non-current asset held for sale at a value of £3.0m. Sale of this property was completed in April 2008.

NOTES TO THE SUMMARY FINANCIAL STATEMENTS (continued)

as at 31 December 2009

4 Reserves

						Group
	Revaluation reserve £m	Investment revaluation reserve £m	Accumulated fund £m	Self- financing reserves £m	Charitable trusts £m	Total £m
<b>Reserves at 1 January 2009</b>	<b>5.9</b>	<b>(0.1)</b>	<b>17.0</b>	<b>6.1</b>	<b>8.3</b>	<b>37.2</b>
Net result after taxation	-	-	(1.4)	2.1	0.4	1.1
Decrease in valuation of property, plant and equipment	(1.8)	-	-	-	-	(1.8)
Net change in market value of long-term investments over cost	-	2.0	-	-	1.2	3.2
Actuarial losses recognised in year on defined benefit pension scheme	-	-	(5.8)	(2.2)	(0.3)	(8.3)
Deferred tax attributable to above	0.1	(0.6)	0.2	-	-	(0.3)
	(1.7)	1.4	(7.0)	(0.1)	1.3	(6.1)
<b>Reserves at 31 December 2009</b>	<b>4.2</b>	<b>1.3</b>	<b>10.0</b>	<b>6.0</b>	<b>9.6</b>	<b>31.1</b>

						ICAEW
	Revaluation reserve £m	Investment revaluation reserve £m	Accumulated fund £m	Self- financing reserves £m	Total £m	
<b>Reserves at 1 January 2009</b>	<b>5.9</b>	<b>(0.1)</b>	<b>16.9</b>	<b>6.1</b>	<b>28.8</b>	
Net result after taxation	-	-	(1.4)	2.1	0.7	
Decrease in valuation of property, plant and equipment	(1.8)	-	-	-	(1.8)	
Net change in market value of long-term investments over cost	-	2.0	-	-	2.0	
Actuarial losses recognised in year on defined benefit pension scheme	-	-	(5.8)	(2.2)	(8.0)	
Deferred tax attributable to above	0.1	(0.6)	0.2	-	(0.3)	
	(1.7)	1.4	(7.0)	(0.1)	(7.4)	
<b>Reserves at 31 December 2009</b>	<b>4.2</b>	<b>1.3</b>	<b>9.9</b>	<b>6.0</b>	<b>21.4</b>	

## SUMMARY CORPORATE GOVERNANCE STATEMENT

The council has adopted the provisions of section 1 of the Combined Code prepared by the committee on corporate governance, to the extent appropriate. During the year the council has monitored and assessed key risks in compliance with the guidance *Internal control: guidance for directors on the combined code*. The full corporate governance statement is set out in the financial statements for the year ended 31 December 2009.

## INDEPENDENT AUDITORS' STATEMENT

### to the members of The Institute of Chartered Accountants in England and Wales

We have examined the group and ICAEW summary financial statements, which comprise the summary group income statement, summary ICAEW income statement, summary statements of financial position, summary statements of cash flows and notes to the summary financial statements.

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

#### **Respective responsibilities of council and auditors**

The council is responsible for preparing the annual review and the summary financial statements. Our responsibility is to report to you our opinion on the consistency of the summary financial statements within the annual review with the full annual report and financial statements. We also read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent mis-statements or material inconsistencies with the summary financial statements.

#### **Basis of audit opinion**

We conducted our audit in accordance with *International Standards on Auditing (UK and Ireland)* issued by the Auditing Practices Board.

#### **Opinion**

In our opinion, the summary financial statements are consistent with the full financial statements of ICAEW for the year ended 31 December 2009 and the annual report on which we expressed an unqualified audit opinion in our report dated 19 March 2010.



Grant Thornton UK LLP  
Chartered Accountants and Registered Auditors  
London  
19 March 2010



## LIST OF COUNCIL MEMBERS

### As at 31 December 2009

The attendance record at meetings of Council in 2009 is shown alongside each member (actual/possible).

#### President

**Martin Hagen (7/7)**  
Consultant, Deloitte LLP, Bristol

#### Deputy-President

**Gerald Russell (6/7)**  
Consultant, Ernst & Young LLP, London

#### Vice-President

**Clive Parritt (7/7)**  
Chairman Baronsmead VCT 2 plc; DiGiCo Europe Ltd; BG Consulting Group Ltd and Non-Executive Director, London & Associated Properties plc and other companies, London

**Caroline Al-Beyery (4/6) See note 1**  
Observer member as CIPFA's representative  
Head of Audit Practice, Audit Commission

**Victoria Alexander (3/4)**  
Co-opted, younger woman member in business  
Fixed Income Controller, Goldman Sachs

**Paul Aplin (7/7) See note 2**  
Co-opted, member with liaison link to HMRC  
Tax Partner, A C Mole & Sons

**Michael Arnold (5/7)**  
Elected, South Eastern  
Director – ACS Management Ltd

**Malcolm Bacchus (5/7)**  
Elected, London  
Finance Director, Vyke Communications plc and Principal, Bacma Consulting

**Andrew Baigent (5/7)**  
Elected, London  
Director General, National Audit Office

**Arthur Bailey (5/7)**  
Elected, Staffs, Salop & Wolverhampton  
Consultant; Begbies Traynor Group and Non-Executive Director

**John Ball (7/7)**  
Elected, Nottingham, Derby & Lincoln  
Director, JB Professional Services Ltd

**Mark Barnish (4/7)**  
Elected, Staffs, Salop & Wolverhampton  
Consultant

**Carl Bayley (4/7)**  
Elected, Scotland  
Director, Bayley Miller Ltd

**Tony Bennewith (5/7)**  
Elected, South Eastern  
Senior Partner, A J Bennewith and Co.

**Penny Bickerstaff (4/7) See note 3**  
Co-opted, Chairman,  
Member Services Board  
Independent Management Consultant

**Heather Cheesman (3/4) See note 4**  
Elected, South Eastern  
Partner, A J Bennewith & Co.

**Ian Cherry (6/7)**  
Elected, North West  
Director, A I Cherry Ltd

**David Chitty (7/7)**  
Elected, Croydon  
Partner, Horwath Clark Whitehill

**Michael Colin (7/7)**  
Elected, Manchester  
Independent consultant

**John Collier (4/7)**  
Elected, London  
Director, Clive & Stokes International,  
Executive Search

**Dennis Cox (5/7)**  
Elected, London  
CEO Risk Reward Limited

**Nick Cudmore (6/7)**  
Elected, Humberside & District  
Partner, Duncan & Toplis

**Jimmy Daboo (2/4) See note 4**  
Elected, London  
Partner, KPMG LLP

**Feroze Dada (4/4) See note 4**  
Elected, London  
Senior Partner, Freeman & Partners

**Ashish Dave (3/7)**  
Co-opted, member in the UAE  
Executive Director, ABRAA Capital Limited, Dubai

**Ian Davies (4/4) See note 4**  
Elected, Southern  
Chairman, The Independent Director Ltd

**Andrea Dunhill (7/7)**  
Elected, Croydon  
Principal Lecturer, Accounting  
and Finance, Kingston University  
Business School

**Graham Durgan (4/7)**  
Co-opted, member in business  
Chairman, Emile Woolf, Thomas Murray,  
Non-Executive Directors Association and  
Durgan Monstein plc

**Richard Dyson (6/7)**  
Ex officio, Past President  
Director of various charities

**Frank Edwards (6/7)**  
Elected, South Wales  
Director, CODA Business  
Management Ltd

**David Evans (2/7)**  
Co-opted, senior partner of an  
international Group A firm  
UK Senior Partner, Mazars LLP

**Keith Ferguson (4/7)**  
Elected, South Wales  
Director, KB Ferguson Ltd,  
Chartered Accountants

**Susan Field (7/7)**  
Elected, London  
Sole Practitioner

**Owen Finn (4/7)**  
Elected, Humberside and District  
Managing Director, Premier Building  
& Engineering Services UK Ltd

**Richard Frost (6/7)**  
Elected, Sheffield  
Audit Partner, Hawsons

**David Furst (6/7)**  
Ex officio, Past President  
Chairman, Horwath Clark Whitehill LLP,  
London

**Graeme Gordon (4/7)**  
Elected, Thames Valley  
Executive Director/CEO Praxity

**Bill Graham (5/7)**  
Elected, Northern  
Consultant

**Richard Green (5/7)**  
Ex officio, Corporate Finance Faculty  
representative  
Chairman, August Equity LLP

**Howard Gross (6/7)**  
Elected, London  
Chief Executive, Gross Klein

**Barrie Harding (6/7)**  
Elected, South Essex  
Sole Practitioner

**Richard Harwood (7/7)**  
Elected, Birmingham & West Midlands  
Principal, Harwoods

**Michael Hawley (5/7)**  
Elected, Nottingham Derby & Lincoln  
Lecturer and Consultant, Beeley Hawley  
& Co Ltd

**Ian Hayes (6/7)**  
Elected, London  
Managing Director, Vataxworld Ltd

**Christopher Heaton (4/4) See note 4**  
Elected, Sheffield  
Managing Director, OSL Automotive Ltd  
and CHCT Ltd

**John Hilton (4/7)**  
Elected, West of England  
Practice Director, Thring Townsend  
Solicitors

**Marion Hodgkiss (6/7)**  
Elected, Liverpool  
Kaplan Financial Ltd

**Philip Hollins (6/7)**  
Elected, London  
Partner, UHY Hacker Young LLP

**Alistair Hollows (7/7)**  
Elected, Manchester  
Director, IFA Amentor Ltd

**Richard Hopkins-Burton (4/4) See note 5**

Ex officio, National Student  
Council representative  
Senior Associate, Transaction  
Services, Deloitte LLP

**Nigel Hughes (4/7)**  
Elected, Beds Bucks and Herts  
Managing Director, Totteridge  
Associates Ltd

**Chris Humphrey (6/7)**  
Co-opted, academic  
Professor of Accounting (MAFG),  
Manchester Business School

**Stephen Huyton (7/7)**  
Co-opted, member in the EU  
Financial director, Thermopatch BV,  
The Netherlands

**Constantine Ioannou (5/7)**  
Elected, London  
Partner, Ioannou & Co and Company  
Director of various companies

**Peter Jenkins (6/7)**  
Elected, London  
Finance Director, The Prince's  
Regeneration Trust

**Jeremy Jennings (4/7)**  
Co-opted, member in the EU  
Global Director, Regulatory and  
Government Relations, Ernst & Young,  
Brussels

**Suweil Jiang (3/7)**  
Co-opted, younger member  
Director, PwC China Business Centre,  
London

**Grant Jones (7/7)**  
Elected, London  
London Office Partner, Cooper Parry LLP,  
Solicitor and New York Attorney

**Martyn Jones (6/7)**  
Co-opted, Chairman, Ethics Standards  
Committee  
National Audit Technical Partner,  
Deloitte LLP

**Neeraj Kapur (6/7)**  
Co-opted, member in financial institution  
Finance Director, Lombard Asset Finance  
Group

**Robin Liddell (6/7)**  
Elected, Northern  
Director, RS Liddell Consulting Ltd

**Hilary Lindsay (6/7)**  
Elected, Leics & Northants  
Business School Lecturer and E-learning  
consultant

**Alan Livesey (7/7)**  
Elected, Scotland  
Managing Director, D.A.T.A. Services Ltd

**Tony Lomas (2/7)**  
Co-opted, Chairman, Insolvency  
Committee  
Chairman, Business Recovery Services  
Division, PricewaterhouseCoopers LLP

**Andrew Lovelady (4/7)**  
Elected, Liverpool  
Group Finance Director, Ethel Austin  
Property Group

**Ara Martirosian (4/4) See note 4**  
Elected, South Eastern  
Managing Director, Red IT Solutions  
Limited

**Barry Matthews (7/7)**  
Elected, Birmingham & West Midlands  
Director, Bissell & Brown Ltd

**David McBride (2/7)**  
Elected, London  
tba

**Cameron Maxwell (6/7)**  
Elected, South Essex  
Consultant, Avesco Group plc

**Roger Merchant (3/4) See note 4**  
Elected, Leics & Northants  
Partner, PKF (UK) LLP

**Robert Millea (4/7)**  
Elected, East Anglian  
Vice Chairman, West Suffolk College  
and Consultant

**Peter Mitchell (5/7)**  
Elected, Beds Bucks & Herts  
Senior Partner, Peter Mitchell & Co  
and Chairman, Society of Professional  
Accountants

**Sheilagh Moffat (7/7)**  
Elected, Birmingham & West Midlands  
Partner, Moffat Gilbert

**Alfred Morris CBE (3/7)**  
Elected, West of England  
Vice-Chancellor, London Metropolitan  
University

**Gerry Murphy (2/7)**  
Ex officio, Chairman, Audit  
& Assurance Faculty  
Audit Partner, Deloitte LLP

**Nick Parker (6/7)**  
Elected, Southern  
Regional Director of Tax, RSM Tenon

**Michael Pavia (5/7)**  
Co-opted, senior member in business  
Non-executive Director, Thames Water  
plc, Telecom Plus plc and Salamander  
Energy plc and other companies

**Philip Pawson (6/7)**  
Elected, West Yorkshire  
Barrister and consultant

**Gareth Pearce (5/7)**  
Co-opted, senior member in practice  
Chairman, Smith & Williamson

**Andrew Ratcliffe (4/7)**  
Co-opted, Chairman, Technical  
Strategy Board  
Partner, PricewaterhouseCoopers LLP

**Richard Reid (3/7)**  
Co-opted, senior partner in a Big Four  
firm London Chairman, KPMG LLP

**Chris Sanger (2/3) See note 6**  
Ex officio, Chairman Tax Faculty  
Tax Partner, Ernst & Young LLP

**Ann Shaw (2/7)**  
Elected, North West  
Managing Director,  
Parkfoot Holiday Homes Ltd

**Robert Sheffrin (5/7)**  
Elected, Manchester  
Compliance Director, Braemar Securities

**Andy Simmonds (4/7)**  
Ex officio, Chairman,  
Financial Reporting Faculty  
Accounting Technical Partner,  
Deloitte LLP

**Philip Smith (2/3) See note 6**  
Ex officio, representative of the Finance  
and Management Faculty  
Turnaround Specialist

**Joe Smoczynski (6/7)**  
Co-opted, member in EU  
President, Baker Tilly & Smoczynski  
& Partners Sp.ooz, Warsaw

**Mark Spofforth (6/7)**  
Elected, South Eastern  
Partner, Spofforths

**Christopher Spokes (6/7)**  
Elected, East Anglian  
Partner, Bidwells

**Elizabeth Stanton (3/4) See note 4**  
Elected, London  
Partner, Ernst & Young LLP

**Nathan Steinberg (7/7)**  
Elected, London  
Partner, Munsloes and Non-executive  
Director, Ambrian Capital and  
Longships plc

**Mike Sturgess (4/4) See note 4**  
Elected South Western  
Managing Director, Swat UK Ltd

**Nicos Syrimis (7/7)**  
Co-opted, member in EU  
Chairman, KPMG, Cyprus

**Jonathan Teller (7/7) See note 7**  
Ex officio, representative of the  
Information Technology Faculty  
Consultant

**John Tiernay (6/7)**  
Elected, Liverpool  
Partner, TiernayFedrick

**Peter Tucker (7/7)**  
Elected, Beds Bucks and Herts  
Tax Partner, Dickinsons Chartered  
Accountants

**Paul Wagstaff (6/7)**  
Elected, Thames Valley  
Client Partner, Vantis Group Ltd

**David Walker (6/7)**  
Elected, West Yorkshire  
Finance Director, Assurant  
Intermediary Ltd

**Jatinder Wasu (5/7)**  
Elected, London  
Principal, Sterling Hay Chartered  
Accountants and director of various  
businesses

**Jan Weber (5/7)**  
Elected, London  
Finance Director, DIAM International

**Eric Wiles (4/7)**  
Elected, Birmingham & West Midlands  
Business Development Manager, HSBC  
Rail (UK) Ltd

**Fiona Wilkinson (7/7)**  
Elected, South Western  
Principal, Fiona Wilkinson

**Alan Wintersgill (5/7)**  
Elected, West Yorkshire  
Senior Partner, Naylor Wintersgill

**Peter Wong (5/7)**  
Co-opted, HKICPA representative  
Consultant, Deloitte Touche Tohmatsu,  
Hong Kong and Non-executive  
Chairman, GFC Trustees (Hong Kong) Ltd

**THE FOLLOWING WERE ALSO  
MEMBERS OF COUNCIL DURING THE  
YEAR 2009:**

**Lee Blunden (0/3)**  
Co-opted, Southern  
Principal, Alfred Cole Business  
Management  
*Resigned wef 11 March 2009*

**Evie Bowyer (1/3) See note 8**  
Elected, London  
Director, EVB Training Consultancy Ltd

**Tony Cooper (3/3) See note 8**  
Elected, Sheffield  
Company Director/Pensions trustee

**Maurice Ede (3/3) See note 8**  
Elected, South Eastern  
Director, Network 4M Limited

**David Hunt (2/3) See note 8**  
Co-opted, Member with links to the IFA  
Principal, La Chasse Management  
Development Company; and Visiting  
Professor, Nottingham Business School

**Adrian Keene (2/3) See note 8**  
Elected, Leics & Northants  
Managing Director, Mutual Clothing &  
Supply Co. Ltd

**Ian Morris OBE (3/3) See note 8**  
Elected, Past President  
Consultant, Morris and Co and  
Partner, Turner Peachey

**Michael Sherry (3/3) See note 8**  
Elected, London  
Tax Counsel, 3 Temple Gardens, Temple

**Karen Silcock (3/6)**  
Elected, London  
Partner, Deloitte LLP  
*Resigned wef 2 December 2009*

**James Smith (2/3) See note 8**  
Ex officio, Chair National Students  
Council  
Assistant Manager, Assurance &  
Advisory, Deloitte LLP

**Bill Telford (3/3) See note 8**  
Elected, South Eastern  
National Training Director, Baker Tilly

**Peter Wyman CBE (1/3) See note 8**  
Co-opted, Member with links to the  
a Big Four firm  
Head of Professional Affairs,  
PricewaterhouseCoopers LLP

#### Notes

- 1 Appointed wef 3 February 2009
- 2 Co-opted wef 2 June 2009, previously  
ex officio, Chairman, Tax Faculty
- 3 Co-opted wef 2 June 2009, previously  
ex officio, representative of the Finance  
and Management Faculty
- 4 Elected wef 2 June 2009
- 5 Appointed wef 2 June 2009
- 6 Appointed wef 3 June 2009
- 7 Appointed wef from 2 June 2009,  
previously ex officio, Chairman,  
Information Technology Faculty
- 8 Retired wef 2 June 2009

#### SENIOR MANAGEMENT TEAM 2009

**Michael Izza**  
Chief Executive

**Robin Fieth**  
Executive Director, Finance & Operations

**Robert Hodgkinson**  
Executive Director, Technical Strategy

**Raymond Madden to 6 July 2009**  
Executive Director, Learning &  
Professional Development

**Vernon Soare**  
Executive Director, Professional Standards





ICAEW is a founder member of the Global Accounting Alliance, which represents over 775,000 professional accountants in over 165 countries worldwide, to promote quality services, share information and collaborate on important international issues.

As a world-class professional accountancy body, ICAEW provides leadership and practical support to over 134,000 members in more than 160 countries, working with governments, regulators and industry to maintain the highest standards.

Our members provide financial knowledge and guidance based on the highest technical and ethical standards. They are trained to challenge people and organisations to think and act differently, to provide clarity and rigour, and so help create and sustain prosperity. ICAEW ensures these skills are constantly developed, recognised and valued.

**Because of us, people can do business with confidence.**

ICAEW  
Chartered Accountants' Hall  
Moorgate Place London  
EC2R 6EA UK

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E [info@icaew.com](mailto:info@icaew.com)



ICAEW



# SHAPING THE AGENDA

FINANCIAL STATEMENTS 2009



# FINANCIAL STATEMENTS

The role of chartered accountants across the world economy has never been more important. Global economic recovery depends on a return to confidence in the information on which decisions are being made. Our members have a key role to play in providing and interpreting this information, and making recommendations based on their integrity and professional judgement.

Our mission is to deliver on our Charter obligations. Our strategy is to focus on premium positioning for reputation and influence, qualifications and services and member support – delivered through partnerships and international growth. Building on our leadership position in the UK we are focused on becoming a body capable of representing and supporting an increasingly global profession.

These financial statements should be read in conjunction with ICAEW's *annual review 2009*

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# FINANCIAL REVIEW

# 2009

The financial statements for 2009 include the four charitable trusts associated with ICAEW together with ICAEW's international subsidiaries. The commentary below relates primarily to the operating activities of ICAEW.

## Results

2009 was a challenging year. At the outset it was clear that many of our commercial income targets were optimistic in light of the significant economic downturn that started at the end of 2008. In addition it became apparent that the investment income assumptions in the budget, based mainly on the interest income generated by the significant monies in certificates of deposit, were also going to be overly ambitious given the sharp reduction in the Bank of England base rate. So we took immediate action in January 2009 on three fronts. First was the decision to freeze pay, second was the announcement of a vacancy freeze with the exception of strategic business critical roles and third was a deep procurement review. As a result of these three key actions 2009 turned out to be a year when ICAEW made significant progress in its main strategic objectives at the same time as controlling its finances in the face of a difficult financial environment.

Total income of £73.7m was flat compared to 2008. The retained surplus after taxation for the year was £0.7m (2008: £0.2m). This included an operating surplus (before funding of the Joint Disciplinary Scheme (JDS)) of £0.8m (2008: £0.3m).

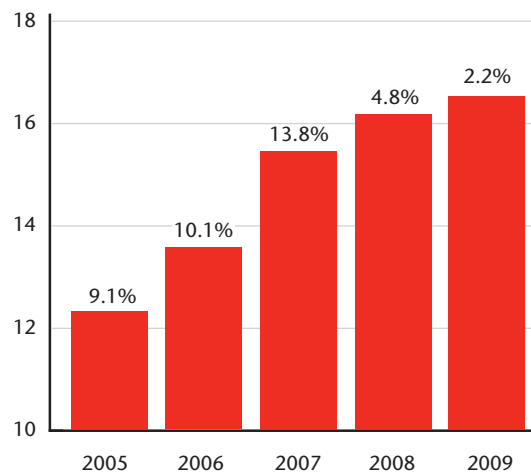
Net assets at 31 December 2009 were £21.4m (2008: £28.8m, 2007: £29.6m). The Staff Pensions Fund liability was £14.2m (2008: £8.6m, 2007: £15.9m). Cash and cash equivalents ended the year at £10.0m (2008: £8.7m, 2007: £9.3m). Including restricted and non-restricted available for sale investments, cash and investments total £38.2m (2008: £34.8m, 2007: £35.4m). The net increase in cash and cash equivalents in 2009 was £1.3m (2008: £0.6m decrease).

The consolidated outcome for the year, including the results of ICAEW's charitable trusts, was a surplus after tax of £1.1m (2008: £0.2m).

## Student and membership numbers

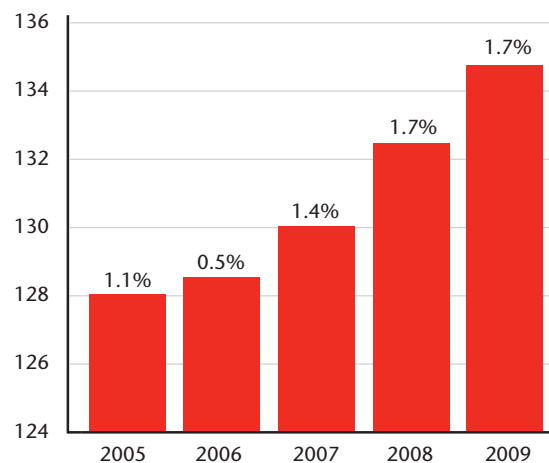
2009 was the first full calendar year of the wider economic downturn which provided a particularly challenging environment for the recruitment of students. Nevertheless, we achieved student intake of 4,854 (2008: 5,104). Of this intake, 22.0% were based internationally (2008: 13.3%). Total student numbers were 16,517 (2008: 16,165) of which 14.0% were based internationally (2008: 9.9%).

## Student growth ('000)



Our membership grew by 1.7% to 134,698, from admissions of newly qualified students to membership, together with reciprocal and similar arrangements with members of other institutes. Growth in membership was further helped by a decrease in the levels of resignations and ceased memberships, which dropped to their lowest levels in 21 years.

## Membership growth ('000)



## Income

The main source of revenue is from members' fees and subscriptions, which made up 47.2% (2008: 45.0%) of total revenue. Fees and subscriptions income rose by 5.1% to £34.8m (2008: £33.1m). This included the effects of a 4.0% increase in the main subscription rate.

Income in areas outside of core fees and subscriptions reduced by 4.1% (2008: increased by 8.0%) reflecting the difficult economic climate.

# FINANCIAL REVIEW

(continued)

## Income summary

	2009 £m	2008 £m
Fees and subscriptions	34.8	33.1
Students and other qualifications	11.8	11.8
Practice regulation and faculties	18.7	17.7
Subscription-based services and commercial income	5.1	5.6
Investment and equity portfolio	1.4	3.0
Licence fees from Wolters Kluwer	1.9	1.9
External bodies	–	0.5
	<b>73.7</b>	<b>73.6</b>

Income from students and other qualifications, including ACA, International Financial Reporting Standards (IFRS), Corporate Finance and the Diploma in Charity Accounting was flat at £11.8m.

Income from practice regulation and faculties continued to grow (up by 5.6% to £18.7m) mainly as a result of the ongoing increase in admission and subscription fees generated by new affiliates from the European operations of two major firms. Faculty and technical-related income increased to £3.8m (2008: £3.6m).

Income from subscription-based services, sponsorship of ICAEW events and publications, commercial activities and consultancy work reduced by 8.9% to £5.1m (2008: £5.6m). Revenues from commercial initiatives such as sponsorship, advertising, affinity products and the recruitment portal were flat. Although sponsorship revenues declined in 2009, this was largely compensated for by increases in advertising, recruitment portal and other revenues.

Investment income was impacted by the reduction in Bank of England base rates in early 2009 and declined 53.3% to £1.4m (2008: £3.0m). Further information on the management of our investments is included in the financial position and cash flow section below.

## Expenditure

Total expenditure decreased by 0.5% to £73.0m (2008: £73.4m). In order to manage expenditure in the challenging economic environment, we implemented a pay freeze, a vacancy freeze and a robust review of procurement.

Practice, disciplinary-related and consultancy costs reduced by 5.3% to £16.2m (2008: £17.1m) reflecting the full year benefit of the restructure carried out during 2008, together with additional staff and procurement savings.

2009 also saw the first full financial year of new products in our commercial portfolio in direct support of our strategy. A number of reallocations of costs from other departments, principally the transfer of the catering and functions areas into Member Services, resulted in an increase in reported costs in this area of £1.8m to £10.3m (2008: £8.5m).

International expenditure across ICAEW increased by 31.3% to £4.2m (2008: £3.2m) reflecting our strategic priorities. 2009 saw the opening of the South East Asia regional office in Singapore and the Middle East regional office in Dubai. These are our first international regional offices and they have already provided evidence of extending the reputational reach of ICAEW across the globe. Activities continued in China (including Hong Kong), Malaysia and Pakistan, particularly on student training and conferences. These activities contributed to increased student intake and the enhancement of ICAEW's reputation.

Expenditure on communications and marketing increased to £8.0m (2008: £7.7m), with specific investment on our brand identity and public policy. This has contributed to a higher profile for ICAEW as illustrated by our award of Superbrand status for the first time in 2009. Only the top 500 UK brands, as selected by an independent process, are awarded Business Superbrand status every year.

During 2009 we charged costs of £0.1m to the income statement in relation to the JDS, and £2.1m in relation to the Accountancy and Actuarial Discipline Board (AADB).

The JDS carries out independent investigations of the work and conduct of chartered accountants, both in public practice and elsewhere, where this has given rise to public concern. Following the closure of the JDS to new cases in 2004, the AADB was established as the successor scheme.

	2009 £m	2008 £m
Net result before JDS	0.8	0.3
Funding of JDS	(0.1)	(0.1)
Net result after tax	0.7	0.2

## Tax

The net corporation tax credit for the year was £0.1m (2008: £nil).

## Pensions

ICAEW's defined benefits pension scheme was closed to new members in 2000. The whole scheme IAS 19 deficit at 31 December 2009 was £14.8m (2008: £9.1m, 2007: £16.5m).

The increase in the fund deficit is primarily due to an increase in liabilities to £120.4m (2008: £99.9m, 2007: £115.4m) caused by a reduction in discount rate and an increase in inflation assumptions used for IAS 19 purposes:

	2009	2008	2007
Discount rate	5.68%	6.35%	5.75%
Price inflation	3.55%	3.20%	3.50%



# FINANCIAL REVIEW

(continued)

Improving investment performance of the fund's assets, mainly driven by recovering equity markets has, to some extent, offset the increase in the fund's deficit. At the end of 2009 the value of fund assets was £105.6m (2008: £90.8m, 2007: £98.9m).

Following the last full actuarial valuation at April 2007, ICAEW agreed with the trustee to provide further deficit funding in 2009 of £3.9m (2008: £3.7m, 2007: £1.8m).

As part of the 2007 actuarial valuation of the fund, the trustee commissioned a review of the strength of ICAEW's financial covenant. The resulting agreement set a number of trigger points in relation to the key financial ratios. During 2007, to secure this arrangement, ICAEW agreed to a charge being made over Chartered Accountants' Hall and to ring-fence £5.0m of available for sale investments, which the trustee of the scheme may call upon should ICAEW's financial position deteriorate materially between 1 January 2008 and the conclusion of the next triennial valuation of the scheme in 2010. None of these trigger points had been breached at 31 December 2009 and significant headroom existed on each of the key measures. Further details are given in note 30 to the financial statements.

In November 2009 ICAEW entered consultation with active members of the defined benefits scheme regarding the proposal to close the scheme to future accrual.

The scheme was a multi-employer scheme comprising ICAEW group and the Chartered Accountants' Benevolent Association (CABA). ICAEW group is the main employer in the scheme. During 2009, CABA ceased to be a participating member of the scheme.

## Financial position and cash flow

Net assets at 31 December 2009 were £21.4m (2008: £28.8m, 2007: £29.6m). The most significant movement on the statement of financial position has been the increase in ICAEW's share of the pension deficit to £14.2m (2008: £8.6m, 2007: £15.9m).

During 2009 the market value of ICAEW's investments increased to £28.2m (2008: £26.1m, 2007: £26.1m). We decided that, in light of the decline in the Bank of England base rate, our long term investments of c. £22.0m held primarily in certificates of deposit should be invested by way of a multi-asset based mandate. The resulting mandate was split evenly between Jupiter Asset Management Limited and Rathbones Investment Management Limited.

Inventories were unchanged at £0.8m (2008: £0.8m, 2007: £0.9m). Trade and other receivables were £8.3m (2008: £8.7m, 2007: £8.7m). Trade and other payables were £26.8m (2008: £24.0m, 2007: £21.0m). This increase was generated by the focused approach to working capital management as well as the increase in 2010 fees and subscriptions in advance.

Net cash inflow was £1.3m (2008: £0.6m outflow). Capital expenditure was £3.3m (2008: £7.7m). In 2008 we invested in the fit out of Metropolitan House in Milton Keynes and the new Business Centre in Chartered Accountants' Hall. Funding of the JDS saw a cash outflow of £1.2m (2008: £1.4m). ICAEW has provided £0.7m of costs relating to the JDS at 31 December 2009. It is expected that 2009 will be the last year of operations for the JDS and as a result this provision also includes closure costs. Funding of the AADB saw a cash outflow of £1.3m (2008: £1.0m). The increase in this funding is a result of the increasing case load of the AADB generated by the economic downturn. We have provided £5.3m (2008: £4.5m) of costs relating to the AADB at 31 December 2009. We do not take account of any potential future income from fines or cost recoveries from JDS or AADB before a judicial judgement has been made.

ICAEW provided £3.9m (2008: £3.7m) of deficit funding to the Staff Pensions Fund, in line with the agreement of January 2008.

ICAEW generated a cash inflow from working capital of £3.7m (2008: £4.2m). This was a result of efficient working capital management, as well as increased cash inflow relating to receipts for 2010 fees and subscriptions in advance. The cash profile of ICAEW fluctuated throughout the year, peaking at £35.7m in February and bottoming out at £5.4m in November.

## Capital expenditure and property assets

Capital expenditure was £3.1m (2008: £6.0m, 2007: £3.3m). Chartered Accountants' Hall was valued at £7.7m (2008: £8.9m, 2007: £11.7m). We expect to spend £3.0m of capital expenditure in 2010 split between £1.8m on systems and £1.2m on property.

## The effects of the economic downturn

The progressive reduction in the Bank of England base rate in 2009 affected the level of investment income received. This will continue to impact investment income in 2010.

The principal risks and uncertainties facing ICAEW as a result of the global economic downturn could affect:

- the numbers of students training in the larger member firms. This is likely to be mitigated by ICAEW's move into international markets where there remain opportunities for growth in numbers of students training with ICAEW;
- increased take up of reduced subscription rates that ICAEW offers for members; and
- ICAEW's commercial income streams.

The council does not currently see any reason to change significantly the direction of the strategy agreed in December 2007. However, the current economic conditions are significantly different to those we faced in 2007 so we continuously review our strategy. The council believes that the financial resources of ICAEW, where

# FINANCIAL REVIEW

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appropriately directed, may also allow it to take advantage of any opportunities that arise as a result of the current economic climate, in terms of international expansion through the opening of regional offices, student growth and reputation enhancing activities. We continually monitor the implications of the global financial crisis on the resources available to implement ICAEW's strategy and report to board and the council on a quarterly basis.

## Reserves policies

Council approved two specific reserves policies in 2009, to ensure reserves are set at a level sufficient to cover both short-term requirements and longer term investment needs:

- that reserves should be set at a level equivalent to between three and six months of expenditure through the income statement; and
- that cash and investment balances should be at least sufficient to cover between three and six months of annual budgeted / forecast gross cash expenditure.

In this context, and in order to accelerate our strategy, council approved a deficit budget of £1.5m in 2010. Our strategic priorities are summarised in ICAEW's *annual review 2009*.

## Charitable trusts

The difference between the result of ICAEW and that of the group is mainly a result of increased donations received by the ICAEW Foundation in the year together with investment income received by the trusts during the year.

During the year ICAEW made donations under gift aid to its charitable trusts amounting to £1.8m (2008: £1.2m). ICAEW's charitable trusts continued to run the Library and Information Service and also approved grants in the year of £0.3m (2008: £0.2m).

## Creditor payment policy

It is ICAEW's policy to agree and communicate clearly the terms of payment as part of the commercial arrangements negotiated with suppliers and then to pay according to those terms based upon the timely receipt of an accurate invoice. Trade creditor days at 31 December 2009 were 23 days (2008: 22 days).

## Corporate responsibility commitment

We are committed to meeting our responsibilities in support of a sustainable world, both by maximising the benefits and minimising the downsides of the impacts of our activities and by the way in which we meet our public interest obligations.

There are four main ways in which we will implement this:

- being a leader in corporate responsibility to ensure we meet and exceed good practice business regulation;
- working towards sustainability by improving our environmental performance and minimising the adverse impact we have on natural resources;
- encouraging community links for and by our members and our staff;
- promoting partnerships that bring added value to our members through commercial and non-commercial activities.

You can find more information about our commitment to corporate responsibility in our *annual review 2009*.

## Going concern

The financial statements have been prepared on a going concern basis. The council has a reasonable expectation that ICAEW has adequate resources to continue in operational existence for the foreseeable future. The council receives and approves a three-year operational plan each year, which comprises forecast income statements, cash flow summaries, statements of financial position and key non-financial indicators. These are the basis of the monthly management accounts which are reviewed by the board.

ICAEW's business activities, together with the factors likely to affect its future development, performance and position are set out above, as well as in our *annual review 2009*. The financial position of ICAEW, its cash flows and liquidity position are described in the financial review above. In addition the accounting policies include ICAEW's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its hedging activities and its exposure to liquidity risk.

ICAEW has considerable financial resources. Consequently, the council believes that ICAEW is well placed to manage its business risks successfully despite the current uncertain economic outlook.

## Internal control

The council is responsible for ICAEW's system of internal control and for reviewing its effectiveness. The audit committee, on behalf of the council, reviews the effectiveness of the system. This is done on the basis of information and regular reports provided by management, internal audit and the external auditors. The system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives. It can only provide reasonable, but not absolute, assurance against material misstatement or loss. It includes all controls including financial, operational, compliance and risk management.

# FINANCIAL REVIEW

(continued)

The key elements of the system of internal control are:

## Risk management

The council, through the board, chief executive and executive directors, has an established and continuous process for identifying, evaluating and managing the significant risks faced by ICAEW. This process has been in place for the whole of 2009 and has continued up to the date on which this document was approved.

Each department identifies and reviews the risks faced by ICAEW, assessing both the controls in place and key actions required to manage the significant risks. These assessments are reported regularly to the audit committee, board and the council. Any changes in risks and key risk highlights are also reported to the board regularly by directors.

The assessment of risk is linked with the evolving ICAEW strategy in compliance with the guidance *Internal Control: Guidance for Directors on the Combined Code* (October 2005).

Annually in March, the council undertakes a regular review to consider:

- the application of the risk management processes;
- reports on risk and internal control from the board;
- reports on internal control from the audit committee; and
- how the risks have changed over the period under review and any significant issues.

The risks are reviewed twice a year by the board and appropriate mitigation strategies are put in place by management. In reviewing the risks, the board considers whether management has appropriately assessed the risk by challenging the risk rating, whether the action taken to address and mitigate the risk is effective, and whether the timescales are appropriate. The board also considers whether there are other risks that should be reviewed and advises management accordingly. Over the year the board has considered a diverse range of risks and mitigation strategies, including the following:

- a major corporate or firm failure in the current economic downturn leads to a loss of confidence in, and damage to the reputation and brand of, ICAEW and the reputation of the profession generally;
- resource limitations leading to an inability to develop markets resulting in the failure to deliver planned expansion or ongoing operations; and
- failure to articulate what ICAEW stands for, leading to an inability to develop markets, resulting in the failure to deliver planned expansion or ongoing operations.

## Delegation

There is a clear organisational structure, detailing lines of authority and control responsibilities. There are defined revenue and capital spend authorisation limits in place.

## Business plans and budgets

Staff prepare detailed business plans and budgets for approval by the board and the council. We have agreed key performance targets and monitor achievement against these on a monthly basis. Actual results are compared to approved budgets on a monthly basis and reported to each meeting of the board and the council. We also prepare revised annual forecasts and report on these three times a year. We post a summary of the monthly results and forecast reviews on the council members' online community.

## Internal audit

Internal audit provides assurance that risk management processes are addressing the significant risks faced by ICAEW and assesses the controls in place. It ensures that management takes appropriate remedial action if control weaknesses are identified. Internal audit reports formally to the audit committee and has direct access to the chairman of the committee. The committee also receives reports from the staff and the external auditors on important control matters.

## Review

The council, through the reports it receives from the board and through the audit committee, has reviewed the effectiveness of ICAEW's system of internal control in operation during 2009. Where control weaknesses have been identified, remedial action was, or is, being taken. None of these weaknesses resulted in any material losses, contingencies or uncertainties that would require disclosure in the annual review.

# CORPORATE GOVERNANCE STATEMENT

## Constitution

ICAEW is incorporated by Royal Charter: our governance structures differ from those of companies, so the Companies Act and the *United Kingdom Corporate Governance Code* (the Code) do not govern our activities. We operate within the terms of our Charter and accompanying bye-laws and regulations. We have long been involved in the development of corporate governance practice and council believes that ICAEW should observe recognised good corporate practice and, in particular, the Companies Act and the Code, where appropriate.

The Code applies to UK listed companies, so it does not relate directly to our governance structures. We therefore have to interpret the main terms of the Code widely, although some of these remain an imperfect match. Where it is appropriate to do so, given our status as a chartered corporation and member body, we have made adjustments to bring our practice more into line with the Code. Council believes that ICAEW either complies with relevant provisions of the Code or has appropriate practices in place as a chartered corporation. The underlying principle is that our governance structures, processes and practices must support the delivery of our strategy, now and in the future.

## ICAEW meetings

The Charter and bye-laws reserve certain matters to ICAEW members in general meeting. This includes the receipt and consideration of our annual review and financial statements with the report of the auditors.

The annual review is one of the main ways we communicate with members. We encourage members to participate in the annual and special meetings by sending a message from the president with the meeting documentation. The president and the chief executive report at the annual meeting on achievements during the year and answer questions from the floor on matters relevant to ICAEW or the profession.

## ICAEW council

In 2009 council met seven times, including a conference. In October 2009 it decided to reduce the number of times it meets and will now normally meet six times a year including a conference. It is responsible for the management of the affairs and business of ICAEW in accordance with Charter clause 2(a). It considers, reviews and approves policy, strategy, operational plans and budgets proposed by the board and departmental boards. It also reviews the activities and performance of the boards and ICAEW's annual review and financial statements. It represents and articulates the views of members on all these matters and otherwise delegates the powers and authorities conferred on it by the Charter and bye-laws.

Council members take decisions in the best interests of ICAEW as a whole. They follow a code of conduct which makes explicit reference to objectivity in decision-making.

As at 31 December 2009, council comprised 103 members as follows

- 71 members elected by the membership from 23 constituencies (22 of which have the same boundaries as the district societies together with Scotland). There was one vacancy.
- 20 members co-opted on the recommendation of the nominating committee. We use co-option to keep a balance between the various interests which need to be represented on council – including recognition of the growing number of members based outside the UK – and to provide seats for members with specialist skills or experience.
- 12 members ex officio (the office-holders (president, deputy-president and vice-president), the two immediate past presidents, representatives of the faculty committees and the chair of the ICAEW student council).

Council also has one observer member appointed as CIPFA's representative under reciprocal arrangements.

Members receive an induction when they join council. You will find brief details of each council member, including their present principal employment commitments together with their record of attendance at council meetings in 2009, in the *annual review 2009*.

Office-holders and council members do not receive remuneration.

## Elections

We conduct elections to the council in alternate years, when one half of the elected members in each constituency retire by rotation. In the intervening years, we may hold by-elections to replace council members who resign. Any member with a registered address in a constituency at the qualifying date can stand in, nominate a member for, or vote in, an election to the council in the constituency concerned. Members outside England, Scotland and Wales can choose to vote in a constituency of their choice. Under the rules of Principal Bye-law 35, members are usually elected for a four-year term, which begins and ends after the annual meeting in the year in question.

The office-holders of ICAEW are the president, the deputy-president and the vice-president. The incoming ICAEW vice-president is chosen by council members in January each year from among its members, with a ballot if necessary. The council then formally elects each of the office-holders at its first meeting following the annual meeting each year. In the normal course of events, in the two succeeding years the council elects the vice-president to serve as deputy-president and then president of ICAEW.

The council elects its chairman annually from among its members.

# CORPORATE GOVERNANCE STATEMENT

(continued)

## **The president, other office-holders and chief executive**

The president and other office-holders are the leading ambassadors of ICAEW. They have no formal personal powers other than procedural matters specified in the principal bye-laws. The office-holders represent the views of the council and the wider membership within ICAEW and ensure that these are taken into account in the development of ICAEW strategy and policies. They counsel and advise the chief executive. The president chairs ICAEW meetings and ICAEW board. He also chairs the CCAB.

The chief executive represents ICAEW at home and abroad, presenting the views of the council to governments, other public bodies and the public. He operates within the framework of delegations approved by the council. He is responsible to council for the development, promotion and management of ICAEW in order to achieve the strategy set by the council. He implements ICAEW policies to support the strategy by harnessing the efforts of volunteers and staff and by building effective relationships with policy-makers, opinion formers and members. He is responsible for the overall management of the staff and for ensuring that ICAEW operates effectively and efficiently.

ICAEW complies with the provisions of the Code which relate to the separation of roles and responsibilities of the president and chief executive. It is likely, for all practical purposes, that the president will meet the criteria for independence set out in the Code and that the chief executive will not, on standing down, become president.

## **The board**

Council has delegated responsibility to the board for all matters relating to the development and implementation of ICAEW strategy, operational plans to support the strategy, and ICAEW resources, and other matters on an ad hoc basis. The board reports on its activities at each council meeting.

The head of institute governance oversees the provision of reports to the board and advises on governance issues when required. Senior staff report monthly to the board on performance against operational plans. The executive director, finance and operations also reports monthly to the board on financial performance, key risks and internal controls.

The board has a majority of non-executive directors who are considered to meet the Code's criteria for independence. Its composition, meetings and proceedings comply with the provisions of the Code. Members can raise issues with their constituency representatives on council. Members of council can then raise issues with the office-holders, with the chairman of council, or with the elected members of the board.

We have a specific induction programme for board members. The board has evaluated its performance and will continue to do this in 2010.

Membership of the board is largely ex officio (either by election as an office-holder, appointment as an executive director, or as a departmental board chairman on the recommendation of the nominating committee). It comprises both non-executive volunteers and senior staff. Notice periods for the staff members are less than one year, except for the chief executive whose notice period is one year. The council also elects two of its members directly to the board for a two-year term. These elected members fulfil the role of 'senior independent director'. Under reciprocal arrangements, CIPFA nominates a non-voting member.

The volunteer members can seek independent professional advice on any issue if they believe it is necessary. We indemnify each board member for loss and expense, unless it is incurred by negligence or wilful default.

You can find the terms of reference for the key committees in the *about us – governance and structure* section of ICAEW's website at [icaew.com](http://icaew.com).

# CORPORATE GOVERNANCE STATEMENT

(continued)

The members of the board (for whom you can find brief biographical details in the *ICAEW – governance and structure* section of our website at [icaew.com](http://icaew.com)) during 2009 were:

	Position	Appointed	Retired	Attendance
<b>Volunteer members</b>				
Arthur Bailey	elected by the council Consultant Begbies Traynor Group and Non-executive Director			8/11
Penny Bickerstaff	chairman, member services board Independent Management Consultant	16 June		4/6
John Butler	appointed as a non-voting member under reciprocal arrangements with CIPFA		30 June	5/6
Ian Cherry	elected by the council Director, A I Cherry Ltd			10/11
David Furst	president and chairman to 3 June Chairman, Horwath Clark Whitehill LLP, London		3 June	5/5
Martin Hagen	deputy-president to 3 June; president and chairman from 3 June Consultant, Deloitte LLP, Bristol			10/11
Richard Harwood	chairman, professional standards board Principal, Harwoods			11/11
Jeremy Jennings	co-opted member Global Director, Regulatory and Government Relations, Ernst & Young, Brussels	16 June		4/6
Caroline Mawhood	appointed as a non-voting member under reciprocal arrangements with CIPFA	1 July		5/5
Clive Parritt	chairman, member services board to 3 June, vice-president from 3 June Chairman Baronsmead VCT 2 plc; DiGiCo Europe Ltd; BG Consulting Group Ltd and Non-executive Director, London & Associated Properties plc and other companies			11/11
Andrew Ratcliffe	chairman, technical strategy board Partner, PricewaterhouseCoopers LLP			8/11
Gerald Russell	vice-president to 3 June; deputy-president from 3 June Consultant, Ernst & Young LLP, London			10/11
Michael Sherry	treasurer Tax Counsel		3 June	4/5
Jan Weber	chairman, learning and professional development board Finance Director, DIAM International			11/11
<b>Staff members</b>				
Robin Fieth	executive director, finance and operations			9/11
Robert Hodgkinson	executive director, technical strategy			9/11
Michael Izza	chief executive			10/11
Raymond Madden	executive director, learning and professional development		6 July	6/6
Vernon Soare	executive director, professional standards			11/11

The post of treasurer was abolished on 3 June 2009. Mark Protherough was appointed to the board on 2 February 2010 as executive director, learning and professional development.



# CORPORATE GOVERNANCE STATEMENT

(continued)

## Audit committee

The audit committee is responsible, on behalf of the council, for:

- ensuring that all significant activities of ICAEW are subject to independent review and audit;
- monitoring ICAEW's relationship with its auditors;
- reviewing internal controls; and
- assessing risk.

It has delegated responsibility for:

- considering the appointment of the external auditor and assessing their independence;
- ensuring that key partners at the auditors are rotated at appropriate intervals; and
- ensuring that the auditor's independence is not compromised by a partner or employee being appointed or elected to council.

The audit committee meets at least three times a year. Its terms of reference reflect the requirements of the Code where appropriate. The chairman must be a member of council and at least one member must be a non-council member. One of the elected members of the board is a member of the committee. Both the internal and external auditors attend its meetings and have direct access to its chairman. The external auditors attend at least one meeting (or part of a meeting) each year without ICAEW management being present.

We last tendered the appointment of the external auditors in 2005, in line with our tendering policy for such contracts. Grant Thornton UK LLP was appointed in 2006, and the current lead partner has been responsible for the audit for three years. In order to ensure appropriate levels of independence, a firm cannot be ICAEW's auditor if any partner or employee of the firm is a member of council during the period of tenure.

The audit committee annually reviews and considers the quality, effectiveness and independence of the auditors. This includes a review of safeguards in place in relation to non-audit services, and a review of the partners and directors of the firm who sit on ICAEW committees. The committee carries out this review before the formal

re-appointment of the auditors at ICAEW's annual meeting. The committee agrees staff rotation policies in relation to ICAEW's audit with the audit firm. This aims to balance the benefits of continuity of audit personnel with the need to ensure independence by changing audit personnel. ICAEW also has a policy in place regarding non-audit work by the audit firm. The general principle is that the audit firm should not be asked to carry out non-audit services where it may, in the future, be required to give an audit opinion. We have, however, recognised that taxation advice is an acceptable exception to this principle.

During the year the audit committee has:

- reviewed the financial statements, having received a report from the external auditors on their review and audit of the financial statements;
- considered the output of the procedures used to manage risk within ICAEW;
- reviewed the effectiveness of ICAEW's internal controls;
- considered the management letter from the external auditors on their review of the effectiveness of internal controls;
- agreed the fees and terms of appointment of the external auditors, including their quality and effectiveness;
- reviewed the committee's effectiveness; and
- agreed the work plan of internal audit and reviewed the resulting output from that plan.

The committee has helped the board to assess the adequacy of the internal audit resourcing plan. The committee has received reports on the work carried out by internal audit and the results of their investigations including management responses, their adequacy and timeliness. In line with good governance practice the audit committee reviewed its effectiveness during the year. It reported that the work of the audit committee was effective, measured against its terms of reference and general audit committee practice. As a result of its work during the year, the committee has concluded that it has acted in accordance with its terms of reference and has ensured (as far as possible) the independence of the external auditors.



# CORPORATE GOVERNANCE STATEMENT

(continued)

The members of the audit committee during 2009 were:

		Appointed	Retired	Attendance
Brian Boswell	Charity Trustee & Financial Adviser to Property Management Co			3/4
John Cain	Audit Partner, KPMG LLP			4/4
Ian Cherry*	Director, A I Cherry Ltd			3/4
Bruce Gray	Sole practitioner		3 June	1/1
Mary Hardy	Head of Risk Assurance, London Organising Committee for the Olympic Games	3 June		2/3
Neeraj Kapur*	Finance Director, Lombard Asset Finance Group			4/4
Michael Pavia* (chairman)	Non-executive Director, Thames Water and other companies			3/4

\* council member

Until 3 June, the treasurer also attended, but was not a member of, the audit committee. The chairman of the audit committee reports annually to the council. The audit committee makes the minutes of its meetings available to the board.

## Remuneration committee

The remuneration committee keeps under review, on behalf of the board, the elements of the remuneration package provided for ICAEW staff, including the chief executive and executive directors. Staff are remunerated with reference to their annual performance rating and to benchmark market salaries. ICAEW staff contracts do not

include provisions for compensation payable on early termination. None of the members of the council receive remuneration for services to ICAEW, other than reimbursement of out-of-pocket expenses and payments on a normal commercial basis, particularly in connection with lecturing and writing.

The members of the remuneration committee during 2009 were:

		Appointed	Retired	Attendance
John Collier*	Director, Clive Stokes International, Executive Search			4/4
Arthur Bailey*	Consultant Begbies Traynor Group and Non-executive Director	3 June		2/2
Maurice Ede* (chairman to 3 June)	Director, Network 4M Limited		3 June	2/2
Martin Hagen *	Consultant, Deloitte LLP, Bristol		3 June	2/2
Peter Jenkins* (chairman from 3 June)	Finance Director, The Prince's Regeneration Trust			4/4
Sean O'Hare	Partner, PwC Human Resources Services	3 June		2/2
Clive Parritt*	Chairman Baronsmead VCT 2 plc; DiGiCo Europe Ltd; BG Consulting Group Ltd and Non-executive Director, London & Associated Properties plc and other companies			3/4
Gerald Russell*	Consultant, Ernst & Young LLP, London	3 June		2/2
Michael Sherry *	Tax Counsel		3 June	0/2

\* council member

The chairman of the remuneration committee reports annually to the board.

# CORPORATE GOVERNANCE STATEMENT

(continued)

## Nominating committee

The nominating committee is responsible for making recommendations to the council for co-options, for the appointment of committee chairmen and for honorary membership of ICAEW. It also has direct responsibility for all other appointments and for succession planning. Appointments to committees are normally for terms of two years and are reviewed annually (except appointments to the quasi judicial committees in the professional standards area, where appointments are for fixed terms

of three years). The committee makes recommendations and appointments on the basis of the best person for the job and against agreed profiles.

The nominating committee deals with much of its business by correspondence and meets only as required. Its membership is largely ex officio, including the two most recent past presidents, and two members elected for terms of two years by the council from among its members.

The members of the nominating committee during 2009 were:

	Position	Appointed	Retired	Attendance
Richard Dyson	past president Director of various charities			5/6
David Furst	president and chairman to 3 June; past president from 3 June Chairman, Horwath Clark Whitehill LLP, London			6/6
Martin Hagen	deputy-president to 3 June; president and chairman from 3 June Consultant, Deloitte LLP, Bristol			6/6
Sheilagh Moffat	elected by the council Partner, Moffat Gilbert			5/6
Ian Morris	past president Consultant, Morris and Co and Partner, Turner Peachey		3 June	4/4
Clive Parritt	vice-president Chairman Baronsmead VCT 2 plc; DiGiCo Europe Ltd; BG Consulting Group Ltd and Non-executive Director, London & Associated Properties plc and other companies	3 June		1/2
Gerald Russell	vice-president to 3 June; deputy-president from 3 June Consultant, Ernst & Young LLP, London			6/6
Paul Wagstaff	elected by the council Client Partner, Vantis Group Ltd			3/6

# CORPORATE GOVERNANCE STATEMENT

(continued)

## Senior staff appointments committee

The senior staff appointments committee is responsible for all matters relating to the recruitment and appointment of the chief executive and executive directors. Its membership comprises

- for the appointment of the chief executive – the president or one other office-holder (chairman), the chairman of council and three members of the council appointed by the nominating committee; and
- for the appointment of an executive director – the president or one other office-holder (chairman), the chairman of council, one member of the council appointed by the nominating committee, the chairman of the relevant department board (or the board representative on the audit committee in the case of the executive director, finance and operations) and the chief executive.

The committee did not meet in 2009, although it did meet in early 2010 to appoint Mark Protherough as executive director, learning and professional development.

A special committee (comprising the volunteer members of the board and the chairman, remuneration committee) is convened in the event that the removal of a senior staff member is required.

## Departmental boards

Four departmental boards steer the development of policy for ICAEW's member-facing functions. These boards also exercise a general oversight of the work programmes of the departments through their involvement in the planning and budgeting process.

## Employees

ICAEW aims to create a working environment that is based on a number of key principles including fairness, equality of opportunity, respect and dignity, flexibility, transparency and work-life balance. ICAEW believes that these key principles enable its employees to enjoy work, develop as individuals and provide the best possible service to ICAEW, its members, the public and colleagues thus contributing to the continued success of the organisation.

It is ICAEW's policy to treat all employees fairly and equally regardless of race, sex, sexual orientation, gender re-assignment, marital status, or disability. Should existing employees suffer a disability ICAEW will do all it can to accommodate that disability and to assist the employee to continue their career in their existing role where possible, or in an alternative position.

We maintain staff skills on a continuing basis and there is an opportunity for all staff to discuss their training and development needs on an annual basis. ICAEW is committed to the core values of integrity, vitality, increasing members' value, compelling, most influential, highest standards and inspiring confidence.

ICAEW conducts an annual staff survey to give us the opportunity to glean insight into changes in staff perception, attitudes, behaviours and engagement.

Based on the 2008 staff survey results, we improved communication and involvement by introducing regular briefings on our position in relation to the achievement of our strategy and also set up a 'Working at ICAEW Group', which has representatives from all departments. The group gives staff an opportunity to raise issues, share best practice and encourage cross-departmental working.

In November 2009, consultation began with staff members who are active members of the Staff Pensions Fund over the proposal to close the fund to future accrual.

The 2009 staff survey results show that there has been an improvement in all key areas compared to previous years.

## Financial responsibilities of the council

Bye-law 12(a) requires the council to prepare financial statements for each financial year which give a true and fair view of the state of affairs of ICAEW and of the result for ICAEW for that year.

The council has delegated these responsibilities to the board. In preparing these financial statements on behalf of the council, the board has:

- prepared the financial statements in accordance with applicable law and IFRSs as adopted for use in the EU;
- selected suitable accounting policies and applied them consistently;
- made judgements and estimates that are reasonable and prudent;
- followed applicable accounting standards; and
- prepared the financial statements on a going concern basis.

The council is responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy the financial position of ICAEW. It is also responsible for safeguarding the assets of ICAEW and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## Directors' confirmation

In so far as each of the directors is aware:

- there is no relevant audit information of which ICAEW's auditors are unaware; and
- the directors have taken all the steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that ICAEW's auditors are aware of that information.

For the purposes of this declaration, all members of the board are deemed directors of ICAEW.

# ICAEW FIVE-YEAR SUMMARY

	2009 £m	2008 £m	2007 £m	2006 £m	2005 £m
<b>Income statement</b>					
Operating income	73.7	73.6	69.1	63.6	60.9
Subscription-based services	(52.1)	(52.8)	(48.2)	(39.4)	(38.5)
Self-financing activities	(15.6)	(16.3)	(15.7)	(14.6)	(13.8)
Funding of external bodies	(3.6)	(3.1)	(5.5)	(4.3)	(3.3)
Gift aid and library funding	(1.8)	(1.2)	(0.8)	(1.4)	(2.5)
<b>Result before taxation</b>	<b>0.6</b>	<b>0.2</b>	<b>(1.1)</b>	<b>3.9</b>	<b>2.8</b>
Taxation	0.1	–	(0.5)	(0.2)	–
<b>Net result after taxation</b>	<b>0.7</b>	<b>0.2</b>	<b>(1.6)</b>	<b>3.7</b>	<b>2.8</b>

## Analysis of net result after taxation

Net result before Joint Disciplinary Scheme	0.8	0.3	1.8	5.4	3.9
Funding of Joint Disciplinary Scheme	(0.1)	(0.1)	(3.4)	(1.7)	(1.1)
<b>Net result after Joint Disciplinary Scheme</b>	<b>0.7</b>	<b>0.2</b>	<b>(1.6)</b>	<b>3.7</b>	<b>2.8</b>

## Net assets

Non-current assets	49.9	49.8	54.4	52.5	47.8
Current assets	19.1	18.2	18.9	27.7	20.9
Current liabilities	(30.4)	(29.1)	(25.0)	(26.3)	(22.8)
Non-current liabilities excluding pension liabilities	(3.0)	(1.5)	(2.8)	(6.0)	(5.0)
Non-current liabilities – pension liabilities	(14.2)	(8.6)	(15.9)	(25.2)	(21.2)
<b>Total net assets</b>	<b>21.4</b>	<b>28.8</b>	<b>29.6</b>	<b>22.7</b>	<b>19.7</b>

## Member and student numbers

	2009	2008	2007	2006	2005
Members	134,698	132,411	130,243	128,416	127,826
Students	16,517	16,165	15,422	13,551	12,311
	<b>151,215</b>	<b>148,576</b>	<b>145,665</b>	<b>141,967</b>	<b>140,137</b>

# REPORT OF THE INDEPENDENT AUDITOR

to the members of The Institute of Chartered Accountants in England and Wales  
for the year ended 31 December 2009

We have audited the group and individual financial statements of The Institute of Chartered Accountants in England and Wales (ICAEW) for the year ended 31 December 2009 which comprise the group and ICAEW income statements, the group and ICAEW statements of comprehensive income, the group and ICAEW statements of changes to reserves, the group and ICAEW statements of financial position, the group and ICAEW statements of cash flows, the accounting policies and related notes 1 to 35. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to ICAEW's members, as a body. Our audit work has been undertaken so that we might state to ICAEW'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 ICAEW and ICAEW's members as a body, for our audit work, for this report, or for the opinions we have formed.

## Respective responsibilities of council and auditors

The council's responsibilities for preparing the financial statements in accordance with applicable law and IFRSs as adopted by the European Union are set out in the corporate governance statement.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and *International Standards on Auditing (UK and Ireland)*.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union. We also report to you whether in our opinion the information given in the financial review and corporate governance statement is consistent with the financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

In addition we report to you if, in our opinion, ICAEW has not kept adequate accounting records, or if we have not received all the information and explanations we require for our audit.

## Basis of audit opinion

We conducted our audit in accordance with *International Standards on Auditing (UK and Ireland)* issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the council in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and ICAEW's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

## Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's and ICAEW's affairs as at 31 December 2009 and of the group's and ICAEW's result for the year then ended; and
- the information given in the financial review and corporate governance statement is consistent with the financial statements.



Grant Thornton UK LLP  
Registered Auditor  
Chartered Accountants  
London  
19 March 2010

# GROUP INCOME STATEMENT

for the year ended 31 December 2009

	Note	Income £m	Expenditure £m	2009 Net £m	Income £m	Expenditure £m	2008 Net £m
<b>Subscriptions and other income</b>							
Subscriptions and fees		34.8	–	34.8	33.1	–	33.1
Licence and data access fees		1.9	–	1.9	1.9	–	1.9
		<u>36.7</u>	<u>–</u>	<u>36.7</u>	<u>35.0</u>	<u>–</u>	<u>35.0</u>
<b>Subscription-based services</b>							
Learning and professional development	1	11.8	(16.1)	(4.3)	11.8	(15.8)	(4.0)
Professional standards	2	2.1	(4.2)	(2.1)	2.2	(4.7)	(2.5)
Member services	3	3.9	(10.3)	(6.4)	3.5	(8.5)	(5.0)
Regional services	4	0.1	(5.4)	(5.3)	0.2	(4.7)	(4.5)
Technical strategy	5	0.1	(5.9)	(5.8)	–	(6.8)	(6.8)
Central activities	6	0.1	(10.8)	(10.7)	1.0	(12.8)	(11.8)
		<u>18.1</u>	<u>(52.7)</u>	<u>(34.6)</u>	<u>18.7</u>	<u>(53.3)</u>	<u>(34.6)</u>
<b>Self-financing activities and charitable trusts</b>							
Practice regulation	7	13.8	(12.0)	1.8	12.8	(12.4)	0.4
Faculties	8	3.7	(3.6)	0.1	3.6	(3.9)	(0.3)
Charitable trusts	9	0.3	(1.3)	(1.0)	0.2	(1.3)	(1.1)
		<u>17.8</u>	<u>(16.9)</u>	<u>0.9</u>	<u>16.6</u>	<u>(17.6)</u>	<u>(1.0)</u>
<b>Funding of external bodies</b>							
Funding of external bodies – excluding							
Joint Disciplinary Scheme	10	–	(3.5)	(3.5)	–	(2.5)	(2.5)
Funding of Joint Disciplinary Scheme	11	–	(0.1)	(0.1)	0.5	(0.6)	(0.1)
		<u>–</u>	<u>(3.6)</u>	<u>(3.6)</u>	<u>0.5</u>	<u>(3.1)</u>	<u>(2.6)</u>
<b>Operating result</b>							
Operating result	13	<b>72.6</b>	<b>(73.2)</b>	<b>(0.6)</b>	<b>70.8</b>	<b>(74.0)</b>	<b>(3.2)</b>
Investment income	14	1.6	–	1.6	3.4	–	3.4
		<u>74.2</u>	<u>(73.2)</u>	<u>1.0</u>	<u>74.2</u>	<u>(74.0)</u>	<u>0.2</u>
<b>Result before taxation</b>							
Taxation	15			0.1			–
<b>Analysis of net result after taxation</b>							
Net result before funding of Joint Disciplinary Scheme			1.2			0.3	
Funding of Joint Disciplinary Scheme			(0.1)			(0.1)	
<b>Net result after taxation</b>			<u>1.1</u>			<u>0.2</u>	

# ICAEW INCOME STATEMENT

for the year ended 31 December 2009

	Note	Income £m	Expenditure £m	2009 Net £m	Income £m	Expenditure £m	2008 Net £m
<b>Subscriptions and other income</b>							
Subscriptions and fees		34.8	–	34.8	33.1	–	33.1
Licence and data access fees		1.9	–	1.9	1.9	–	1.9
		<u>36.7</u>	<u>–</u>	<u>36.7</u>	<u>35.0</u>	<u>–</u>	<u>35.0</u>
<b>Subscription-based services</b>							
Learning and professional development	1	11.8	(16.1)	(4.3)	11.8	(15.8)	(4.0)
Professional standards	2	2.1	(4.2)	(2.1)	2.2	(4.7)	(2.5)
Member services	3	3.9	(10.3)	(6.4)	3.5	(8.5)	(5.0)
Regional services	4	0.1	(5.4)	(5.3)	0.2	(4.7)	(4.5)
Technical strategy	5	0.1	(5.9)	(5.8)	–	(6.8)	(6.8)
Central activities	6	0.1	(10.2)	(10.1)	1.0	(12.3)	(11.3)
		<u>18.1</u>	<u>(52.1)</u>	<u>(34.0)</u>	<u>18.7</u>	<u>(52.8)</u>	<u>(34.1)</u>
<b>Self-financing activities</b>							
Practice regulation	7	13.8	(12.0)	1.8	12.8	(12.4)	0.4
Faculties	8	3.7	(3.6)	0.1	3.6	(3.9)	(0.3)
		<u>17.5</u>	<u>(15.6)</u>	<u>1.9</u>	<u>16.4</u>	<u>(16.3)</u>	<u>0.1</u>
<b>Funding of external bodies</b>							
Funding of external bodies – excluding Joint Disciplinary Scheme	10	–	(3.5)	(3.5)	–	(2.5)	(2.5)
Funding of Joint Disciplinary Scheme	11	–	(0.1)	(0.1)	0.5	(0.6)	(0.1)
		<u>–</u>	<u>(3.6)</u>	<u>(3.6)</u>	<u>0.5</u>	<u>(3.1)</u>	<u>(2.6)</u>
<b>Gift aid and library funding</b>							
	12	–	(1.8)	(1.8)	–	(1.2)	(1.2)
<b>Operating result</b>							
	13	<u>72.3</u>	<u>(73.1)</u>	<u>(0.8)</u>	<u>70.6</u>	<u>(73.4)</u>	<u>(2.8)</u>
Investment income	14	1.4	–	1.4	3.0	–	3.0
		<u>73.7</u>	<u>(73.1)</u>	<u>0.6</u>	<u>73.6</u>	<u>(73.4)</u>	<u>0.2</u>
Taxation	15			0.1			–
<b>Analysis of net result after taxation</b>							
Net result before funding of Joint Disciplinary Scheme			0.8			0.3	
Funding of Joint Disciplinary Scheme			(0.1)			(0.1)	
<b>Net result after taxation</b>			<u>0.7</u>			<u>0.2</u>	



# GROUP AND ICAEW STATEMENTS OF COMPREHENSIVE INCOME

for the year ended 31 December 2009

		Group		ICAEW	
		2009	2008	2009	2008
	Note	£m	£m	£m	£m
Net result after taxation recognised in the income statement in the year		1.1	0.2	0.7	0.2
Losses on revaluation of property, plant and equipment	16	(1.8)	(4.3)	(1.8)	(4.3)
Gains/(losses) on revaluation of available for sale investments	19	3.2	(3.1)	2.0	(1.3)
Actuarial (losses)/gains recognised in the year	30	(8.3)	4.2	(8.0)	4.1
Deferred tax	21	(0.3)	0.5	(0.3)	0.5
Net losses not recognised in the income statement in the year		(7.2)	(2.7)	(8.1)	(1.0)
<b>Total comprehensive expense in the year</b>		<b>(6.1)</b>	<b>(2.5)</b>	<b>(7.4)</b>	<b>(0.8)</b>

# GROUP AND ICAEW STATEMENTS OF CHANGES TO RESERVES

as at 31 December 2009

						Group
	Revaluation reserve £m	Investment revaluation reserve £m	Accumulated fund £m	Self- financing reserves £m	Charitable trusts £m	Total £m
<b>Reserves as 1 January 2008</b>	<b>11.3</b>	<b>0.8</b>	<b>13.1</b>	<b>4.5</b>	<b>10.0</b>	<b>39.7</b>
Net result after taxation	–	–	(0.3)	0.5	–	0.2
Decrease in valuation of property, plant and equipment	(4.3)	–	–	–	–	(4.3)
Transfer on sale of revalued property	(1.3)	–	1.3	–	–	–
Net change in market value of long-term investments over cost	–	(1.3)	–	–	(1.8)	(3.1)
Actuarial gains recognised in year on defined benefit pension scheme	–	–	3.0	1.1	0.1	4.2
Deferred tax attributable to above	0.2	0.4	(0.1)	–	–	0.5
	(5.4)	(0.9)	3.9	1.6	(1.7)	(2.5)
<b>Reserves at 1 January 2009</b>	<b>5.9</b>	<b>(0.1)</b>	<b>17.0</b>	<b>6.1</b>	<b>8.3</b>	<b>37.2</b>
Net result after taxation	–	–	(1.4)	2.1	0.4	1.1
Decrease in valuation of property, plant and equipment	(1.8)	–	–	–	–	(1.8)
Net change in market value of long-term investments over cost	–	2.0	–	–	1.2	3.2
Actuarial losses recognised in year on defined benefit pension scheme	–	–	(5.8)	(2.2)	(0.3)	(8.3)
Deferred tax attributable to above	0.1	(0.6)	0.2	–	–	(0.3)
	(1.7)	1.4	(7.0)	(0.1)	1.3	(6.1)
<b>Reserves at 31 December 2009</b>	<b>4.2</b>	<b>1.3</b>	<b>10.0</b>	<b>6.0</b>	<b>9.6</b>	<b>31.1</b>

						ICAEW
	Revaluation reserve £m	Investment revaluation reserve £m	Accumulated fund £m	Self- financing reserves £m	Total £m	
<b>Reserves at 1 January 2008</b>	<b>11.3</b>	<b>0.8</b>	<b>13.0</b>	<b>4.5</b>	<b>29.6</b>	
Net result after taxation	–	–	(0.3)	0.5	0.2	
Decrease in valuation of property, plant and equipment	(4.3)	–	–	–	(4.3)	
Transfer on sale of revalued property	(1.3)	–	1.3	–	–	
Net change in market value of long-term investments over cost	–	(1.3)	–	–	(1.3)	
Actuarial gains recognised in year on defined benefit pension scheme	–	–	3.0	1.1	4.1	
Deferred tax attributable to above	0.2	0.4	(0.1)	–	0.5	
	(5.4)	(0.9)	3.9	1.6	(0.8)	
<b>Reserves at 1 January 2009</b>	<b>5.9</b>	<b>(0.1)</b>	<b>16.9</b>	<b>6.1</b>	<b>28.8</b>	
Net result after taxation	–	–	(1.4)	2.1	0.7	
Decrease in valuation of property, plant and equipment	(1.8)	–	–	–	(1.8)	
Net change in market value of long-term investments over cost	–	2.0	–	–	2.0	
Actuarial losses recognised in year on defined benefit pension scheme	–	–	(5.8)	(2.2)	(8.0)	
Deferred tax attributable to above	0.1	(0.6)	0.2	–	(0.3)	
	(1.7)	1.4	(7.0)	(0.1)	(7.4)	
<b>Reserves at 31 December 2009</b>	<b>4.2</b>	<b>1.3</b>	<b>9.9</b>	<b>6.0</b>	<b>21.4</b>	

# GROUP AND ICAEW STATEMENTS OF FINANCIAL POSITION

as at 31 December 2009

	Note	2009 £m	2008 £m	Group 2007 £m	2009 £m	2008 £m	ICAEW 2007 £m
<b>Assets</b>							
<b>Non-current assets</b>							
Property, plant and equipment	16	17.2	18.2	18.4	17.2	18.2	18.4
Intangible assets	17	2.4	2.6	2.8	2.4	2.6	2.8
Investments in subsidiaries and associates	18	0.1	0.1	0.1	–	–	–
Financial assets:							
Restricted available for sale investments	19	5.0	5.0	–	5.0	5.0	–
Available for sale investments	19	33.3	29.8	36.9	23.2	21.1	26.1
Other receivables	20	1.5	2.5	3.5	1.5	2.5	3.5
Deferred tax asset	21	0.6	0.4	0.6	0.6	0.4	0.6
		<b>60.1</b>	<b>58.6</b>	<b>62.3</b>	<b>49.9</b>	<b>49.8</b>	<b>51.4</b>
<b>Current assets</b>							
Inventories	22	0.8	0.8	0.9	0.8	0.8	0.9
Trade and other receivables	23	8.3	8.8	8.8	8.3	8.7	8.7
Cash and cash equivalents	24	10.5	8.9	9.3	10.0	8.7	9.3
		<b>19.6</b>	<b>18.5</b>	<b>19.0</b>	<b>19.1</b>	<b>18.2</b>	<b>18.9</b>
<b>Non-current asset held for sale</b>	25	–	–	3.0	–	–	3.0
<b>Total assets</b>		<b>79.7</b>	<b>77.1</b>	<b>84.3</b>	<b>69.0</b>	<b>68.0</b>	<b>73.3</b>
<b>Liabilities</b>							
<b>Current liabilities</b>							
Trade and other payables	26	(27.2)	(24.3)	(21.3)	(26.8)	(24.0)	(21.0)
Current tax liabilities		–	(0.2)	(0.7)	–	(0.2)	(0.7)
Joint Disciplinary Scheme provision	27	(0.7)	(1.8)	(1.4)	(0.7)	(1.8)	(1.4)
Accountancy and Actuarial Discipline Board provision	28	(2.9)	(3.1)	(1.9)	(2.9)	(3.1)	(1.9)
		<b>(30.8)</b>	<b>(29.4)</b>	<b>(25.3)</b>	<b>(30.4)</b>	<b>(29.1)</b>	<b>(25.0)</b>
<b>Non-current liabilities</b>							
Trade and other payables	29	–	–	(0.1)	–	–	–
Pension liabilities	30	(14.8)	(9.0)	(16.4)	(14.2)	(8.6)	(15.9)
Accountancy and Actuarial Discipline Board provision	28	(2.4)	(1.4)	(2.1)	(2.4)	(1.4)	(2.1)
Deferred tax liability	21	(0.6)	(0.1)	(0.7)	(0.6)	(0.1)	(0.7)
		<b>(17.8)</b>	<b>(10.5)</b>	<b>(19.3)</b>	<b>(17.2)</b>	<b>(10.1)</b>	<b>(18.7)</b>
<b>Total liabilities</b>		<b>(48.6)</b>	<b>(39.9)</b>	<b>(44.6)</b>	<b>(47.6)</b>	<b>(39.2)</b>	<b>(43.7)</b>
<b>Total net assets</b>		<b>31.1</b>	<b>37.2</b>	<b>39.7</b>	<b>21.4</b>	<b>28.8</b>	<b>29.6</b>
<b>Reserves</b>							
Revaluation reserve		4.2	5.9	11.3	4.2	5.9	11.3
Investment revaluation reserve		1.3	(0.1)	0.8	1.3	(0.1)	0.8
Accumulated fund		10.0	17.0	13.1	9.9	16.9	13.0
		<b>15.5</b>	<b>22.8</b>	<b>25.2</b>	<b>15.4</b>	<b>22.7</b>	<b>25.1</b>
<b>Reserves retained by self-financing activities and charitable trusts</b>							
Practice regulation		2.5	2.6	1.0	2.5	2.6	1.0
Faculties		0.5	0.5	0.6	0.5	0.5	0.6
Chartered Accountants' Compensation Scheme		3.0	3.0	2.9	3.0	3.0	2.9
Charitable trust endowment funds		7.3	6.0	7.0	–	–	–
Charitable trust unrestricted funds		2.3	2.3	3.0	–	–	–
		<b>15.6</b>	<b>14.4</b>	<b>14.5</b>	<b>6.0</b>	<b>6.1</b>	<b>4.5</b>
		<b>31.1</b>	<b>37.2</b>	<b>39.7</b>	<b>21.4</b>	<b>28.8</b>	<b>29.6</b>

Approved on behalf of the council



Martin Hagen, President

19 March 2010



Michael Izza, Chief Executive

# GROUP AND ICAEW STATEMENTS OF CASH FLOWS

for the year ended 31 December 2009

	Note	2009 £m	Group 2008 £m	2009 £m	ICAEW 2008 £m
<b>Cash flows from operating activities</b>					
<b>Result before taxation</b>		<b>1.0</b>	<b>0.2</b>	<b>0.5</b>	<b>0.2</b>
Adjustments for:					
Depreciation and amortisation		2.3	2.6	2.3	2.6
Investment income	14	(1.6)	(3.4)	(1.4)	(3.0)
Non-cash movement in provisions		3.6	3.7	3.6	3.7
<b>Cash flows from operating activities before movements in working capital</b>		<b>5.3</b>	<b>3.1</b>	<b>5.0</b>	<b>3.5</b>
<b>Movements in working capital</b>					
Decrease in inventories		–	0.1	–	0.1
Decrease in trade and other receivables		0.5	–	0.4	–
Increase in trade and other payables		3.2	4.1	3.3	4.1
<b>Cash generated from operating activities</b>		<b>9.0</b>	<b>7.3</b>	<b>8.7</b>	<b>7.7</b>
Income taxes paid		–	(0.4)	–	(0.4)
Cash outflow on pension liabilities		(3.9)	(3.7)	(3.9)	(3.7)
Cash outflow on Joint Disciplinary Scheme		(1.2)	(1.4)	(1.2)	(1.4)
Cash outflow on Accountancy and Actuarial Discipline Board		(1.3)	(1.0)	(1.3)	(1.0)
<b>Net cash generated from operating activities</b>		<b>2.6</b>	<b>0.8</b>	<b>2.3</b>	<b>1.2</b>
<b>Cash flows from investing activities</b>					
Purchase of property, plant and equipment		(2.5)	(6.5)	(2.5)	(6.5)
Purchase of intangible assets		(0.8)	(1.2)	(0.8)	(1.2)
Sale of property, plant and equipment		–	3.1	–	3.1
Deferred consideration received		1.0	1.0	1.0	1.0
Purchase of available for sale investments		(65.7)	(95.6)	(56.1)	(79.8)
Disposal of available for sale investments		65.6	95.8	56.2	79.8
Investment income received		1.4	2.2	1.2	1.8
<b>Net cash outflow from investing activities</b>		<b>(1.0)</b>	<b>(1.2)</b>	<b>(1.0)</b>	<b>(1.8)</b>
<b>Net increase/(decrease) in cash and cash equivalents in the year</b>		<b>1.6</b>	<b>(0.4)</b>	<b>1.3</b>	<b>(0.6)</b>
<b>Net cash and cash equivalents at 1 January</b>		<b>8.9</b>	<b>9.3</b>	<b>8.7</b>	<b>9.3</b>
<b>Net cash and cash equivalents at 31 December</b>	24	<b>10.5</b>	<b>8.9</b>	<b>10.0</b>	<b>8.7</b>

# ACCOUNTING POLICIES

## I Basis of preparation

ICAEW is a body incorporated by Royal Charter. The financial statements have been prepared in accordance with IFRSs as adopted for use in the EU, and under the historical cost convention as modified by the revaluation of properties and available for sale investments. Consolidated financial statements have been prepared which comprise ICAEW and all its subsidiary undertakings.

Investments in associates are accounted for using the equity method. ICAEW's interest in the net assets of associates is included in investment in associates in the consolidated statement of financial position, and its interest in their results, in the income statement below operating

result. Associates are those entities over which ICAEW has significant influence to participate in, but not control over, the financial and operating policies of the companies.

ICAEW has adopted all relevant standards effective for accounting periods beginning on or after 1 January 2009, including for the first time IAS 1 *Presentation of Financial Statements*. All disclosures including all comparative information have been updated to reflect the new requirements. The first-time application of these standards has not resulted in any prior period adjustments of cash flows, net income or statement of financial position line items. ICAEW is outside the scope of IFRS 8 *Operating Segments* (replacement of IAS 14 *Segment Reporting*).

At the date of authorisation of these financial statements, the following standards and interpretations were in issue, but not yet effective:

Standard or interpretation	Effective from
IFRS 1 <i>First Time Adoption of IFRS</i> (revised)	1 July 2009
Amendment to IFRS 1 <i>Additional Exemptions for First-time Adopters</i>	1 January 2010
Amendment to IFRS 2 <i>Group Cash-settled Share-based Payment Transactions</i>	1 January 2010
Amendment to IAS 39 <i>Financial Instruments: Recognition and Measurement – Eligible Hedged Items</i>	1 July 2009
IFRS 3 <i>Business Combinations</i> (revised)	1 July 2009
Amendment to IAS 27 <i>Consolidated and Separate Financial Statements</i>	1 July 2009
IFRIC 12 <i>Service Concession Arrangements</i>	30 March 2009
IFRIC 15 <i>Agreements for the Construction of Real Estate</i>	1 January 2010
IFRIC 16 <i>Hedges of a Net Investment in a Foreign Operation</i>	1 July 2009
IFRIC 17 <i>Distribution of Non-cash Assets to Owners</i>	1 November 2009
IFRIC 18 <i>Transfers of Assets from Customers</i>	1 November 2009

It is considered that these do not apply to ICAEW.

## II Critical accounting judgements and key sources of estimation

To be able to prepare financial statements according to generally accepted accounting principles, the board must make estimates and assumptions that affect the recorded asset and liability items as well as other information, such as that provided on JDS and AADB provisions and pensions. These estimates are based on historical experience and various other assumptions that the board believes are reasonable under the circumstances. The results of these form the basis for making judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. Further details in relation to specific areas are included in the accounting policies below, or in the notes to the financial statements.

## III Income

Income from fees and subscriptions is recognised in the accounting period to which the services covered by those subscriptions relate, and is stated net of VAT where applicable. Fees and subscriptions received in advance are included within trade and other payables. Income as presented in the income statements is revenue as defined under IAS 18 *Revenue*.

Income from consulting services is recognised when the services are provided, with reference to the stage of completion of the contract at the reporting date. Other income, including licence fees, examination fees and income in association with professional conduct, JDS and AADB is recognised when receivable.

# ACCOUNTING POLICIES

(continued)

## **IV Professional Conduct, Joint Disciplinary Scheme and Accountancy and Actuarial Discipline Board**

Provision is made for the estimated future external costs of disciplinary cases relating to events which occurred before the year end. No account is taken of any potential fines or cost recoveries due to ICAEW, before a judicial judgement has been made.

## **V Property, plant and equipment, and depreciation**

### **Freehold properties**

Freehold properties are revalued annually at open market value and are included in the statements of financial position at their revalued amounts. Surpluses on revaluations are transferred to the revaluation reserve. Deficits on revaluations are charged against the revaluation reserve to the extent that there are available surpluses relating to the same asset and are otherwise charged to the income statement.

Certain major items of fixed plant and equipment are identified separately and are depreciated over their individual estimated useful economic lives.

Depreciation is not charged on freehold land. Depreciation is charged on the revalued amount of freehold buildings at 2% per annum.

### **Leasehold improvements**

Improvements to leasehold properties are capitalised and are depreciated on a straight line basis over the shorter of their estimated useful economic lives and the remaining lease term.

### **Historic collections**

ICAEW's collections of silver, rare books, period furniture, pictures and sculptures are revalued annually and are stated at estimated open market values. In view of the nature of these assets, in that the estimated residual value is equal to the carrying amount, no depreciation is provided. Surpluses on revaluation, including surpluses arising from donations of items to the collections, are transferred to the revaluation reserve. Deficits on revaluations are charged against the revaluation reserve to the extent that there are available surpluses relating to the same asset and are otherwise charged to the income statement.

### **Other plant and equipment**

Depreciation is charged on other plant and equipment on a straight line basis over the estimated useful economic lives of the assets ranging from three to ten years.

The impairment of property, plant and equipment is considered annually or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, and provisions made where necessary.

## **VI Non-current assets held for sale**

Non-current assets held for sale comprise assets which ICAEW intends and expects to sell within one year from the date of classification as held for sale. Assets classified as held for sale are measured at the lower of their carrying amount immediately before their classification as held for sale and their fair value less costs to sell. Assets classified as held for sale are not subject to depreciation.

## **VII Intangible assets**

Intangible assets comprise computer software and are stated at cost. Amortisation is charged on a straight line basis over the estimated useful economic life of the software (from two to five years). The impairment of intangible assets is considered whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, and provisions made where necessary.

## **VIII Investments**

Interest-bearing investments, equities and unit trusts held for the purposes of generating long-term investment income are treated as non-current available for sale investments and are included at bid price market value at the year-end date. Gains and losses on re-measurement are taken to the investment revaluation reserve initially and are recognised in the statement of comprehensive income. On disposal, the cumulative gain or loss previously recognised in reserves is transferred to the income statement.

At each year-end date, an assessment is made as to whether there is objective evidence that an available for sale equity instrument is impaired. A significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the asset is impaired. Judgement is used in determining what a significant or prolonged decline is. Impairment charges are recognised in the income statement.

## **IX Cash and cash equivalents**

Cash and cash equivalents comprise cash in hand, balances with banks and investments in money market instruments representing short-term, highly liquid investments that are readily convertible to known amounts of cash.

## **X Inventories**

Inventories are stated at the lower of cost, using the first in first out basis, and net realisable value. Using information available at the year-end date, ICAEW makes judgements based on experience on the level of provision required to account for potential unsaleable inventories.

# ACCOUNTING POLICIES

(continued)

## XI Trade and other receivables

Trade and other receivables are stated at cost less allowances made for doubtful receivables, which approximates fair value. Using information available at the year-end date, provision against trade receivables is made when there is objective evidence that ICAEW will not be able to collect all amounts due to it in accordance with the original terms of those receivables. The amount of the write-down is determined as the difference between the carrying amount and the present value of estimated future cash flows.

## XII Leases

Costs of operating leases are charged to the income statement on a straight line basis over the period of the relevant agreement. For property leases, where a rent free period is agreed, this is spread over the life of the lease.

## XIII Grants

Revenue grants receivable are recognised in the relevant period to match with the related costs which they are intended to compensate.

## XIV Pensions

### Defined benefit scheme

Retirement benefits are accounted for under IAS 19 *Employee Benefits*. Scheme assets are measured at fair value. Scheme liabilities are measured by qualified actuaries on an actuarial basis using the projected unit credit method, and are discounted at appropriate high quality corporate bond rates that have terms to maturity approximated to the terms of the related liability. Past service cost is recognised as an expense on a straight line basis over the average period until benefits become vested. Current service costs, expected return on scheme assets, and interest on scheme liabilities are recognised in the income statement. Actuarial gains and losses are recognised in full in the statement of comprehensive income as they arise.

The quantification of the pension deficit is based on actuarial assumptions made by the board, in conjunction with the scheme's actuaries, relating to rate of increase in salaries, discount rate, expected return on the plans' assets, inflation and future price increases. These assumptions, the details of which for the current financial year are included in note 30, are reviewed in the context of the economic climate.

- The plan assets are principally in equities and government bonds and the expected return on these assets is based on the long-term expectation for each asset class at the beginning of the period.
- The discount rate is determined with reference to the market rate of over 15 year AA rated bonds at the year-end date, allowing for the anticipated maturity of the scheme's projected benefit cash flow profile.

- The assumption for long-term inflation is based on market expectation of long-term future inflation at the year end, as measured by the difference between yields on fixed interest and index-linked government bonds.
- The rate of salary increases is consistent with that used by ICAEW for long-term budgeting purposes.
- The assumptions relating to the mortality of current and future pensioners are based on the 92 series mortality tables, with allowance for future mortality improvements in line with the 'medium cohort' projections. This is consistent with the assumption used in the most recent actuarial valuation.

Because of changing market and economic conditions, the expenses and liabilities actually arising under the scheme in the future may differ materially from the estimates made on the basis of these actuarial assumptions. The effects of any change to these assumptions are accounted for in the next financial year as other comprehensive income. The calculation of any charge relating to retirement benefits is clearly dependent on the assumptions used, which reflects the exercise of judgement.

### Defined contribution schemes

Contributions under defined contribution schemes are charged to the income statement as they become due and payable.

## XV Taxation

### Current tax

Current tax is the tax currently payable based on taxable profit for the year and is recognised as a component of tax expense in the income statement.

### Deferred tax

Deferred tax is recognised on all taxable temporary differences. However, deferred tax is not provided on initial recognition of an asset or liability unless the related transaction affects tax or accounting profit. In addition, a deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be used. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. Measurement is also based on the tax consequences of recovering or settling the carrying amount of assets and liabilities. Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the income statement, except where they relate to items that are recognised in other comprehensive income, in which case the related deferred tax is also recognised in other comprehensive income.



# ACCOUNTING POLICIES

(continued)

## **XVI Financial risk management**

Senior management directly controls day-to-day policies and operations. Board and council members are regularly updated on any significant issues relating to financial risk management. The major financial risks to which ICAEW is exposed are summarised below.

### **Currency risk**

The majority of ICAEW's transactions are carried out in sterling. In addition, ICAEW holds accounts in US dollars and euros. Where possible, ICAEW uses the income received from services provided in these currencies to hedge any exposures on payments made. Otherwise, forward contracts are used to cover known foreign currency exposures. Such contracts are measured at fair value with gains or losses recognised in the income statement.

### **Credit risk**

Working capital and longer term funds are held in interest-bearing investments and in listed equity securities for investment purposes through independent custodians. Financial risk management issues are covered by ICAEW's risk management process as set out in the financial review section.

The credit risk for cash and cash equivalents is monitored regularly. In the current economic climate, extra attention has been given to the agreed list of counterparties, which are all reputable banks with a high-quality external credit rating of at least AA- and which have been judged to be too systematically important for a government to allow to enter administration.

In respect of trade and other receivables, ICAEW is not exposed to any significant credit risk to any single counterparty or group of counterparties. The majority of ICAEW's counterparties are members or member firms. ICAEW continuously monitors defaults of counterparties and incorporates this information into its credit risk controls relating to non-member customers.

The maximum exposure to credit risk at the year-end date is represented by the carrying value of financial instruments and management consider that all the financial assets not impaired or past due are of good credit quality.

### **Liquidity and interest rate risk**

ICAEW policy is to maintain a strong statement of financial position with cash or cash equivalent balances and therefore it does not have significant exposure to liquidity risk. ICAEW manages its liquidity risk by monitoring its net cash and cash equivalent flows. Liquidity needs are monitored on a day-to-day and monthly basis for short-term needs. Excess funds are invested as appropriate, depending on the forecast working capital cash flow needs, on short-term high interest deposit accounts or certificates of deposit. As a result of its holding of certificates of deposit with financial institutions, ICAEW

does have exposure to interest rate fluctuations. These investments are invested by our agents in high-quality, liquid deposits, with a range of counterparties in such a way as to avoid an excessive concentration of our investment with any specific counterparty, and are monitored on a regular basis.

### **Going concern**

The financial statements have been prepared on a going concern basis; the conclusions of council's going concern review are set out in the financial review section.

## **XVII Reserves**

Reserves are set at a level equivalent to between three and six months of expenditure through the income statement and for cash and investment balances to be at least sufficient to cover between three and six months of annual budgeted/forecast gross cash expenditure.

Reserves comprise the following:

### **Revaluation reserve**

Represents the excess of the open market valuation over the depreciated historical cost of ICAEW's historic collections and properties, net of deferred taxation.

### **Investment revaluation reserve**

Represents unrealised gains and losses arising from the revaluation on available for sale investments over their historical cost.

### **Accumulated fund**

Represents the retained result of the non-self-financing activities.

### **Self-financing reserves**

Taking one year with another, it is council's intention that the costs of self-financing activities should be borne by those members and/or firms benefitting from such areas. In calculating the result to be taken to reserves, account has been taken of a share of central activities costs and other indirect costs and an allocation of investment income.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2009

## 1 Learning and professional development

	Group and ICAEW			Group and ICAEW		
	2009	2009	2009	2008	2008	2008
	Income	Expenditure	Net	Income	Expenditure	Net
	£m	£m	£m	£m	£m	£m
Examinations and assessment	11.6	(8.0)	3.6	11.3	(8.4)	2.9
Business development	0.1	(5.6)	(5.5)	–	(3.9)	(3.9)
Innovations and technical development	0.1	(1.3)	(1.2)	0.3	(1.8)	(1.5)
Executive	–	(1.2)	(1.2)	0.2	(1.7)	(1.5)
	<b>11.8</b>	<b>(16.1)</b>	<b>(4.3)</b>	<b>11.8</b>	<b>(15.8)</b>	<b>(4.0)</b>

## 2 Professional standards

	Group and ICAEW			Group and ICAEW		
	2009	2009	2009	2008	2008	2008
	Income	Expenditure	Net	Income	Expenditure	Net
	£m	£m	£m	£m	£m	£m
Disciplinary	0.5	(3.4)	(2.9)	0.9	(3.7)	(2.8)
Practice regulation	0.7	–	0.7	0.4	–	0.4
Commercial consultancy	0.9	(0.8)	0.1	0.9	(1.0)	(0.1)
	<b>2.1</b>	<b>(4.2)</b>	<b>(2.1)</b>	<b>2.2</b>	<b>(4.7)</b>	<b>(2.5)</b>

## 3 Member services

	Group and ICAEW			Group and ICAEW		
	2009	2009	2009	2008	2008	2008
	Income	Expenditure	Net	Income	Expenditure	Net
	£m	£m	£m	£m	£m	£m
Commercial	2.8	(4.6)	(1.8)	2.4	(3.7)	(1.3)
Member services	1.1	(3.0)	(1.9)	1.1	(4.2)	(3.1)
Administration	–	(2.7)	(2.7)	–	(0.6)	(0.6)
	<b>3.9</b>	<b>(10.3)</b>	<b>(6.4)</b>	<b>3.5</b>	<b>(8.5)</b>	<b>(5.0)</b>

## 4 Regional services

	Group and ICAEW			Group and ICAEW		
	2009	2009	2009	2008	2008	2008
	Income	Expenditure	Net	Income	Expenditure	Net
	£m	£m	£m	£m	£m	£m
UK regions	0.1	(4.6)	(4.5)	0.2	(4.7)	(4.5)
International regions	–	(0.8)	(0.8)	–	–	–
	<b>0.1</b>	<b>(5.4)</b>	<b>(5.3)</b>	<b>0.2</b>	<b>(4.7)</b>	<b>(4.5)</b>

## 5 Technical strategy

	Group and ICAEW			Group and ICAEW		
	2009	2009	2009	2008	2008	2008
	Income	Expenditure	Net	Income	Expenditure	Net
	£m	£m	£m	£m	£m	£m
International	–	(0.5)	(0.5)	–	(1.2)	(1.2)
ICAEW-funded faculty activities	–	(2.6)	(2.6)	–	(2.7)	(2.7)
Technical departments	0.1	(2.4)	(2.3)	–	(2.4)	(2.4)
Administration	–	(0.4)	(0.4)	–	(0.5)	(0.5)
	<b>0.1</b>	<b>(5.9)</b>	<b>(5.8)</b>	<b>–</b>	<b>(6.8)</b>	<b>(6.8)</b>

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2009 (continued)

## 6 Central activities

	Group			Group restated		
	2009	2009	2009	2008	2008	2008
	Income £m	Expenditure £m	Net £m	Income £m	Expenditure £m	Net £m
Infrastructure	0.1	(10.3)	(10.2)	1.0	(12.0)	(11.0)
Marketing and communications	–	(8.0)	(8.0)	–	(7.7)	(7.7)
Finance and administration	–	(6.3)	(6.3)	–	(6.1)	(6.1)
	0.1	(24.6)	(24.5)	1.0	(25.8)	(24.8)
Less: allocated to other activities or recovered from outside bodies (including notional rent of £1.1m (2008: £1.0m))	–	13.8	13.8	–	13.0	13.0
	0.1	(10.8)	(10.7)	1.0	(12.8)	(11.8)

	ICAEW			ICAEW restated		
	2009	2009	2009	2008	2008	2008
	Income £m	Expenditure £m	Net £m	Income £m	Expenditure £m	Net £m
Infrastructure	0.1	(10.3)	(10.2)	1.0	(12.0)	(11.0)
Marketing and communications	–	(8.0)	(8.0)	–	(7.7)	(7.7)
Finance and administration	–	(6.3)	(6.3)	–	(6.1)	(6.1)
	0.1	(24.6)	(24.5)	1.0	(25.8)	(24.8)
Less: allocated to other activities or recovered from outside bodies (including notional rent of £1.1m (2008: £1.0m))	–	14.4	14.4	–	13.5	13.5
	0.1	(10.2)	(10.1)	1.0	(12.3)	(11.3)

The presentation of the central activities note has been revised to reflect current responsibilities more accurately; 2008 figures have been re-analysed in line with this presentation, this has no impact on the reported result.

## 7 Practice regulation – self-financing

	Group and ICAEW			Group and ICAEW		
	2009	2009	2009	2008	2008	2008
	Income £m	Expenditure £m	Net £m	Income £m	Expenditure £m	Net £m
Authorisation of investment business	1.6	(1.8)	(0.2)	1.7	(1.8)	(0.1)
Practice regulation and assurance	12.2	(10.2)	2.0	11.1	(10.6)	0.5
	13.8	(12.0)	1.8	12.8	(12.4)	0.4

## 8 Faculties – self-financing

	Group and ICAEW			Group and ICAEW		
	2009	2009	2009	2008	2008	2008
	Income £m	Expenditure £m	Net £m	Income £m	Expenditure £m	Net £m
Audit and Assurance Faculty	1.0	(0.8)	0.2	0.9	(0.8)	0.1
Corporate Finance Faculty	0.6	(0.6)	–	0.7	(0.6)	0.1
Finance and Management Faculty	0.7	(0.6)	0.1	0.7	(0.7)	–
Financial Reporting Faculty	0.1	(0.2)	(0.1)	–	(0.1)	(0.1)
Financial Services Faculty	0.2	(0.4)	(0.2)	0.2	(0.6)	(0.4)
Information Technology Faculty	0.4	(0.4)	–	0.4	(0.4)	–
Tax Faculty	0.7	(0.6)	0.1	0.7	(0.7)	–
	3.7	(3.6)	0.1	3.6	(3.9)	(0.3)

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2009 (continued)

## 9 Charitable trusts

	2009 Income £m	2009 Expenditure £m	Group 2009 Net £m	2008 Income £m	2008 Expenditure £m	Group 2008 Net £m
External research grants	–	(0.3)	(0.3)	–	(0.2)	(0.2)
Library income and expenditure	–	(1.0)	(1.0)	–	(1.1)	(1.1)
Other income and expenditure	0.3	–	0.3	0.2	–	0.2
	0.3	(1.3)	(1.0)	0.2	(1.3)	(1.1)

## 10 Funding of external bodies excluding Joint Disciplinary Scheme

	Group and ICAEW					Group and ICAEW		
	Income 2009 £m	Total expenditure 2009 £m	Expenditure borne by self-financing activities 2009 £m	Net expenditure 2009 £m	Net 2009 £m	Income 2008 £m	Net expenditure 2008 £m	Net 2008 £m
Financial Reporting Council Consultative Committee of Accountancy Bodies	–	(1.2)	–	(1.2)	(1.2)	–	(1.1)	(1.1)
International Federation of Accountants Accountancy and Actuarial Discipline Board	–	(0.4)	–	(0.4)	(0.4)	–	(0.4)	(0.4)
	–	(0.7)	–	(0.7)	(0.7)	–	(0.4)	(0.4)
	–	(2.1)	0.9	(1.2)	(1.2)	–	(0.6)	(0.6)
	–	(4.4)	0.9	(3.5)	(3.5)	–	(2.5)	(2.5)

## 11 Funding of Joint Disciplinary Scheme

	Group and ICAEW			Group and ICAEW		
	Income 2009 £m	Net expenditure 2009 £m	Net 2009 £m	Income 2008 £m	Net expenditure 2008 £m	Net 2008 £m
Costs	–	(0.1)	(0.1)	–	(1.7)	(1.7)
Cost recoveries	–	–	–	–	1.1	1.1
Fines	–	–	–	0.5	–	0.5
	–	(0.1)	(0.1)	0.5	(0.6)	(0.1)

Total ICAEW cash receipts in respect of fines and cost recoveries were £nil (2008: £1.6m).

## 12 Gift aid and library funding

ICAEW made payments of £1.8m (2008: £1.2m) in the year under gift aid to the Chartered Accountants' Trust for Education and Research (CATER), which funds the ICAEW library and education in the field of accountancy and related subjects.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2009 (continued)

## 13 Operating result

The group and ICAEW operating result is stated after charging:

	Group		ICAEW	
	2009 £m	2008 £m	2009 £m	2008 £m
Staff costs	35.4	34.7	34.5	33.8
Depreciation on owned property, plant and equipment	1.4	0.9	1.4	0.9
Amortisation of intangible assets	1.0	1.1	1.0	1.1
Cost of inventories recognised as an expense	0.9	0.9	0.9	0.9
Amounts payable under operating leases:				
Plant and machinery	0.2	0.2	0.2	0.2
Other	0.7	0.9	0.6	0.9
Fees payable to ICAEW's auditor for the audit of the financial statements	0.1	0.1	0.1	0.1

The group and ICAEW operating results include reimbursement of members' expenses on ICAEW activities and payments on a normal commercial basis to members and member firms for services, particularly in connection with lecturing and writing. In 2009 these payments in aggregate amounted to £1.8m (2008: £2.2m). Of this, £8,000 (2008: £55,000) was paid for services to member firms who have a partner or employee who is also a member of the council. The amounts paid to individual council members for services was £54,000 (2008: £18,000) in total.

Fees payable to ICAEW's auditor for taxation services were £17,000 (2008: £29,000) and for consultancy work £20,000 (2008: £17,000). Fees were also payable to the auditor for the audit of the Staff Pensions Fund of £6,000 (2008: £6,000). Fees payable to associates of the ICAEW's auditor for the local audits of the international subsidiaries were £7,000 (2008: £4,000).

## 14 Net investment income

	Group		ICAEW	
	2009 £m	2008 £m	2009 £m	2008 £m
Bank interest receivable	0.1	0.3	0.1	0.3
Interest receivable from investment deposits	0.8	2.4	0.6	2.0
Other financial income	0.7	0.6	0.7	0.6
Dividend income	0.2	0.1	0.2	0.1
Realised losses from equities	(0.2)	–	(0.2)	–
	1.6	3.4	1.4	3.0
Allocated to self-financing activities and charitable trusts	(0.5)	(0.8)	(0.2)	(0.4)
Net investment gains and income	1.1	2.6	1.2	2.6

Other financial income relates in the main to indexation on the licence fees and deferred consideration from Wolters Kluwer NV.

Investment income allocated to self-financing activities and charitable trusts is summarised as follows:

	Group		ICAEW	
	2009 £m	2008 £m	2009 £m	2008 £m
Practice regulation	0.1	0.3	0.1	0.3
Faculties	0.1	0.1	0.1	0.1
Charitable trusts	0.3	0.4	–	–
	0.5	0.8	0.2	0.4

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2009 (continued)

## 15 Taxation

	Group and ICAEW	
	2009	2008
	£m	£m
<b>Current tax</b>		
On income for the year	–	(0.2)
Adjustment for previous periods	0.1	0.3
	<b>0.1</b>	<b>0.1</b>
<b>Deferred tax</b>		
Origination and reversal of temporary differences	–	(0.1)
Tax credit on operating result	<b>0.1</b>	–

ICAEW is chargeable to corporation tax on investment income and gains and on net surpluses arising from certain services to the extent that they relate to transactions with non-members. The liability has been reduced by payments made under gift aid to CATER, which funds education in the field of accountancy and related subjects, including the administration of the library. The charitable trusts fall outside the scope of corporation tax and accordingly there is no liability in respect of their activities. The subsidiary companies pay local tax based on their country of operation and this has been included in the current tax calculations. The net corporation tax credit for the year was £115,000 (2008: £47,000).

Factors affecting the tax credit for the year:

	Group		ICAEW	
	2009	restated 2008	2009	restated 2008
	£m	£m	£m	£m
Net result before taxation	1.0	0.2	0.6	0.2
Add back: result on transactions with members	(1.2)	1.3	(0.9)	0.9
Net result before taxation on transactions with non-members	(0.2)	1.5	(0.3)	1.1
Net result above at the standard rate of corporation tax in the UK of 28% (2008: average rate 28.5%)	0.1	(0.5)	0.1	(0.4)
Effects of:				
Items not chargeable/deductible for tax purposes	0.1	0.2	0.1	0.1
Unutilised tax losses	(0.2)	–	(0.2)	–
Adjustments in respect of prior years	0.1	0.3	0.1	0.3
	<b>0.1</b>	<b>–</b>	<b>0.1</b>	<b>–</b>

ICAEW anticipates that tax charges in future years may be affected by continued donations under gift aid to CATER. The disclosure of the 2008 comparatives of the factors affecting the tax charge have been restated to be in line with the 2009 disclosures. The 2008 current and deferred tax charges have not changed.

## 16 Property, plant and equipment

The freehold property, Chartered Accountants' Hall, London, was revalued by CB Richard Ellis Ltd, independent chartered surveyors at 31 December 2009 at open market value, in accordance with the appraisal and valuation manual of the Royal Institution of Chartered Surveyors.

The historical cost of ICAEW's silver collection and antiques represents only the cost of items bought by ICAEW. The valuations in respect of these collections also include substantial donations and bequests received by ICAEW. ICAEW's historic collections were revalued at open market value at 31 December 2009 by William Walter Antiques Limited (the Benney silver collection and other silver); John Drury Rare Books (rare books) and Ritchie Associates (period furniture, pictures and sculptures).

The revaluations during the year ended 31 December 2009 resulted in a valuation reduction of £1.8m (2008: reduction of £4.3m). Depreciation is provided on the plant and equipment elements within the freehold property.

At 31 December 2009 there were no contracts for capital expenditure not provided for in these financial statements (2008: £nil).

As part of the 2007 actuarial valuation of the Staff Pensions Fund, the trustee commissioned a review of the strength of ICAEW's financial covenant. The resulting agreement set a number of trigger points in relation to the key financial ratios. To secure this arrangement, ICAEW agreed to a charge being made over Chartered Accountants' Hall which the trustee of the scheme may call upon should ICAEW's financial position deteriorate materially, in relation to the pension scheme as monitored by review of these covenants, between 1 January 2008 and the conclusion of the next triennial valuation of the scheme in 2010.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2009 (continued)

## 16 Property, plant and equipment (continued)

	Group and ICAEW				
	Freehold property £m	Short leasehold property £m	Silver collection and antiques £m	Furniture, computer hardware and equipment £m	Total £m
<b>Cost or valuation</b>					
<b>At 1 January 2007</b>	15.1	0.3	3.6	7.4	26.4
Additions	0.3	1.1	–	0.7	2.1
Disposals at cost or valuation	–	–	–	(1.0)	(1.0)
(Deficit)/surplus on revaluation	(0.2)	–	0.4	–	0.2
Reclassification as non-current asset held for sale	(3.0)	–	–	–	(3.0)
<b>At 1 January 2008</b>	<b>12.2</b>	<b>1.4</b>	<b>4.0</b>	<b>7.1</b>	<b>24.7</b>
Additions	1.5	1.2	–	2.4	5.1
Disposals at cost or valuation	–	(0.3)	–	(0.8)	(1.1)
Deficit on revaluation	(4.2)	–	(0.2)	–	(4.4)
<b>At 1 January 2009</b>	<b>9.5</b>	<b>2.3</b>	<b>3.8</b>	<b>8.7</b>	<b>24.3</b>
Additions	1.0	0.1	–	1.2	2.3
Disposals at cost or valuation	(0.1)	–	–	(0.7)	(0.8)
Deficit on revaluation	(1.9)	–	–	–	(1.9)
<b>At December 2009</b>	<b>8.5</b>	<b>2.4</b>	<b>3.8</b>	<b>9.2</b>	<b>23.9</b>
<b>Accumulated depreciation</b>					
<b>At 1 January 2007</b>	0.3	0.3	–	6.0	6.6
Depreciation for the year	0.3	–	–	0.5	0.8
Depreciation on disposals	–	–	–	(1.0)	(1.0)
Adjustment on revaluation	(0.1)	–	–	–	(0.1)
<b>At 1 January 2008</b>	<b>0.5</b>	<b>0.3</b>	<b>–</b>	<b>5.5</b>	<b>6.3</b>
Depreciation for the year	0.2	0.1	–	0.6	0.9
Depreciation on disposals	–	(0.3)	–	(0.7)	(1.0)
Adjustment on revaluation	(0.1)	–	–	–	(0.1)
<b>At 1 January 2009</b>	<b>0.6</b>	<b>0.1</b>	<b>–</b>	<b>5.4</b>	<b>6.1</b>
Depreciation for the year	0.4	0.2	–	0.8	1.4
Depreciation on disposals	(0.1)	–	–	(0.6)	(0.7)
Adjustment on revaluation	(0.1)	–	–	–	(0.1)
<b>At 31 December 2009</b>	<b>0.8</b>	<b>0.3</b>	<b>–</b>	<b>5.6</b>	<b>6.7</b>
<b>Carrying amount</b>					
At 31 December 2007	11.7	1.1	4.0	1.6	18.4
At 31 December 2008	8.9	2.2	3.8	3.3	18.2
<b>At 31 December 2009</b>	<b>7.7</b>	<b>2.1</b>	<b>3.8</b>	<b>3.6</b>	<b>17.2</b>
On an historical cost basis the comparable amounts for property, plant and equipment are:					
Cost	11.1	2.4	0.2	9.3	23.0
Accumulated depreciation	4.2	0.3	–	5.7	10.2
<b>Net historical cost at 31 December 2009</b>	<b>6.9</b>	<b>2.1</b>	<b>0.2</b>	<b>3.6</b>	<b>12.8</b>



# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2009 (continued)

## 17 Intangible assets

	Group and ICAEW		
	2009	2008	2007
	£m	£m	£m
<b>Cost</b>			
At 1 January	6.9	6.0	4.8
Additions at cost	0.8	0.9	1.2
<b>At 31 December</b>	<b>7.7</b>	<b>6.9</b>	<b>6.0</b>
<b>Accumulated amortisation</b>			
At 1 January	4.3	3.2	2.1
Amortisation for the year	1.0	1.1	1.1
<b>At 31 December</b>	<b>5.3</b>	<b>4.3</b>	<b>3.2</b>
<b>Carrying amount at 31 December</b>	<b>2.4</b>	<b>2.6</b>	<b>2.8</b>

Amortisation charges are allocated to departments on the basis of use of ICAEW's systems.

## 18 Investments in subsidiaries and associates

The following entities, all registered in England, have been treated as subsidiaries on the basis that ICAEW, through its nominating committee, controls the appointment of trustee directors:

	Activity
ICAEW Foundation	Makes charitable donations of particular interest to ICAEW
PD Leake Trust	Provides grants for accountancy research, conferences and publications
Chartered Accountants' Permanent Educational Trust	Provides examination prizes
Chartered Accountants' Trust for Education and Research	Owns and operates the ICAEW library. Provides grants for accounting research, conferences and publications
Chartered Accountants' Library Limited	Trading subsidiary of Chartered Accountants' Trust for Education and Research
Chartered Accountants' Charitable Investment Pool	Common investment fund managing the investments of the other charitable trusts

The following entities, all registered in England, have been treated as subsidiaries on the basis that ICAEW holds all the shares in each entity:

	Shareholding %	2009 cost £m	2008 cost £m	2007 cost £m	Activity
ICAEW Malaysia Limited	100	–	–	–	Representative office for ICAEW in Malaysia
ICAEW China Limited	100	–	–	–	Representative office for ICAEW in China
ICAEW Middle East Limited	100	–	–	–	Representative office for ICAEW in the Middle East
ICAEW SEA Limited	100	–	–	–	Representative office for ICAEW in South East Asia
ICAEW Ltd	100	–	–	–	Holding company for the above companies
Dormant companies	100	–	–	–	Dormant

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2009 (continued)

## 18 Investments in subsidiaries and associates (continued)

The following related companies, all with their principal place of business in the UK, have been treated as associates. In each case, and notwithstanding the majority ownership of CCAB Limited and the Chartered Accountants' Compensation Scheme Limited, ICAEW has significant influence to participate in, but not govern, the financial and operating policies of the companies.

	Shareholding %	2009 cost £m	2008 cost £m	2007 cost £m	Activity
The Joint Insolvency Examination Board (a company limited by guarantee)	–	–	–	–	Conducts examinations in insolvency practice to meet the education requirements of the Insolvency Act 1986. ICAEW is one of seven subscribers each of whom has guaranteed £1 in the event of the company being wound up
Fraud Advisory Panel (a company limited by guarantee)	–	–	–	–	Registered charity which carries out research into, and education in, all aspects of fraud prevention, detection, prosecution and deterrence
CCAB Limited	51.7%	–	–	–	Undertakes activities of mutual interest to the six major accountancy bodies in the British Isles
Chartered Accountants' Compensation Scheme Limited	80.0%	–	–	–	Evaluates and administers claims for compensation arising from the obligations of ICAEW, the Institute of Chartered Accountants of Scotland and the Institute of Chartered Accountants in Ireland as recognised professional bodies under the Financial Services Act 1986 and as designated professional bodies under the Financial Services and Markets Act 2000

The companies all operate on a not-for-profit basis. There is a full list of subsidiaries and associates at [icaew.com/review](http://icaew.com/review).

Financial information relating to the associates is summarised below:

	The Joint Insolvency Examination Board 2009 £m	Fraud Advisory Panel 2009 £m	CCAB Limited 2009 £m	Chartered Accountants' Compensation Scheme Limited 2009 £m	Total 2009 £m	Total 2008 £m	Total 2007 £m
Assets	0.3	0.1	1.2	0.3	1.9	1.5	1.6
Liabilities	(0.1)	–	(1.2)	(0.3)	(1.6)	(1.3)	(1.4)
Net assets	0.2	0.1	–	–	0.3	0.2	0.2
Revenue	0.2	0.2	5.6	0.2	6.2	5.1	4.9
Net result	–	–	–	–	–	–	–
Balances due from associates as at 31 December	–	–	–	0.1	0.1	0.1	0.1
Balances due to associates as at 31 December	–	–	(1.0)	–	(1.0)	(0.5)	(0.5)
Group share of net assets as at 31 December	–	0.1	–	–	0.1	0.1	0.1

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2009 (continued)

## 19 Financial assets: available for sale investments

	Interest-bearing investments			Equities and unit trusts			Group		
	2009	2009	Total 2009	2008	2008	Total 2008	2007	2007	Total 2007
	£m	£m	£m	£m	£m	£m	£m	£m	£m
<b>Fair value</b>									
At 1 January	24.7	10.1	34.8	24.1	12.8	36.9	23.2	12.2	35.4
Additions	46.9	18.8	65.7	93.2	2.4	95.6	102.0	8.2	110.2
Disposals	(63.7)	(1.9)	(65.6)	(93.9)	(1.9)	(95.8)	(102.1)	(8.2)	(110.3)
Gains/(losses) on disposal	0.4	(0.2)	0.2	1.2	–	1.2	1.0	0.4	1.4
Change in market value of investments:									
Recognised as other comprehensive income	(0.1)	3.3	3.2	0.1	(3.2)	(3.1)	–	0.2	0.2
<b>At 31 December</b>	<b>8.2</b>	<b>30.1</b>	<b>38.3</b>	<b>24.7</b>	<b>10.1</b>	<b>34.8</b>	<b>24.1</b>	<b>12.8</b>	<b>36.9</b>
<b>Held as</b>									
Restricted	5.0	–	5.0	5.0	–	5.0	–	–	–
Unrestricted	3.2	30.1	33.3	19.7	10.1	29.8	24.1	12.8	36.9
	<b>8.2</b>	<b>30.1</b>	<b>38.3</b>	<b>24.7</b>	<b>10.1</b>	<b>34.8</b>	<b>24.1</b>	<b>12.8</b>	<b>36.9</b>

On an historical cost basis the comparable amounts of investments are

At 31 December	8.3	28.4	36.7	24.6	12.0	36.6	24.0	11.5	35.5
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	Interest-bearing investments			Equities and unit trusts			ICAEW		
	2009	2009	Total 2009	2008	2008	Total 2008	2007	2007	Total 2007
	£m	£m	£m	£m	£m	£m	£m	£m	£m
<b>Fair value</b>									
At 1 January	21.6	4.5	26.1	20.2	5.9	26.1	19.1	5.6	24.7
Additions	37.4	18.7	56.1	77.9	1.9	79.8	81.1	1.4	82.5
Disposals	(54.3)	(1.9)	(56.2)	(77.9)	(1.9)	(79.8)	(80.9)	(1.4)	(82.3)
Gains/(losses) on disposal	0.4	(0.2)	0.2	1.3	–	1.3	0.9	0.4	1.3
Change in market value of investments:									
Recognised as other comprehensive income	(0.1)	2.1	2.0	0.1	(1.4)	(1.3)	–	(0.1)	(0.1)
<b>At 31 December</b>	<b>5.0</b>	<b>23.2</b>	<b>28.2</b>	<b>21.6</b>	<b>4.5</b>	<b>26.1</b>	<b>20.2</b>	<b>5.9</b>	<b>26.1</b>
<b>Held as</b>									
Restricted	5.0	–	5.0	5.0	–	5.0	–	–	–
Unrestricted	–	23.2	23.2	16.6	4.5	21.1	20.2	5.9	26.1
	<b>5.0</b>	<b>23.2</b>	<b>28.2</b>	<b>21.6</b>	<b>4.5</b>	<b>26.1</b>	<b>20.2</b>	<b>5.9</b>	<b>26.1</b>

On an historical cost basis the comparable amounts of investments are

At 31 December	5.0	21.1	26.1	21.5	4.8	26.3	20.3	4.7	25.0
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Within group investments are charitable funds of £10.1m (2008: £8.8m) which are maintained independently of ICAEW, and for which the trustee sets investment policies and monitors performance. ICAEW investments include cash balances of £6.8m (2008: £0.2m).

ICAEW agreed to ring-fence a sum of £5.0m, separately disclosed as restricted available for sale investments, which the trustee of the Staff Pensions Fund may call upon should ICAEW's financial position deteriorate materially in relation to the pension scheme as monitored by review of agreed covenants, between 1 January 2008 and the conclusion of the next triennial valuation of the scheme in 2010.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2009 (continued)

## 20 Non-current financial assets: other receivables

	Group and ICAEW		
	2009	2008	2007
	£m	£m	£m
Deferred consideration receivable	1.5	2.5	3.5

Deferred consideration following the sale of the business of ABG Professional Information in 2002 is receivable as follows:

	2009	2008	2007
	£m	£m	£m
Within one year (included within current assets)	1.0	1.0	1.0
Within two to five years	1.5	2.5	3.5
	2.5	3.5	4.5

Deferred consideration is receivable from Wolters Kluwer NV, a group with annual revenues for 2009 of €3,425m (2008: €3,374m) incorporated in the Netherlands and engaged in publishing and providing information products and services. The carrying value of this asset is considered to be equal to its fair value, as interest is receivable at an appropriate level to compensate for the discounted value of the deferred consideration. The relationship with Wolters Kluwer is managed and monitored through ICAEW's risk management process.

## 21 Deferred taxation

	Group and ICAEW		
	2009	2008	2007
	£m	£m	£m
The provision for deferred taxation comprises:			
Revaluation of available for sale investments	(0.4)	0.2	(0.2)
Revaluation of properties and historic collections	(0.2)	(0.3)	(0.5)
Deferred tax liability	(0.6)	(0.1)	(0.7)
Inflationary element of ABG Professional Information deferred consideration	–	–	0.1
Defined benefit pension scheme deficit	0.6	0.4	0.5
Deferred tax asset	0.6	0.4	0.6
<b>Net deferred tax asset/(liability)</b>	<b>–</b>	<b>0.3</b>	<b>(0.1)</b>

Movements in the net deferred tax asset/(liability) are summarised as follows:

	Group and ICAEW				
	Revaluation of available for sale investments	Revaluation of properties and historic collections	Inflationary element of deferred consideration	Defined benefit pension scheme benefit	Net
	£m	£m	£m	£m	£m
(Liability)/asset at 1 January 2007	(0.3)	(0.4)	0.2	0.8	0.3
<i>Movement in year</i>					
Recognised in income statement	–	–	(0.1)	–	(0.1)
Recognised as other comprehensive income	0.1	(0.1)	–	(0.3)	(0.3)
(Liability)/asset at 1 January 2008	(0.2)	(0.5)	0.1	0.5	(0.1)
<i>Movement in year</i>					
Recognised in income statement	–	–	(0.1)	–	(0.1)
Recognised as other comprehensive income	0.4	0.2	–	(0.1)	0.5
Asset/(liability) at 1 January 2009	0.2	(0.3)	–	0.4	0.3
<i>Movement in year</i>					
Recognised in income statement	–	–	–	–	–
Recognised as other comprehensive income	(0.6)	0.1	–	0.2	(0.3)
<b>(Liability)/asset at 31 December 2009</b>	<b>(0.4)</b>	<b>(0.2)</b>	<b>–</b>	<b>0.6</b>	<b>–</b>

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2009 (continued)

## 22 Inventories

	Group and ICAEW		
	2009	2008	2007
	£m	£m	£m
Learning materials	0.8	0.8	0.9

During the year, there was no provision in respect of learning material publications (2008: £nil, 2007: £0.2m).

## 23 Trade and other receivables – current

	Group			ICAEW		
	2009	2008	2007	2009	2008	2007
	£m	£m	£m	£m	£m	£m
Trade and other receivables	4.6	4.6	5.4	4.5	4.4	5.3
Amounts owed by subsidiaries	–	–	–	0.1	0.1	0.1
Amounts owed by associates	0.1	0.1	0.1	0.1	0.1	0.1
Deferred consideration receivable	1.0	1.0	1.0	1.0	1.0	1.0
Prepayments	1.7	1.7	1.9	1.7	1.7	1.8
Accrued income	1.6	2.0	1.1	1.6	2.0	1.1
	9.0	9.4	9.5	9.0	9.3	9.4
Less: provision for impairment of trade and other receivables	(0.7)	(0.6)	(0.7)	(0.7)	(0.6)	(0.7)
	8.3	8.8	8.8	8.3	8.7	8.7

Trade and other receivables are categorised as loans and receivables as required by IFRS 7.

The principal component of trade and other receivables is amounts due from ICAEW's members and member firms, and in the case of disciplinary fines and costs, certain former members, and are short term. The carrying value of trade receivables is considered a reasonable approximation of fair value. It is considered that all the above financial assets which are not impaired or past due are of good credit quality.

All receivables have been reviewed for indicators of impairment. Certain trade receivables, principally in relation to disciplinary fines and costs from members, member firms and former members, were found to be impaired, and a provision of £0.7m (2008: £0.6m, 2007: £0.7m) has been made. The movement in the provision for trade and other receivables can be reconciled as follows:

	Group			ICAEW		
	2009	2008	2007	2009	2008	2007
	£m	£m	£m	£m	£m	£m
Balance at 1 January	0.6	0.7	0.4	0.6	0.7	0.4
Amounts written off (uncollectable)	(0.1)	(0.1)	–	(0.1)	(0.1)	–
Impairment losses	0.4	0.3	0.6	0.4	0.3	0.6
Impairment losses reversed	(0.2)	(0.3)	(0.3)	(0.2)	(0.3)	(0.3)
	0.7	0.6	0.7	0.7	0.6	0.7

In addition, some of the unimpaired trade receivables are past due as at the reporting date. The age of financial assets past due but not impaired is as follows:

	Group			ICAEW		
	2009	2008	2007	2009	2008	2007
	£m	£m	£m	£m	£m	£m
More than 1 month but not more than 3 months	0.8	0.8	0.8	0.8	0.8	0.8
More than 3 months	0.2	0.2	0.2	0.2	0.2	0.2
	1.0	1.0	1.0	1.0	1.0	1.0

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2009 (continued)

## 24 Cash and cash equivalents

Cash and cash equivalents are categorised as loans and receivables as required by IFRS 7.

Cash and cash equivalents consist of current balances with banks and money market deposits. They do not include interest-bearing investments held for the long term. Cash and cash equivalents included in the cash flow statement comprise the following amounts:

	Group			ICAEW		
	2009	2008	2007	2009	2008	2007
	£m	£m	£m	£m	£m	£m
Cash at bank	10.5	8.9	4.8	10.0	8.7	4.8
Short-term investments	–	–	4.5	–	–	4.5
	<b>10.5</b>	<b>8.9</b>	<b>9.3</b>	<b>10.0</b>	<b>8.7</b>	<b>9.3</b>

Forward contracts are used to cover known foreign currency exposures. No forward contracts were in place at the year end (2008: £nil, 2007: £nil).

## 25 Non-current asset held for sale

During 2006 ICAEW reviewed its property requirements in Milton Keynes and in December 2006, council approved a proposal to enter a 15 year lease in central Milton Keynes; this was occupied in 2008. At the end of 2007, Gloucester House was revalued at its carrying amount net of selling costs. Contracts were exchanged for the sale of this property on 8 January 2008 at a value of £3.1m, with completion on 15 April 2008.

## 26 Trade and other payables

	Group			ICAEW		
	2009	2008	2007	2009	2008	2007
	£m	£m	£m	£m	£m	£m
Subscriptions and admission fees in advance	10.9	9.3	9.0	10.9	9.3	9.0
Amounts owed to associates	1.0	0.5	0.5	1.0	0.5	0.5
Other income in advance	3.9	3.6	2.1	3.9	3.6	2.1
Trade payables	3.3	4.3	2.8	3.3	4.3	2.8
Other payables	1.1	0.8	0.9	0.8	0.5	0.6
Income tax and social security payables	0.9	1.0	0.9	0.9	1.0	0.9
Accruals	6.1	4.8	5.1	6.0	4.8	5.1
	<b>27.2</b>	<b>24.3</b>	<b>21.3</b>	<b>26.8</b>	<b>24.0</b>	<b>21.0</b>

Trade and other payables are categorised as current financial liabilities measured at amortised cost as required by IFRS 7.

All the above trade payables and other payables are short term and are payable within one month. Subscriptions and admission fees in advance relate to income received during 2009 but relating to 2010 annual subscriptions and fees. The carrying values are considered to be a reasonable approximation of fair value.

## 27 Joint Disciplinary Scheme provision

	Group and ICAEW		
	2009	2008	2007
	£m	£m	£m
Balance at 1 January	1.8	1.4	2.2
Charge to income statement – subscription funded	0.1	1.8	3.4
Amounts paid	(1.2)	(1.4)	(4.2)
Balance at 31 December	<b>0.7</b>	<b>1.8</b>	<b>1.4</b>

The JDS is funded by two participant bodies: ICAEW and the Institute of Chartered Accountants of Scotland on the basis of their respective memberships at the end of the previous financial year. The amount provided is based on the estimated present obligation to ICAEW of investigations by the JDS in respect of cases arising from past events up to 31 December 2009, together with closure costs in relation to the scheme, and is expected to be used within one year.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2009 (continued)

## 28 Accountancy and Actuarial Discipline Board provision

	2009	Group and ICAEW	
	£m	2008	2007
		£m	£m
Balance at 1 January	4.5	4.0	3.2
Charge to income statement – subscription funded	1.2	0.6	0.4
Charge to income statement – practice regulation funded	0.9	0.9	1.0
Amounts paid	(1.3)	(1.0)	(0.6)
Balance at 31 December	<u>5.3</u>	<u>4.5</u>	<u>4.0</u>
Provision expected to be utilised within one year	2.9	3.1	1.9
Provision expected to be utilised after more than one year	2.4	1.4	2.1
	<u>5.3</u>	<u>4.5</u>	<u>4.0</u>

The AADB is responsible for operating and administering an independent disciplinary scheme (the Accountancy Scheme) covering members of ICAEW and the following participating institutes: the Association of Chartered Certified Accountants, the Chartered Institute of Management Accountants, the Chartered Institute of Public Finance and Accountancy, the Institute of Chartered Accountants in Ireland and the Institute of Chartered Accountants of Scotland. The AADB also operates and administers a separate independent disciplinary scheme (the Actuarial Scheme) covering members of the Faculty and Institute of Actuaries.

The amount provided is based on the estimated present obligation to ICAEW of investigations by the AADB in respect of cases arising from past events up to 31 December 2009. The provision is expected to be used over the next five years. ICAEW reviews the adequacy of both the JDS and AADB provisions through a review of past case cost estimates and discussions of current cases with relevant individuals.

## 29 Other non-current liabilities

	2009	2008	Group
	£m	£m	2007
			£m
Trade and other payables – charitable grant commitments	–	–	0.1

## 30 Pension liabilities

### Defined benefit scheme

ICAEW operates a defined benefit staff pension scheme (the scheme) which provides participating members of staff with retirement benefits based on their final pensionable salary. The assets of the scheme are held by a separate trustee-administered fund. The scheme was closed to new members on 1 July 2000 and therefore, under the projected unit credit method, the current service cost will increase as the members of the scheme approach retirement.

The level of contributions required to fund the scheme is assessed by a qualified actuary on a triennial basis using the projected unit credit method. The most recent valuation of the fund was carried out by Hymans Robertson as at 5 April 2007 on the projected unit credit method. At the valuation date, the market value of the assets of the fund was £90.0m, which represented 82% of the value of the benefits that had accrued to members, after allowing for expected future increases in earnings. The next triennial valuation will be carried out as at 31 March 2010.

On the basis of the most recent valuation the agreed rate of employer's contributions ranged from 22.1% to 31.8% of pensionable earnings for participating employees. Employee contributions ranged from 6% to 10%.

ICAEW agreed to make additional employer contributions during the year in respect of back-dated benefits awarded to participating employees attaining 10 years' service with ICAEW during that period of £0.3m (2008: £0.2m, 2007: £0.3m). ICAEW made further monthly and annual payments during 2009 in respect of past service deficits totalling £3.6m (2008: £3.5m, 2007: £1.5m). One further contribution of £2.0m in January 2010 together with continuing monthly payments, adjusted for inflationary increases, have been agreed with the aim of eliminating the deficit in the scheme over the period to 31 March 2016.

As part of the 2007 actuarial valuation of the scheme, the trustee commissioned a review of the strength of ICAEW's financial covenant. The resulting agreement set a number of trigger points in relation to the key financial ratios. If an amber trigger event occurs, then ICAEW and the trustee of the pension scheme are required to meet to determine whether the deficit recovery period should be shortened. If a red trigger event occurs, then an immediate additional contribution of £5.0m is required to be made by ICAEW to the scheme and the recovery period would be shortened. To secure this arrangement, ICAEW agreed to a charge being made over Chartered Accountants' Hall and to ring-fence £5.0m of available for sale investments, which the trustee of the scheme may call upon should ICAEW's financial position deteriorate materially, in relation to the scheme as monitored by review of these covenants, between 1 January 2008 and the conclusion of the next triennial valuation of the scheme in 2010.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2009 (continued)

## 30 Pension liabilities (continued)

In November 2009 ICAEW entered consultation with members of the defined benefits scheme regarding the proposal to close the scheme to future accrual.

As a result of the current consultation process, and the fact that a triennial valuation is imminent, it is not currently possible to determine the estimate of contributions payable during 2010.

### Desktop actuarial valuation

As part of the continued monitoring of the strength of ICAEW's financial covenant, the actuaries have provided a desktop update on the actuarial deficit based on the position as at 31 December 2009. This review estimated that the deficit, based on the actuarial funding basis in the last triennial valuation, was £39.0m (2008: £40.6m). At the year end, both key financial covenant triggers were at green (2008: amber and green).

The following table summarises the key assumptions used in preparing the desktop actuarial valuation:

	31 December 2009	31 December 2008	5 April 2007
Pre-retirement discount rate	6.50%	5.87%	6.60%
Inflation	3.80%	3.05%	3.30%
Future salary increases	1.50%	1.50%	1.50%
Life expectancy	Medium cohort	Medium cohort	Medium cohort

The main reason for the difference between this desktop actuarial valuation and the IAS19 valuation relates to the discount rates applied.

The sensitivities of the liabilities in the above desktop actuarial valuation to changes in these assumptions are summarised below:

	Change in assumption	Effect on value of liabilities	
		%	£m
Discount rate	Increase/(decrease) by 0.5% pa	(Decrease)/increase by 8.5%	12.3
Rate of inflation	Increase/(decrease) by 0.5% pa	Increase/(decrease) by 8.4%	12.2
Real rate of increase in salaries	Increase/(decrease) by 0.5% pa	Increase/(decrease) by 2.0%	3.0
Longevity	Increase by 1 year	Increase by 3.3%	4.8

### IAS 19 valuation

The scheme's actuaries provide a separate report for IAS 19 *Employee Benefits* purposes at each year end. The assumptions made at 31 December on the advice of the scheme's actuaries were:

	2009	2008	2007
Discount rate	5.68%	6.35%	5.75%
Expected return on scheme assets	5.92%	5.49%	6.28%
Future salary increases	3.55%	4.20%	5.00%
Future increases in pensionable earnings	3.55%	3.20%	3.50%
Rate of inflation	3.55%	3.20%	3.50%

Previously ICAEW used the iBoxx over 15 year AA bond index to determine the discount rate, in line with IAS 19 guidance. Over the period to 31 December 2009, the annualised yield as measured by the iBoxx corporate bond index (AA over 15 years) reduced from 6.7% pa to 5.7% pa. In order to derive an appropriate discount rate, in consultation with independent actuaries, ICAEW adopted a mean discount rate within the range being used as reasonable at 31 December 2009.

The expected return on assets has been based on the long-term expectation for each asset class at the beginning of the year. The return on equities has been taken as 2.75% per annum in excess of the yield on government bonds at the year end.

The mortality tables used to calculate the pension liabilities imply an expected future life expectancy of current pensioners at age 62 of 24.7 years (men) and 27.6 years (women); and for current non-pensioners of 25.9 years (men) and 28.7 years (women). These assumptions are in line with the actuarial valuation as at 5 April 2007.

The actuaries have confirmed that the assumptions adopted are within their acceptable range for the purposes of the IAS 19 valuation, and have calculated the sensitivity of the liabilities as at 31 December 2009 to certain key assumptions as follows:

	Change in assumption		
		%	£m
Discount rate	Increase/(decrease) by 0.5% pa	(Decrease)/increase by 8.7%	10.5
Rate of inflation	Increase/(decrease) by 0.5% pa	Increase/(decrease) by 9.0%	11.0
Real rate of increase in salaries	Increase/(decrease) by 0.5% pa	Increase/(decrease) by 2.0%	2.6
Longevity	Increase by 1 year	Increase by 3.0%	3.6



# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2009 (continued)

## 30 Pension liabilities (continued)

The following table summarises the results of the updated valuation of the fund:

	2009	2008	Group	2009	2008	ICAEW
	£m	£m	2007	£m	£m	2007
			£m			£m
Present value of funded obligations	(120.4)	(99.9)	(115.4)	(120.4)	(99.9)	(115.4)
Fair value of plan assets	105.6	90.8	98.9	105.6	90.8	98.9
Whole scheme deficit	(14.8)	(9.1)	(16.5)	(14.8)	(9.1)	(16.5)
Less: relating to other employers	–	0.1	0.1	0.6	0.5	0.6
Scheme deficit relating to ICAEW	(14.8)	(9.0)	(16.4)	(14.2)	(8.6)	(15.9)

The scheme was a multi-employer scheme comprising ICAEW group and CABA. ICAEW group is the main employer in the scheme. The assets and liabilities, and share of actuarial gains and losses are split based on active members in the scheme. Although CABA has both deferred and pensioner members in the scheme, its last active member left membership in February 2009. This meant that CABA ceased to participate in the scheme and became liable for its share of the deficit. The deficit amount was certified by the scheme actuary at £1.3m prior to the year end. On receipt, this will have the effect of increasing current assets and other income by the same amount.

### Reconciliation of defined benefit obligation – whole scheme

	2009	2008	2007
	£m	£m	£m
Opening defined benefit obligation	99.9	115.4	113.1
Current service cost	1.9	2.2	2.0
Interest on obligation	6.3	6.6	5.6
Contributions by plan participants	0.7	0.8	0.8
Actuarial loss/(gain) in year	16.2	(20.9)	(3.1)
Benefits paid	(4.6)	(4.2)	(3.0)
Closing defined benefit obligation	120.4	99.9	115.4

### Reconciliation of fair value of plan assets – whole scheme

	2009	2008	2007
	£m	£m	£m
Opening fair value of plan assets	90.8	98.9	86.8
Expected return on assets	5.0	6.3	5.4
Contributions by plan participants	0.7	0.8	0.8
Contributions by the employer	5.8	5.7	3.1
Actuarial gain/(loss) in year	7.9	(16.7)	5.8
Benefits paid	(4.6)	(4.2)	(3.0)
Closing fair value of plan assets	105.6	90.8	98.9
Actual return on assets	13.0	(10.4)	11.2

### The major categories of plan assets as a percentage of total plan assets are as follows:

	2009	2008	2007
Equities	57%	56%	63%
Government bonds	34%	37%	32%
Cash	4%	2%	4%
Corporate bonds	5%	5%	1%
	100%	100%	100%

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2009 (continued)

## 30 Pension liabilities (continued)

Amounts recognised in the income statement within staff costs are as follows:

	Group			ICAEW		
	2009	2008	2007	2009	2008	2007
	£m	£m	£m	£m	£m	£m
Current service cost	(1.9)	(2.2)	(2.0)	(1.9)	(2.2)	(2.0)
Expected return on pension scheme assets	5.0	6.3	5.4	5.0	6.3	5.4
Interest on pension scheme liabilities	(6.3)	(6.6)	(5.6)	(6.3)	(6.6)	(5.6)
	(3.2)	(2.5)	(2.2)	(3.2)	(2.5)	(2.2)
Less: relating to other employers within the scheme	–	–	–	0.1	0.1	0.1
	(3.2)	(2.5)	(2.2)	(3.1)	(2.4)	(2.1)

Amounts recognised as other comprehensive income:

	Group			ICAEW		
	2009	2008	2007	2009	2008	2007
	£m	£m	£m	£m	£m	£m
Actuarial gain/(loss) on plan assets	7.9	(16.7)	5.8	7.9	(16.7)	5.8
Actuarial (loss)/gain on obligation	(16.2)	20.9	3.1	(16.2)	20.9	3.1
Actuarial (loss)/gain – whole scheme	(8.3)	4.2	8.9	(8.3)	4.2	8.9
Less: relating to other employers within the scheme	–	–	(0.1)	0.3	(0.1)	(0.3)
Actuarial (loss)/gain recognised as other comprehensive income	(8.3)	4.2	8.8	(8.0)	4.1	8.6

Amounts for the current and previous periods are as follows:

	2009	2008	2007	2006	2005
	£m	£m	£m	£m	£m
Defined benefit obligation	(120.4)	(99.9)	(115.4)	(113.1)	(102.3)
Plan assets	105.6	90.8	98.9	86.8	80.0
Whole scheme deficit	(14.8)	(9.1)	(16.5)	(26.3)	(22.3)
Actuarial gain/(loss) on plan assets	7.9	(16.7)	5.8	1.3	8.2
Actuarial (loss)/gain on obligation	(16.2)	20.9	3.1	(6.3)	(10.2)

### Defined contribution scheme

ICAEW also operates a stakeholder scheme for employees who are not entitled to participate in the defined benefit scheme. This provides benefits based upon contributions made and investment returns achieved. The scheme first received contributions in April 2006. The assets of the scheme are held in a separate trustee fund. ICAEW contributes 9% of pensionable earnings for participating employees. The employees themselves contribute a minimum of 4%.

The amount charged to the income statement during the year in respect of these schemes was £1.3m (2008: £1.2m). There were no contributions payable to the scheme at the year-end date (2008: £nil).

## 31 Reserves

Included within the self-financing reserves is £3.0m relating to the Chartered Accountants' Compensation Scheme. In accordance with investment business regulations ICAEW is required to maintain a compensation scheme, funded by levies on firms authorised for investment business. This compensation scheme exists to deal with claims received in respect of work carried out by authorised firms under both the Recognised Professional Body (RPB pre 2001) and Designated Professional Body (DPB post 2001) regimes. ICAEW maintains a reserve to meet anticipated future claims. A levy was made in 2009 in respect of licensed firms under the DPB regime. ICAEW has reserved the right to make further levies on firms authorised under the RPB regime before 1 December 2001 should additional funds be required.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2009 (continued)

## 32 Leasing commitments – operating leases

At 31 December the group and ICAEW had the following total future minimum lease payments under non-cancellable operating leases:

	Group		Group	
	Land and buildings 2009 £m	Plant and machinery 2009 £m	Land and buildings 2008 £m	Plant and machinery 2008 £m
Minimum lease payments due:				
Within one year	0.1	–	–	–
In two to five years inclusive	0.2	0.2	0.4	0.3
After five years	7.7	–	7.8	–
	<b>8.0</b>	<b>0.2</b>	<b>8.2</b>	<b>0.3</b>
	ICAEW		ICAEW	
	Land and buildings 2009 £m	Plant and machinery 2009 £m	Land and buildings 2008 £m	Plant and machinery 2008 £m
Minimum lease payments due:				
In two to five years inclusive	0.2	0.2	0.4	0.3
After five years	7.7	–	7.8	–
	<b>7.9</b>	<b>0.2</b>	<b>8.2</b>	<b>0.3</b>

During 2008 ICAEW disposed of the freehold on Gloucester House, and entered a 15-year lease on new premises in Milton Keynes. The lease started on 15 January 2008 at a rental cost of £0.6m per annum following a 21 month rent free period.

## 33 Staff costs

### Average number of staff employed during the year

	Group		ICAEW	
	2009	2008	2009	2008
Total employees	648	653	629	636
Full time equivalents	618	623	599	605

### Employment costs

	Group		ICAEW	
	2009 £m	2008 £m	2009 £m	2008 £m
Wages and salaries	28.1	28.1	27.5	27.5
Employer's social security costs	2.8	2.8	2.7	2.7
Employer's pension costs	4.5	3.8	4.3	3.6
	<b>35.4</b>	<b>34.7</b>	<b>34.5</b>	<b>33.8</b>

The figures above do not include two members of staff whose employment costs are borne by the Fraud Advisory Panel (2008: two). The charitable trust employees' employment costs are borne by CATER although they have contracts of employment with ICAEW.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2009 (continued)

## 34 Key management compensation – executive directors

	Salary 2009 £'000	Deferred variable pay 2009 £'000	Payment in lieu of notice and compensation payments £'000	Total 2009 £'000	Salary 2008 £'000	Deferred variable pay 2008 £'000	Total 2008 £'000
Robin Fieth	175	40	–	215	175	38	213
Robert Hodgkinson	225	47	–	272	225	38	263
Michael Izza	340	95	–	435	340	85	425
Vernon Soare	178	41	–	219	178	37	215
Raymond Madden	117	10	158	285	225	34	259
	<b>1,035</b>	<b>233</b>	<b>158</b>	<b>1,426</b>	<b>1,143</b>	<b>232</b>	<b>1,375</b>

The executive directors are remunerated on a total-package basis. This means that executive directors may elect to take all of their remuneration in the form of salary or they may opt to commute a portion of their salary towards ICAEW benefits such as pension scheme membership, health insurance or a car. Deferred variable pay is payable to executive directors on the basis of performance and the recommendation of the remuneration committee and approval by the board.

Michael Izza has commuted salary of £19,000 (2008: £21,000) during the year in return for a contribution to his personal pension plan. Robin Fieth has also commuted salary of £23,000 (2008: £23,000) in return for a contribution to his personal pension plan and health insurance.

After four years as executive director of learning and professional development, Raymond Madden left ICAEW on 6 July 2009. Mark Protherough, previously director, learning and professional development and head of LPD operations, took on Raymond Madden's responsibilities until being formally appointed as executive director on 2 February 2010.

## 35 Contingent liabilities and guarantees

ICAEW has undertakings to Chartered Accountants' Compensation Scheme Limited (CACS Ltd) in respect of its agreed proportion of claims for compensation and administration costs, of amounts up to but not exceeding £10.0m in any one year. Payments for individual claims are limited to a maximum of £50,000. ICAEW's share of the costs of the scheme is recovered from those firms licensed by ICAEW under the Financial Services and Markets Act 2000 and those firms previously authorised by ICAEW under the Financial Services Act 1986 as appropriate.

During the year ended 31 December 2001 ABG Professional Information assigned the residue of a property lease to a third party. ICAEW signed an authorised guarantee agreement in respect of rents due under the remainder of the lease. The current annual rental is £0.1m and the lease is due to expire in 2013.









ICAEW is a founder member of the Global Accounting Alliance, which represents over 775,000 professional accountants in over 165 countries worldwide, to promote quality services, share information and collaborate on important international issues.

As a world-class professional accountancy body, ICAEW provides leadership and practical support to over 134,000 members in more than 160 countries, working with governments, regulators and industry to maintain the highest standards.

Our members provide financial knowledge and guidance based on the highest technical and ethical standards. They are trained to challenge people and organisations to think and act differently, to provide clarity and rigour, and so help create and sustain prosperity. ICAEW ensures these skills are constantly developed, recognised and valued.

**Because of us, people can do business with confidence.**

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# ANNUAL REVIEW 2010



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# Foreword from the President and Chief Executive



In 2010, many of the world's economies shifted from recession to recovery – while others, particularly in South East Asia and China, powered ahead.

It was also a year in which the long-term legacies of the financial crisis started to crystallise. On the positive side, there has been a renewed demand for leadership and business skills, and for better financial management, particularly in the public sector of those countries where there is a need for fiscal consolidation.

And we saw increased scrutiny of the profession. Governments and regulators, particularly in the UK and Europe, have turned the regulatory spotlight to auditors and their role in the crisis. We can expect proposals for change in 2011.

Against this challenging backdrop, 2010 was a strong year for ICAEW. Membership rose to over 136,000 and ACA student intake increased to 5,652, a 19-year high, with total numbers at 17,653. Financially, we made a net surplus of £1.8m from a total income of £76.4m, while continuing to invest in the acceleration of our strategy.

We continue to make strong progress in extending our reputation and influence across the globe as a world leader of the accountancy and finance profession. We now have three established international regions in South East Asia, the Middle East and Europe, with our fourth region in Greater China being launched in March 2011.

In the UK, we are engaging with the coalition government to ensure the policy and regulatory climate supports a business-led recovery, economic growth and competitiveness.

Looking back over the year, our focus has been on three key areas.

**Knowledge and skills.** In the changing economic environment, we are working hard to develop the knowledge and skills of finance professionals around the world. From our flagship qualification, the ACA – which continues to grow in international recognition – to the F-TEN leadership academy, we are giving individuals the expertise and experience they need to progress to leadership positions in the organisations they advise and run.

**International leadership.** We continue to engage with governments and regulators at national and international levels, helping to shape the world's accountancy and finance profession and influencing the global business environment. We have increased recognition of ICAEW's brand through the ACA – 24% of our student intake in 2010 was from outside the UK – and through expansion into new territories with other qualifications, notably IFRSs in South America.

**Sustainable business.** We believe that our members have a critical role to play in helping businesses and markets deliver long-term economic growth. Through projects such as the Finance Innovation Lab, a think tank launched jointly with WWF-UK, we are actively encouraging organisations to work in more sustainable ways.

We are proud of all we have achieved in 2010, none of which would be possible without the expertise and commitment of our members and staff. We hope that this *Annual Review* will give you some insight into how we aim to support our members, inform debate and lead our profession.

Going into 2011 the momentum we have established over the course of the past year will help us continue to lead at this critical time for the profession as well as the wider global economy.

**Gerald Russell**    **Michael Izza**  
President            Chief Executive

# Our qualifications and personal development programmes, designed to support individuals at all stages of their career progression, are central to our long-term sustainability

Student numbers are growing globally, but our model remains top-quality training and development for the brightest and the best, regardless of background. There is an ICAEW Chartered Accountant on over 84% of FTSE 100 boards and we want to maintain that quality.

We believe that our approach of providing top-quality education and training to the best candidates – with a variety of ways to access that training – will continue to be a winning long-term formula, building the reputation of our members and of their qualifications all over the world.

We want to ensure that our qualifications are open to all, no matter what their background, education or upbringing. In 2010, we worked on guidelines for internships, which we believe are critically important in promoting the profession to a wider demographic, and on employer-sponsored training schemes.

### Leading

As part of our efforts to improve access to the accountancy profession, we worked with the UK Government's Gateways to the Professions Collaborative Forum to produce the world's first *Common Best Practice Code for High Quality Internships*.

In January 2011, in partnership with KPMG and Durham University, we launched a new programme for school leavers who might not otherwise have gone to university. After a six-year course and training programme funded by KPMG, they will gain both the ACA qualification and a degree in accounting. There is more to come.

Our **Narrowing the Gap** programme, which supports members during and after a career break, was short-listed for two awards in 2010. We also continued to sponsor an accountancy category at the annual **Women in the City** awards which in 2010 was won by Pam Jackson, partner, Mergers and Acquisitions at PwC.

### Key stats

- 24% of our ACA student intake this year was from outside the UK, a record year.
- We had the highest ever intake for the Certificate in Finance, Accounting and Business (CFAB).
- We launched three new qualifications: the **ICAEW Certificate in Insolvency**, the **ICAEW Certificate in International Public Sector Financial Reporting**, and the **IFRS for SMEs learning and assessment programme**.
- 1,000 students took part in the BASE interschool business game.



## AIM Finance Directors' Club

**In September, ICAEW and PwC launched a new group for finance directors of companies quoted on the Alternative Investment Market (AIM). It has long seemed an omission that there was no forum for finance directors of these companies to share information and experiences about the challenges they face in their roles.**

The AIM FD Club fills this gap by facilitating networking opportunities for this community, informing and stimulating discussion on subjects directly or indirectly related to their roles and by providing a public voice to those issues that will have a significant impact on this important sector of the economy.

The inaugural meeting of the Club heard from Charles Davis, Managing Economist at cebr (the Centre for Economics and Business Research) on his analysis of the UK's economic prospects in the run up to the comprehensive spending review and the consequences of the coalition government's policies.

Paul Wright, Finance Director at Workplace Systems attended the first meeting and is a member of the AIM FD Club Steering Group. He said that 'the AIM FD Club sounded like a really useful idea - a club that was really aimed at FDs in business rather than a club that was an adviser driven body. The great advantage of the AIM FD body is that it is an opportunity to meet a peer group from a range of other businesses to talk informally, almost in a mentoring style, without the pressure of a sell, but also to talk about things which impact me every day.'

In the spotlight

# F-TEN provided 25 ICAEW members with the skills and insight they will need to become finance directors

## Supporting

Our Financial Talent Executive Network programme, **F-TEN**, provided 25 ICAEW members with the skills and insight they will need to become finance leaders. Mentors who have supported the programme in 2010 include Alison Reed, former Group Finance Director of Standard Life and Marks & Spencer and Andrew Shilston, Finance Director of Rolls-Royce.

We continue to offer mentoring and executive coaching to members. The **Network of Finance Leaders** develops commercial awareness and leadership skills at Vice-President or Financial Manager level.

We revised our ethics code to improve clarity and consistency, reflecting the International Federation of Accountants' revisions to the code of ethics issued by the International Ethics Standards Board for Accountants.

We launched a new **Insolvency Special Interest Group**. ICAEW is the largest regulator of insolvency practitioners in the UK. This new group will provide support for them at a time when the importance of the insolvency market is clear. The ICAEW Certificate in Insolvency, launched in March 2010, provides a flexible learning programme for professionals specialising in this area.

We are working to become more accessible to students, particularly through the web and social media. This year we ran a number of webinars on subjects like 'managing for the first time' and 'risk management'. The launch of CFAB Ambition, our new online support scheme, will give vital career and professional development support to CFAB students and holders.

The Audit and Assurance Faculty helped prepare members for the transition to the new clarified ISAs (International Standards on Auditing), focused around providing a dedicated web resource, [ISAaudit2010.com](http://ISAaudit2010.com). We published *Right First Time*, which will be an essential guide for firms as they start to use the new ISAs. We also ran **Climbing the Clarity Curve** roadshows around the UK which attracted over 1,600 attendees.

We sought and were granted leave to intervene in a case before the Court of Appeal on the extension of **Legal Professional Privilege** to a wider range of professionals advising on tax issues including ICAEW Chartered Accountants. In its judgement, the Appeal Court ruled against this so we are now exploring our next steps, including taking the debate to Parliament.

Our recruitment portal, [ICAEWjobs.com](http://ICAEWjobs.com), has continued to grow. In 2010, 30,000 job applications were made through the site. Over 20,000 candidates are currently registered. We provide free advertisements for volunteer charity appointments.

We developed a programme of events, covering topics such as volunteering, portfolio careers and planning for retirement as part of the support we provide for retired and retiring members.

To streamline and consolidate our service to members in practice, after research and pilot visits, we launched a **Practice Support Service** and appointed a Head of Practice. In 2011 we will launch a new practice-specific newsletter and make it easier to access support online.



## Informing

Extensive consultation has taken place with members, firms and examiners over the future of the ACA. On the back of this research, we will develop proposals during 2011 to ensure that the ACA remains a world-leading business and finance qualification.

In April 2010, High Fliers Research reviewed 70 brochures, based on a poll of undergraduates. The ICAEW graduate recruitment brochure ranked first for content and seventh overall; an unprecedented achievement for a professional body.

We continue to keep members informed of how changes to the law affect them, and to develop best practice in a range of areas from audit and tax to fighting money laundering and bribery.

We have continued to develop our suite of IFRS learning and assessment programmes, working closely with our strategic partners. In 2010, we launched an

e-learning programme with CIPFA, the **Certificate in International Public Sector Financial Reporting**. We also developed an **IFRS programme** tailored to the needs of SMEs and worked with Chartered Accountants Ireland and BPP, to offer their **Diploma in IFRS** to ICAEW members.

The IT Faculty and Tax Faculty helped members get to grips with XBRL (extensible business reporting language), publishing information including two short booklets, *Demystifying XBRL* and *Implementing XBRL*, and through a series of events held around the country.

In October, we launched our **AIM FD Club**. The club provides a forum for finance directors of AIM quoted companies to share information and experiences about the challenges they face in their roles. It complements the **250 Club** for finance directors of FTSE 250 companies which was established several years ago.

## Insolvency Roadshow

**ICAEW's Insolvency Roadshow attracted over 150 delegates in 2010, who were briefed on changes to insolvency rules and best practice.**

Mark Botwood, Head of Business Recovery and Insolvency at Muras Baker, commented, 'I first went along to ICAEW's Insolvency Roadshow a number of years ago, really to support ICAEW, but I found it extremely useful, both for my own purposes and for the department as well, particularly as they have the QAD examiners and inspectors actually present, and it gave a useful insight into what they find on a visit, and obviously how to improve our department as well.'

'In addition to that they have some very useful speakers,' he added, 'And I have since used what I learned on the job. So I find the Insolvency Roadshow extremely useful for us.'

The Insolvency Roadshow was one of a series of free events and services the ICAEW Insolvency Group, a special interest group launched in 2010, provides to members.

The Insolvency Group is open to ICAEW members and non-members who are interested in insolvency. ICAEW insolvency licence holders will automatically become members at no extra cost. Members will be able to sign up for the group as part of their annual subscription renewal, or via the Insolvency Group's website.

**ICAEW is the UK's largest insolvency practitioner regulator.**

## Our international strategy is about long-term sustainable growth. Today we have members in over 160 countries and nearly a quarter of our new students are from outside the UK, an all-time high

Our international capacity building work and our research and thought leadership both help to build the strong international reputation of ICAEW and our members, and contribute to a strong and sustainable global accountancy profession.

Through the work of our faculties, we have made important contributions to shaping the future of the accountancy profession and business environment. From the role of audit and the convergence of international financial reporting standards to the governance of companies and audit firms, our recommendations command respect from regulators and governments around the world.

### Leading

We launched a campaign for greater transparency and accountability in the public finances, after research we carried out with our economic consultants, cebr, showed that UK public sector debt could be double the official figure.

ICAEW played a leading role at the four-yearly **World Congress of Accountants** in Kuala Lumpur. HRH the Prince of Wales, an ICAEW honorary member, gave the opening address. Our experts also participated in a number of sessions. During the congress, we hosted a reception for members, partners and key stakeholders in the Petronas Towers, attended by the British High Commissioner in Malaysia.

We worked in 2010 to enhance our visibility and strengthen our market positions and prospects in key European countries, including Cyprus, Greece, Poland, Romania and Turkey.

Michael Izza chaired an international expert group reporting on the technical feasibility of a **currency transaction levy**. The report demonstrated that levying a fee on foreign exchange transactions at the point of central, global settlement is technically possible, has the potential

to raise above \$25bn annually and could fund international development and climate change mitigation.

Together with the UK's Financial Reporting Council, we launched the world's first **Audit Firm Governance Code**. The code is being adopted by all the major accountancy firms in the UK and is increasingly recognised as best practice around the world.

Our Financial Services Faculty's report *Audit of banks: lessons from the crisis* examined the role of audit and auditors, and made recommendations on how the audit process might evolve to promote greater confidence in financial information. A number of the report's recommendations have been picked up by other policy-makers including the Financial Services Authority (FSA) and the European Commission, as well as driving our own agenda for 2011.

### Key stats

- ▶ We now have three international regional offices in Brussels, Singapore and Dubai. The fourth will be launched in Beijing in March 2011.
- ▶ Twenty recommendations from our Manifesto, produced for the May 2010 UK general election, were included within the manifestos of the three main UK political parties.
- ▶ We submitted 190 responses and representations to consultations from governments, standard-setters and regulators around the world.





## Audit of banks: lessons from the crisis

**The fall-out from the financial crisis provided an opportunity for us to demonstrate the value of our thought leadership initiatives in leading policy debates.**

One example is the work of the Financial Services Faculty looking at what the accountancy profession and auditors might learn from the events of the last two years. The result was the report *Audit of banks: lessons from the crisis*, issued in June shortly before the Financial Services Authority (FSA) and Financial Reporting Council issued their own consultation into the role of auditors in prudential regulation.

The report followed a six-month research project which included interviews with senior stakeholders from banks, investors and policy-makers. We felt it important that the profession, as with all other stakeholders, took a critical look at itself to identify what improvements might be made in the functioning of the audit system in the future.

A number of our recommendations have been taken up by regulators. The FSA and Bank of England have worked with us on a draft code of conduct on communication between auditors and bank supervisors. The Financial Reporting Council has also launched a project to look at disclosures by audit committees.

Mark Rhys, chair of the faculty, said: 'Not only have a number of our recommendations been taken up by supervisors in the UK, it has generated significant interest more widely. Regulators from as far apart as China and South Africa have asked about our work. By taking a very hard and self-critical look at ourselves, this work has allowed the profession to lead the debate on bank audit issues, rather than just reacting to pressure from politicians or regulators.'

# Our submission to the G20 focused on *Foundations for Ethical and Sustainable Growth*

## Supporting

Our international regional offices in Singapore and Dubai continue to offer support to our members in the South East Asia and Middle East regions.

In June 2010, we launched our new Europe Region, run from our newly refurbished Brussels office. The opening was attended by the British Ambassador to Belgium. Building on our presence in Brussels since 1994, our Europe Region will enable us to widen access to our portfolio of qualifications and extend our capacity building and developing nations agenda, working in partnership with professional institutes across the continent. The Europe Region also continues to lead our public policy engagement with EU institutions.

## Informing

We held our first international policy summit at the New York Stock Exchange on 2 December on the theme of **Crisis without a Legacy?** More summits will take place in 2011 in Asia, Europe and the Middle East.

Our Financial Services Faculty's report on the future of bank audits informed some of the UK regulators' consultations. It formed the basis for our responses to both the European Commission's Green Paper, *Audit of Banks: Lessons from the Crisis*; and the House of Lords Economic Affairs' Select Committee inquiry *Auditors: market concentration and their role*.

Twenty recommendations from **ICAEW's Manifesto**, produced for the May 2010 UK general election, were included within the manifestos of the three main UK political parties. We also made submissions to HM Treasury before the budget and post-election emergency budget as well as making representations to the Treasury teams of all three parties during the progress of two Finance Bills through the House of Commons. Since the election, we have established good relationships with ministers in the coalition government, particularly in the areas of enterprise policy and tax.

Our submission to the G20, *Foundations for Ethical and Sustainable Growth*, urged the G20 to take definite steps to combat corruption, to encourage the development of global standards for carbon emissions reporting and a single set of global accounting standards. It concludes with a series of recommendations on what can be done to create an ethical and sustainable economy.



## Deepak Parekh – Indian financial leader wins Outstanding Achievement Award

**Deepak Parekh, a renowned Indian business personality, won an ICAEW Outstanding Achievement Award in 2010 for his contribution to the finance and accountancy profession.**

Mr Parekh, Chairman of the Housing Development Finance Corporation (HDFC), India's first and largest mortgage company, is the first international winner of the award.

Mr Parekh described winning the award as an absolute honour, saying that he was overwhelmed and delighted to be its recipient. 'The message I want to send out for young students now pursuing the ACA qualification is that although accountancy has got very complex, although we now deal globally and international issues affect how we work, and although the profession calls for the best and brightest minds, if you are anything like the

struggling lad that I was, remember, there is hope for everyone as long as you work hard and do not give up on your dreams.'

Mr Parekh's career has spanned work for both private and public sectors, starting with Ernst & Young in New York. He joined HDFC in 1978. Under his leadership the company was transformed and today offers a broad range of financial services. He has worked too for the Indian government, which has consulted him on issues of national importance and appointed him to a number of committees and advisory panels.

Mr Parekh is committed to social responsibility. HDFC, under his leadership, supports many initiatives in education, medical research and welfare for children and the elderly.

In the spotlight

# We support sustainable business because it makes good business sense and will deliver long-term economic benefit

We believe that sustainability is about much more than saving paper, fuel and water – although that's still important which is why we are working towards a zero carbon ICAEW. We are looking to the future and helping businesses achieve a sustainable business model.

That sustainable business model will be central to our response to the UK government's growth agenda. Any economic growth should be to help build business confidence in the short-term while securing the basis for sustainable growth in the medium to long-term through supporting entrepreneurship, technology and innovation.

We take the view that acting in the public interest is in the long-term interest of the profession and its members. Over the past year we have carried out detailed work in a number of areas including ethics, and fighting bribery, corruption and economic crime. And we continue to encourage members to give their time to support financial education in schools.

### Leading

The **Finance Innovation Lab**, which we co-convene with WWF-UK, continues to attract wide support from business, finance and academia. Working from the premise that the financial crisis has revealed shortcomings in the current market arrangements, the Finance Innovation Lab asks the question: how do we create a financial system that sustains people and the planet?

We launched an **ICAEW Emiratisation Scholarship Scheme** in Dubai with HH Sheikh Nahayan, the UAE Minister of Higher Education. The aim of the scheme is to attract more Emiratis into the accountancy profession and help build the pool of business leaders in the UAE. Successful applicants secure an ACA training agreement and a three-year contract with one of the major accountancy firms.

Our international capacity building work with the World Bank continued to focus on making national accountancy bodies strong and sustainable, and able to help build national financial infrastructure and international business confidence. We completed a successful 30-month project in Bangladesh, while the World Bank-sponsored twinning project with the Botswana Institute of Accountants continues into 2011. Audit oversight and training projects took place in Bulgaria, Croatia and Serbia and we continue to operate a service contract in audit quality assurance in Dubai.

### Key stats

- The Finance Innovation Lab project has attracted 2,300 participants, £195k in funding and created over 10 Innovation groups.
- The first five training contracts through our Emiratisation Scholarship Scheme were given to students in Dubai.





## ICAEW Emiratization Scholarship Scheme

**The ICAEW Emiratization Scholarship Scheme (IESS) was successfully launched in December with the first five students. ICAEW has worked with the four largest accountancy firms to create a unique opportunity for top Emirati students to build a strong accounting profession locally, and help grow the future business leaders of the UAE.**

Having recently graduated from the American University in Dubai, Muhra Al Mulla, one of the first recipients of the scheme, aims to tie her top academic background in finance with the practical and hands-on nature of the ACA. 'The ACA is known and respected all over the world which is why I feel blessed to be a part of this scheme. It is sure to open up a lot of doors for top business students in the UAE.'

For Mohammad Zamani, another successful recipient of the scholarship scheme, the opportunity came at exactly the right time as he is poised to graduate in accounting from the American University of Sharjah, in early 2011. 'My professor was the one who encouraged me to take up this opportunity. In this competitive field you need world-class qualifications to stand out.'

Guest of honour at the ceremony, HH Sheikh Nahayan Mubarak Al Nahayan, UAE Minister of Education, said 'Educating our citizens to the highest level is an essential building block of modern society. The UAE is committed to strengthening employment opportunities through education for its citizens.'

In the spotlight

# Our annual Global and UK Enterprise surveys and quarterly UK Business Confidence Monitor help support members in business

## Supporting

We ran a successful series of **Carbon Reduction Commitment** workshops for finance directors in the UK. This was a joint project with the Carbon Trust Standard, KPMG and the Environment Agency, and responded to changes in the law under the UK Climate Change Act.

We continue to work on a financial inclusion project called **At Home with Money**. At Home with Money is a project which is being jointly managed by ICAEW and Grant Thornton, in partnership with the National Skills Academy for Financial Services and Poplar Housing and Regeneration Community Association (Poplar HARCA). It is one of our two financial capability projects and involves the development of an online financial capability resource (a website) which aims to make financial matters easy to understand and easily accessible. The tool will be launched in Poplar later this year.

The Tax Faculty has continued to press the case with both HMRC and also with Parliament about the need for HMRC to improve standards of service. This continues to be a key concern, not just of members but also the wider public and particularly in the media where the continuing furore over the operation of the PAYE system has brought HMRC's processing problems centre stage.

## Informing

We help our members support business in a number of ways, including annual **Global and UK Enterprise surveys**, and a quarterly *UK Business Confidence Monitor* which gives a good insight into the outlook for GDP. In 2010 we were invited to join the UK's Small Business Economic Forum which aims to help create a business friendly environment.

We ran a panel session on carbon reporting at the American Accounting Association's annual conference and continued our series of Economic and Social Research Council-sponsored seminars **When worlds collide: Contested paradigms of corporate responsibility**. These were developed in partnership with academics from Cass Business School, City University, the University of Leeds, the University of Aston and the University of Lancaster.

Reflecting the importance we give to sustainability, we held a high-level roundtable in the European Parliament to discuss corporate social responsibility and responded to the EU debate on moving 'beyond GDP' by hosting a reception in the Parliament to launch our briefing on qualitative growth.

Our Audit and Assurance Faculty published *Sustainability assurance: your choice*, which helps businesses understand how assurance services might enhance their sustainability reporting.



## Financial Capability: the tools to do the job

**With the nation's personal debt at record levels, (£1,460bn according to money education charity Credit Action), one of the most obvious and arguably urgent areas where members can pass on their skills and experience is in personal financial management.**

For the past year, volunteers from Grant Thornton have been working in partnership with ICAEW and the Poplar Housing and Regeneration Community Association to identify the most pressing financial issues and individuals in most need of support on debt and other money matters. Volunteers and the Poplar community leaders recruited local young people to go out into community groups and work with residents to pinpoint the greatest problem areas.

This has led to the development of ICAEW's project At Home with Money. Jointly managed by ICAEW and Grant Thornton and run in partnership with NSAFS and Poplar HARCA, the project involves the development of an online financial capability resource (a website) which aims to make financial matters easy to understand and easily accessible.

However, this is one of ICAEW's two financial capability projects, the other of which, Use Your Expertise, invites members to volunteer in schools across the UK with the aim of increasing the financial capability of the students with whom they engage.

Jeremy Cox, Head of Financial Management at the Coventry Building Society, has been part of such a scheme for several years, and has developed it to provide support for 20 secondary schools.

'When I heard about ICAEW's initiative to develop financial capability and the work they were doing with pfeg, it sounded like a fantastic way of developing our community programme, and for me personally to give something back to the customers of the financial services organisations that I'd worked for', he said.

'At the start, it was me and other ICAEW members signing up and getting partnerships with teachers. What we did then in the Coventry was to take that forward. We've trained up over 60 members of staff now who can go and deliver this training across over 20 schools.'

'I would really recommend it to other members of ICAEW. It's a fantastic way of using the financial capabilities you have to give something back to the communities you operate in, and it also gives you a great insight into your future consumers and customers. As well as that it helps with your professional development: presenting to a group of 14 year old children can be quite a challenge in itself.'

[icaew.com/financialcapability](http://icaew.com/financialcapability)

# Financial review

Our financial statements for 2010 include the four charitable trusts associated with ICAEW together with our international subsidiaries. The commentary below relates primarily to the operating activities of ICAEW.

## Results

Total income was £76.4m, £2.7m higher than in 2009. The retained surplus after tax for the year was £1.8m (2009: £0.7m).

Net assets at 31 December 2010 were £29.3m, an increase of £7.9m over 2009 net assets of £21.4m. Cash and cash equivalents ended the year at £10.3m, reflecting a net cash inflow of £0.3m in the year. Total cash and investments, stood at £41.1m at the end of the year, an increase of £2.9m on 2009.

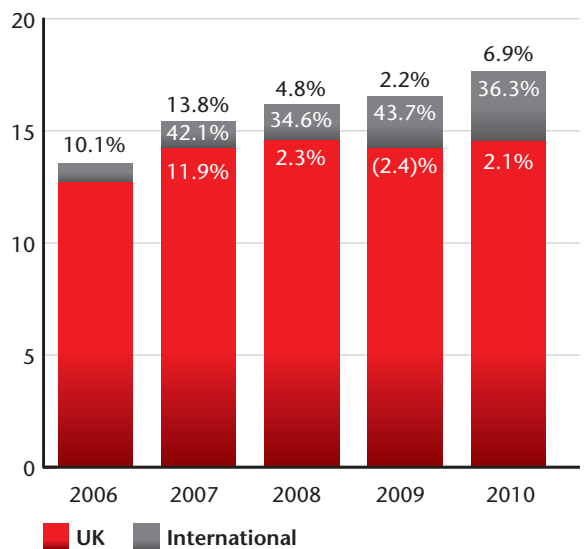
The consolidated outcome for the year, including the results of ICAEW's charitable trusts, was a surplus after tax of £2.0m (2009: £1.1m).

## Student and membership growth

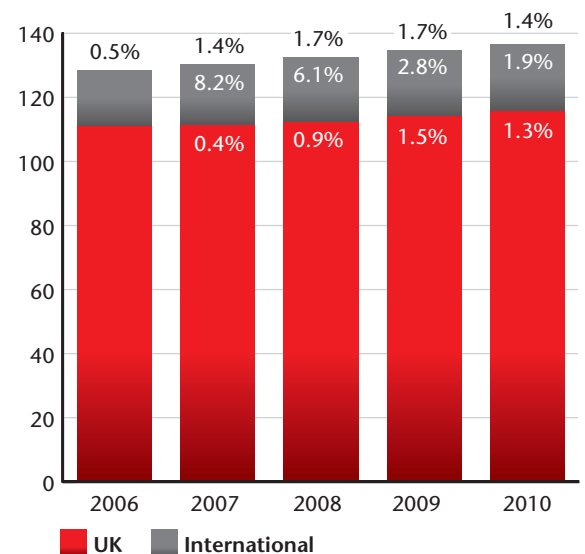
2010 ACA student intake of 5,652 (2009: 4,854) was the highest for 19 years and reflects both increases in our market share in the UK and growth in our number of overseas students. Total ACA student numbers at the end of 2010 stood at 17,653 (2009: 16,517). In addition 625 students signed up for our foundation level Certificate in Finance, Accounting and Business (2009: 342).

Membership grew by 1.4% to 136,615, from admissions of newly qualified students to membership, together with reciprocal and similar arrangements with members of other institutes.

Student growth ('000)



Membership growth ('000)





## Income

Revenue from members' fees and subscriptions rose by 3.4% to £36.0m. Other income, outside of core fees and subscriptions, increased by £1.5m to £40.4m in 2010.

Income from students and other qualifications, including ACA, International Financial Reporting Standards (IFRSs), Corporate Finance and the Diploma in Charity Accounting remained flat at £11.8m.

Professional standards income, including from practice regulation together with disciplinary-related income, reduced by £0.5m to £13.7m.

Revenues from our commercial initiatives increased in the year to £4.6m (2009: £3.9m).

During 2010, the final Joint Disciplinary Scheme (JDS) case was concluded and resulted in fines of £0.4m and cost recoveries of £2.1m being returned to ICAEW by the scheme.

Investment income increased 28% to £1.8m following a review of our investment policy and objectives in 2009.

## Expenditure

Operating expenditure increased by 1.9% over the year to £74.5m. We have continued to exert tight control over our costs, while investing in our strategy.

Learning and professional development expenditure reduced by 4.5% to £14.8m (2009: £15.5m) as a result of restructuring carried out during the year, continued cost control, and the transfer of certain international responsibilities to the regional teams.

Within our regional teams costs increased to £8.1m from £6.5m in 2009 as we continued to invest in supporting our members and students locally in the UK while continuing to develop our international regional network.

During 2010 we charged costs of £5.1m to the income statement in relation to the Accountancy and Actuarial Discipline Board (AADB), an increase of £3.0m on 2009. This reflects the funding required for their increasing case load.

The AADB carries out independent investigations of the work and conduct of chartered accountants, both in public practice and elsewhere, where this has given rise to public concern.

## Tax

The net corporation tax charge for the year was £0.1m (2009: £0.1m credit).

## Pensions

ICAEW's defined benefits pension scheme was closed to future accrual from 30 June 2010.

As part of the agreement to the closure of the scheme, we have agreed to make deficit funding contributions of £6.0m a year for three years, reducing to £3.5m a year thereafter until the deficit is eliminated. We have also agreed to increase funds held in escrow should there be a breach of our financial covenants, from £5.0m to £10.0m. A charge remains over Chartered Accountants' Hall.

Employees who participated in the scheme have been invited to join ICAEW's defined contribution pension arrangements, with transitional enhanced employer contributions payable until June 2013.

The 2010 actuarial valuation of the scheme has not yet been completed but is expected to show a deficit as at 31 March 2010 of £22.6m. The deficit funding arrangements referred to above are intended to eliminate the deficit in around five years. We are working with the trustee to develop and implement an investment strategy intended to make the scheme entirely self-sufficient by 2025.

The IAS 19 deficit on the scheme at 31 December 2010 was £5.7m (2009: £14.8m) following a year of good investment performance in addition to the impact of closing the scheme to future accrual and deficit funding contributions.

## Financial position

Net assets at 31 December 2010 were £29.3m - an increase of £7.9m on the 2009 position. The most significant movement within net assets was the reduction in ICAEW's share of the pension deficit to £5.4m from £14.2m in 2009 discussed above.

During 2010 the market value of our long-term investments increased to £30.8m from £28.2m in 2009. In addition, the value of Chartered Accountants' Hall, together with our silver collection and antiques, increased by £1.2m in total, following a reduction in 2009 of £1.8m. Chartered Accountants' Hall was valued at £8.9m at 31 December 2010.

Trade and other payables were £28.2m (2009: £26.8m). This increase reflects our continued focused approach to working capital management as well as an increase in 2011 regulatory income in advance.

We have provided £8.8m (2009: £5.3m) of costs relating to the AADB at 31 December 2010 reflecting their increasing case load. Case costs are forecast on the basis of the available information on actual or prospective cases. However, the accuracy of the forecast will depend on assumptions made as to the progress of individual cases and is subject to a significant degree of uncertainty. We do not take account of any potential future income from fines or cost recoveries from the AADB before a judicial judgement has been made.

## Cash flow

Cash balances at 31 December 2010 were £10.3m. Net cash inflow was £0.3m compared to a £1.3m inflow in 2009. Our cash profile fluctuates on an annual cycle, this year peaking at £36.2m in March and bottoming out at £4.9m in November.

We continued to focus on working capital management with a net inflow of £0.4m in the year in that area. Funding of the JDS and the AADB saw a cash outflow of £2.2m (2009: £2.5m).

ICAEW provided £6.2m (2009: £3.9m) of funding to the Staff Pensions Fund, in line with the current agreement.

Capital expenditure was £2.7m (2009: £3.3m). We expect to spend £3.0m of capital expenditure in 2011.

The auditor has issued unqualified reports on the full financial statements and on the consistency of the annual review and financial review with those full financial statements.

## Further information

You can get full financial statements:

- online at [icaew.com/review](http://icaew.com/review);
- by emailing [fullaccounts@icaew.com](mailto:fullaccounts@icaew.com); or
- by writing to Andrew Fagg, Finance Director at the address listed on the back cover of this review.

# Summary financial statements

## Summary group income statement

For the year ended 31 December 2010

	2010			2009 restated <sup>1</sup>		
	Income £m	Expenditure £m	Net £m	Income £m	Expenditure £m	Net £m
Subscriptions and fees	36.0	-	36.0	34.8	-	34.8
Learning and professional development	11.8	(14.8)	(3.0)	11.8	(15.5)	(3.7)
Professional standards	13.7	(14.2)	(0.5)	14.2	(14.5)	(0.3)
Member services	4.6	(10.6)	(6.0)	3.9	(10.3)	(6.4)
Regional services	0.1	(8.1)	(8.0)	0.1	(6.5)	(6.4)
Technical strategy	3.9	(9.1)	(5.2)	3.8	(9.0)	(5.2)
Central activities	-	(10.9)	(10.9)	0.1	(10.8)	(10.7)
Charitable trusts	0.2	(1.2)	(1.0)	0.3	(1.3)	(1.0)
	<u>70.3</u>	<u>(68.9)</u>	<u>1.4</u>	<u>69.0</u>	<u>(67.9)</u>	<u>1.1</u>
Joint Disciplinary Scheme	0.4	2.2	2.6	-	(0.1)	(0.1)
Accountancy and Actuarial Discipline Board	1.4	(5.1)	(3.7)	0.9	(2.1)	(1.2)
Other regulatory and professional associations	0.8	(2.9)	(2.1)	0.8	(3.1)	(2.3)
	<u>2.6</u>	<u>(5.8)</u>	<u>(3.2)</u>	<u>1.7</u>	<u>(5.3)</u>	<u>(3.6)</u>
Other income - licence and data access fees	1.9	-	1.9	1.9	-	1.9
<b>Operating result</b>	<b>74.8</b>	<b>(74.7)</b>	<b>0.1</b>	<b>72.6</b>	<b>(73.2)</b>	<b>(0.6)</b>
Investment income	2.0	-	2.0	1.6	-	1.6
<b>Result before taxation</b>	<b>76.8</b>	<b>(74.7)</b>	<b>2.1</b>	<b>74.2</b>	<b>(73.2)</b>	<b>1.0</b>
Taxation			(0.1)			0.1
<b>Net result after taxation</b>			<b>2.0</b>			<b>1.1</b>

1 The presentation of the income statement has been revised to reflect current responsibilities more accurately; 2009 figures have been re-analysed in line with this presentation, this has no impact on the previously reported net assets or result.

► **Summary ICAEW income statement**  
For the year ended 31 December 2010

	2010			2009 restated <sup>2</sup>		
	Income £m	Expenditure £m	Net £m	Income £m	Expenditure £m	Net £m
Subscriptions and fees	36.0	-	36.0	34.8	-	34.8
Learning and professional development	11.8	(14.8)	(3.0)	11.8	(15.5)	(3.7)
Professional standards	13.7	(14.2)	(0.5)	14.2	(14.5)	(0.3)
Member services	4.6	(10.6)	(6.0)	3.9	(10.3)	(6.4)
Regional services	0.1	(8.1)	(8.0)	0.1	(6.5)	(6.4)
Technical strategy	3.9	(9.1)	(5.2)	3.8	(9.0)	(5.2)
Central activities	-	(10.3)	(10.3)	0.1	(10.2)	(10.1)
	<b>70.1</b>	<b>(67.1)</b>	<b>3.0</b>	<b>68.7</b>	<b>(66.0)</b>	<b>2.7</b>
Joint Disciplinary Scheme	0.4	2.2	2.6	-	(0.1)	(0.1)
Accountancy and Actuarial Discipline Board	1.4	(5.1)	(3.7)	0.9	(2.1)	(1.2)
Other regulatory and professional associations	0.8	(2.9)	(2.1)	0.8	(3.1)	(2.3)
	<b>2.6</b>	<b>(5.8)</b>	<b>(3.2)</b>	<b>1.7</b>	<b>(5.3)</b>	<b>(3.6)</b>
Other income - licence and data access fees	1.9	-	1.9	1.9	-	1.9
Gift aid and library funding	-	(1.6)	(1.6)	-	(1.8)	(1.8)
<b>Operating result</b>	<b>74.6</b>	<b>(74.5)</b>	<b>0.1</b>	<b>72.3</b>	<b>(73.1)</b>	<b>(0.8)</b>
Investment income	1.8	-	1.8	1.4	-	1.4
<b>Result before taxation</b>	<b>76.4</b>	<b>(74.5)</b>	<b>1.9</b>	<b>73.7</b>	<b>(73.1)</b>	<b>0.6</b>
Taxation			(0.1)			0.1
<b>Net result after taxation</b>			<b>1.8</b>			<b>0.7</b>

2 The presentation of the income statement has been revised to reflect current responsibilities more accurately; 2009 figures have been re-analysed in line with this presentation, this has no impact on the previously reported net assets or result.

► Summary statements of financial position  
As at 31 December 2010

	Note	2010 £m	2009 £m	Group 2008 £m	2010 £m	2009 £m	ICAEW 2008 £m
<b>Assets</b>							
Non-current assets	2	64.5	60.1	58.6	53.2	49.9	49.8
Current assets		20.3	19.6	18.5	19.8	19.1	18.2
<b>Total assets</b>		<b>84.8</b>	<b>79.7</b>	<b>77.1</b>	<b>73.0</b>	<b>69.0</b>	<b>68.0</b>
<b>Liabilities</b>							
Current liabilities		(34.1)	(30.8)	(29.4)	(33.6)	(30.4)	(29.1)
Non-current liabilities		(10.4)	(17.8)	(10.5)	(10.1)	(17.2)	(10.1)
<b>Total liabilities</b>		<b>(44.5)</b>	<b>(48.6)</b>	<b>(39.9)</b>	<b>(43.7)</b>	<b>(47.6)</b>	<b>(39.2)</b>
<b>Total net assets</b>		<b>40.3</b>	<b>31.1</b>	<b>37.2</b>	<b>29.3</b>	<b>21.4</b>	<b>28.8</b>
<b>Reserves</b>							
Revaluation reserve		5.3	4.2	5.9	5.3	4.2	5.9
Investment revaluation reserve		2.6	1.3	(0.1)	2.6	1.3	(0.1)
Accumulated fund		17.5	10.0	17.0	17.3	9.9	16.9
Faculties		1.0	0.5	0.5	1.0	0.5	0.5
Practice regulation <sup>3</sup>		-	2.5	2.6	-	2.5	2.6
Chartered Accountants' Compensation Scheme		3.1	3.0	3.0	3.1	3.0	3.0
Charitable trusts		10.8	9.6	8.3	-	-	-
	3	<b>40.3</b>	<b>31.1</b>	<b>37.2</b>	<b>29.3</b>	<b>21.4</b>	<b>28.8</b>

Approved on behalf of the council



Gerald Russell President  
15 March 2011



Michael Izza Chief Executive

3 From 2010 the former practice regulation reserves have been amalgamated into the accumulated fund.

## ► Summary statements of cash flows

For the year ended 31 December 2010

	Group		ICAEW	
	2010	2009	2010	2009
	£m	£m	£m	£m
Cash generated from operating activities	9.4	9.0	9.3	8.7
Cash outflow on pension liabilities	(6.2)	(3.9)	(6.2)	(3.9)
Cash outflow on JDS and AADB	(2.2)	(2.5)	(2.2)	(2.5)
Purchase of property, plant and equipment	(1.6)	(2.5)	(1.6)	(2.5)
Purchase of intangible assets	(1.1)	(0.8)	(1.1)	(0.8)
Deferred consideration received	1.0	1.0	1.0	1.0
Net (purchase)/disposal of available for sale investments	(0.7)	(0.1)	(0.5)	0.1
Investment income received	1.7	1.4	1.6	1.2
<b>Net increase in cash and cash equivalents in the year</b>	<b>0.3</b>	<b>1.6</b>	<b>0.3</b>	<b>1.3</b>
Net cash and cash equivalents at 1 January	10.5	8.9	10.0	8.7
<b>Net cash and cash equivalents at 31 December</b>	<b>10.8</b>	<b>10.5</b>	<b>10.3</b>	<b>10.0</b>

## ► Notes to the summary financial statements

For the year ended 31 December 2010

### 1 Basis of preparation

The summary financial statements have been extracted from ICAEW's full financial statements for the year ended 31 December 2010, which have been prepared in accordance with International Financial Reporting Standards, and under the historical cost convention as modified by the revaluation of properties and available for sale investments.

### 2 Non-current assets

	Group			ICAEW		
	2010	2009	2008	2010	2009	2008
	£m	£m	£m	£m	£m	£m
Carrying amounts						
Property, plant and equipment	19.0	17.2	18.2	19.0	17.2	18.2
Intangible assets	2.7	2.4	2.6	2.7	2.4	2.6
Investments in associated undertakings	0.1	0.1	0.1	-	-	-
Available for sale investments	42.0	38.3	34.8	30.8	28.2	26.1
Deferred consideration receivable	0.5	1.5	2.5	0.5	1.5	2.5
Deferred tax asset	0.2	0.6	0.4	0.2	0.6	0.4
	<b>64.5</b>	<b>60.1</b>	<b>58.6</b>	<b>53.2</b>	<b>49.9</b>	<b>49.8</b>

### 3 Reserves

						Group
	Revaluation reserve £m	Investment revaluation reserve £m	Accumulated fund £m	Self- financing reserves £m	Charitable trusts £m	Total £m
<b>Reserves at 1 January 2010</b>	<b>4.2</b>	<b>1.3</b>	<b>10.0</b>	<b>6.0</b>	<b>9.6</b>	<b>31.1</b>
Net result after taxation	-	-	1.4	0.5	0.1	2.0
Re-classification of practice regulation reserves to accumulated fund <sup>4</sup>	-	-	2.5	(2.5)	-	-
Increase in valuation of property, plant and equipment	1.2	-	-	-	-	1.2
Net change in market value of long-term investments over cost	-	1.8	-	-	0.9	2.7
Actuarial gains recognised in year on defined benefit pension scheme	-	-	4.0	0.1	0.2	4.3
Deferred tax attributable to above	(0.1)	(0.5)	(0.4)	-	-	(1.0)
Total comprehensive income/(expense) in the year	1.1	1.3	7.5	(1.9)	1.2	9.2
<b>Reserves at 31 December 2010</b>	<b>5.3</b>	<b>2.6</b>	<b>17.5</b>	<b>4.1</b>	<b>10.8</b>	<b>40.3</b>

					ICAEW
	Revaluation reserve £m	Investment revaluation reserve £m	Accumulated fund £m	Self- financing reserves £m	Total £m
<b>Reserves at 1 January 2010</b>	<b>4.2</b>	<b>1.3</b>	<b>9.9</b>	<b>6.0</b>	<b>21.4</b>
Net result after taxation	-	-	1.3	0.5	1.8
Re-classification of practice regulation reserves to accumulated fund <sup>4</sup>	-	-	2.5	(2.5)	-
Increase in valuation of property, plant and equipment	1.2	-	-	-	1.2
Net change in market value of long-term investments over cost	-	1.8	-	-	1.8
Actuarial gains recognised in year on defined benefit pension scheme	-	-	4.0	0.1	4.1
Deferred tax attributable to above	(0.1)	(0.5)	(0.4)	-	(1.0)
Total comprehensive income/(expense) in the year	1.1	1.3	7.4	(1.9)	7.9
<b>Reserves at 31 December 2010</b>	<b>5.3</b>	<b>2.6</b>	<b>17.3</b>	<b>4.1</b>	<b>29.3</b>

4 From 2010 the former practice regulation reserves have been amalgamated into the accumulated fund.

## ► Summary corporate governance statement

The council has adopted the provisions of section 1 of the Combined Code prepared by the committee on corporate governance, to the extent appropriate. During the year the council has monitored and assessed key risks in compliance with the guidance *Internal control: guidance for directors on the combined code*. The full corporate governance statement is set out in the financial statements for the year ended 31 December 2010.

## ► Independent auditor's statement to the members of The Institute of Chartered Accountants in England and Wales

We have examined summary financial statements of The Institute of Chartered Accountants in England and Wales (ICAEW) for the year ended 31 December 2010, which comprise the summary group income statement, summary ICAEW income statement, summary statements of financial position, summary statements of cash flows and notes to the summary financial statements.

This report is made solely to ICAEW's members, as a body. Our audit work has been undertaken so that we might state to ICAEW'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 ICAEW and ICAEW's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of the council and auditors**

The council is responsible for preparing the annual review and the summary financial statements. Our responsibility is to report to you our opinion on the consistency of the summary financial statements within the annual review with the full annual report and financial statements. We also read the other information contained in the annual review and summary financial statements and consider the implications for our report if we become aware of any apparent mis-statements or material inconsistencies with the summary financial statements. The other information comprises only the annual review 2010 and financial review.

### **Basis of audit opinion**

We conducted our work in accordance with Bulletin 2008/3 **The Auditor's Statement on the Summary Financial Statement in the UK** issued by the Auditing Practices Board. Our report on ICAEW's full annual financial statements describes the basis of our audit opinion on those financial statements, the financial review and the corporate governance statement.

### **Opinion**

In our opinion, the summary financial statements are consistent with the full financial statements of ICAEW for the year ended 31 December 2010.



**Grant Thornton UK LLP**  
Registered Auditor  
Chartered Accountants  
London

15 March 2011



# List of council members

as at 31 December 2010

The attendance record at meetings of council in 2010 is shown alongside each member (actual/possible).

## President

**Gerald Russell (6/6)**  
Consultant

## Deputy-President

**Clive Parritt (6/6)**  
Chairman Baronsmead VCT 2 plc; DiGiCo Europe Ltd; BG Consulting Group Ltd; Non-executive Director, London & Associated Properties plc and other companies

## Vice-President

**Mark Spofforth (5/6)**  
Partner, Spofforths

**Caroline Al-Beyerty (5/6)**  
Observer member as CIPFA's representative  
Head of Audit Practice, Audit Commission

**Paul Aplin (6/6)**  
Co-opted, member with liaison link to HMRC  
Tax Partner, A C Mole & Sons

**Michael Arnold (4/6)**  
Elected, South Eastern  
Consultant

**Malcolm Bacchus (6/6)**  
Elected, London  
Finance Director, Vyke Communications plc  
and Principal, Baccma Consulting

**Andrew Baigent (6/6)**  
Elected, London  
Director General, National Audit Office

**Arthur Bailey (6/6)**  
Elected, Staffs, Salop & Wolverhampton  
Consultant, Begbies Traynor Group and  
Non-Executive Director

**John Ball (4/6)**  
Elected, Nottingham, Derby & Lincoln  
Director, JB Professional Services Ltd

**Mark Barnish (4/6)**  
Elected, Staffs, Salop and Wolverhampton  
Consultant

**Carl Bayley (5/6)**  
Elected, Scotland  
Director, Bayley Miller Ltd

**Tony Bennewith (5/6)**  
Elected, South Eastern  
Senior Partner, A J Bennewith and Co.

**Penny Bickerstaff (4/6)**  
Co-opted, Chairman, Member Services Board  
Independent Management Consultant

**Evie Bowyer (4/4) See Note 1**  
Elected, London  
Director, EVB Training Consultancy Ltd

**Heather Cheesman (5/6)**  
Elected, South Eastern  
Manager, Spofforths

**Ian Cherry (6/6)**  
Elected, North West  
Director, A I Cherry Ltd

**David Chitty (4/6)**  
Elected, Croydon  
Partner, Crowe Clark Whitehill LLP

**Michael Colin (4/6)**  
Elected, Manchester  
Independent consultant

**John Collier (2/6)**  
Elected, London  
Director, Clive & Stokes International,  
Executive Search

**Dennis Cox (4/6)**  
Elected, London  
CEO Risk Reward Limited

**Nick Cudmore (4/6)**  
Elected, Humberside & District  
Partner, Duncan & Toplis

**Jimmy Daboo (5/6)**  
Elected, London  
Partner, KPMG LLP

**Feroze Dada (4/6)**  
Elected, London  
Senior Partner, Freeman & Partners

**Ashish Dave (4/6)**  
Co-opted, member in the UAE  
Executive Director, ABRAAJ Capital Limited

**Ian Davies (6/6)**  
Elected, Southern  
Chairman, The Independent Director Ltd

**Andrea Dunhill (4/6)**  
Elected, Croydon  
Principal Lecturer, Accounting and Finance,  
Kingston University Business School

**Frank Edwards (6/6)**  
Elected, South Wales  
Director, CODA Business Management Ltd

**David Evans (2/6)**  
Co-opted, senior partner of an international  
Group A firm  
UK Senior Partner, Mazars LLP

**Keith Ferguson (5/6)**  
Elected, South Wales  
Director, KB Ferguson Ltd, Chartered  
Accountants

**Susan Field (5/6)**  
Elected, London  
Sole Practitioner

**Owen Finn (5/6)**  
Elected, Humberside and District  
Managing Director, Premier Building  
& Engineering Services UK Ltd

**Richard Frost (6/6)**  
Elected, Sheffield & District  
Audit Partner, Hawsons

**David Furst (4/6)**  
Ex officio, Past President  
Chairman, Crowe Clark Whitehill LLP, London

**Graeme Gordon (4/6)**  
Elected, Thames Valley  
Executive Director/CEO, Praxity

**Bill Graham (3/6)**  
Elected, Northern  
Consultant

**Richard Green (5/6)**  
Ex officio, Corporate Finance Faculty  
representative  
Chairman, August Equity LLP

**Howard Gross (5/6)**  
Elected, London  
Chief Executive, Gross Klein

**Martin Hagen (5/6)**  
Ex officio, Past President  
Non-executive Director, South West Water  
and Swallowfield plc and deputy chairman,  
Regulatory Decisions Committee, Financial  
Services Authority

**Barrie Harding (6/6)**  
Elected, South Essex  
Sole Practitioner

**Richard Harwood (6/6)**

Elected, Birmingham & West Midlands  
Principal, Harwoods

**Michael Hawley (3/6)**

Elected, Nottingham Derby & Lincoln  
Lecturer and Consultant, Beeley Hawley  
& Co. Ltd

**Ian Hayes (5/6)**

Elected, London  
Managing Director, Vataxworld Ltd

**Christopher Heaton (3/6)**

Elected, Sheffield & District  
Managing Director, OSL Automotive Ltd  
and CHCT Ltd

**John Hilton (3/6)**

Elected, West of England  
Practice Director, Thring Townsend Solicitors

**Marion Hodgkiss (5/6)**

Elected, Liverpool  
Kaplan Financial Ltd

**Philip Hollins (4/6)**

Elected, London  
tba

**Alistair Hollows (6/6)**

Elected, Manchester  
Director, IFA Mentor Ltd

**Richard Hopkins-Burton (3/6)**

Ex officio, ICAEW Student  
Council representative  
Executive, Corporate Finance, Deloitte LLP

**Nigel Hughes (6/6)**

Elected, Beds Bucks and Herts  
Managing Director, Totteridge Associates Ltd

**Chris Humphrey (6/6)**

Co-opted, academic  
Professor of Accounting (MAFG),  
Manchester Business School

**Stephen Huyton (6/6)**

Co-opted, member in the EU  
Financial Director, Thermopatch bv

**Constantine Ioannou (5/6)**

Elected, London  
Partner, Ioannou & Co. and Company  
Director of various companies

**Peter Jenkins (5/6)**

Elected, London  
Finance Director, The Prince's  
Regeneration Trust

**Jeremy Jennings (3/6)**

Co-opted, member in the EU  
Global Director, Regulatory and Government  
Relations, Ernst & Young

**Suwei Jiang (1/6)**

Co-opted, younger member  
Director, PwC China Business Centre

**Grant Jones (5/6)**

Elected, London  
London Office Partner, Cooper Parry LLP,  
Solicitor and New York Attorney

**Martyn Jones (6/6)**

Co-opted, Chairman,  
Ethics Standards Committee  
National Audit Technical Partner, Deloitte LLP

**Neeraj Kapur (3/6)**

Co-opted, member in financial institution  
Managing Director, Lombard Asset  
Finance Group

**George Kourris (4/4) See Note 2**

Co-opted, member in the EU  
Partner, Ernst & Young

**Robin Liddell (6/6)**

Elected, Northern  
Director, RS Liddell Consulting Ltd

**Hilary Lindsay (6/6)**

Elected, Leics & Northants  
Business School Lecturer and E-learning  
consultant

**Alan Livesey (6/6)**

Elected, Scotland  
Managing Director, D.A.T.A. Services Ltd

**Andrew Lovelady (4/6)**

Elected, Liverpool  
Group Finance Director, Ethel Austin  
Property Group

**Ara Martirosian (4/6)**

Elected, South Eastern  
Managing Director, Red IT Solutions Limited

**Barry Matthews (6/6)**

Elected, Birmingham & West Midlands  
Director, Bissell & Brown Ltd

**David Matthews (4/4) See Note 2**

Co-opted, senior partner in a Big Four firm  
Partner, KPMG LLP

**Cameron Maxwell (5/6)**

Elected, South Essex  
Consultant, Avesco Group plc

**David McBride (5/6)**

Elected, London  
tba

**Roger Merchant (6/6)**

Elected, Leics & Northants  
Partner, PKF (UK) LLP

**Robert Millea (6/6)**

Elected, East Anglian  
Vice Chairman, West Suffolk College  
and Consultant

**Peter Mitchell (5/6)**

Elected, Beds Bucks and Herts  
Senior Partner, Peter Mitchell & Co  
and Chairman, Society of Professional  
Accountants

**Sheilagh Moffat (6/6)**

Elected, Birmingham & West Midlands  
Partner, Moffat Gilbert

**Alfred Morris CBE (3/6)**

Elected, West of England  
Vice-Chancellor, London Metropolitan  
University

**Gerry Murphy (4/6)**

Ex officio, Chairman,  
Audit and Assurance Faculty  
Audit Partner, Deloitte LLP

**Nick Parker (3/6)**

Elected, Southern  
Regional Director of Tax, RSM Tenon

**Michael Pavia (4/6)**

Co-opted, senior member in business  
Non-executive Director, British Nuclear  
Fuels plc, Thames Water plc, Telecom Plus  
plc, Salamander Energy plc, ACA Ltd and  
Elizabeth Finn Care

**Philip Pawson (3/6)**

Elected, West Yorkshire  
Barrister and consultant

**Andrew Ratcliffe (4/6)**

Co-opted, Chairman,  
Technical Strategy Board  
Partner, PricewaterhouseCoopers LLP

**Chris Sanger (2/6)**

Ex officio, Chairman Tax Faculty  
Tax Partner, Ernst & Young LLP

**Ann Shaw (2/6)**

Elected, North West  
Managing Director,  
Parkfoot Holiday Homes Ltd

**Robert Sheffrin (5/6)**

Elected, Manchester  
Compliance Director, Braemar Securities

**Andy Simmonds (3/6)**

Ex officio, Chairman,  
Financial Reporting Faculty  
Accounting Technical Partner, Deloitte LLP

**Philip Smith (5/6)**

Ex officio, representative of the Finance and  
Management Faculty  
Turnaround Specialist

**Joe Smoczynski (4/6)**

Co-opted, member in the EU  
President, Baker Tilly & Smoczynski  
& Partners Sp.zoo

**Christopher Spokes (6/6)**

Elected, East Anglian  
Partner, Bidwells

**Elizabeth Stanton (2/6)**

Elected, London  
Partner, Ernst & Young LLP

**Nathan Steinberg (6/6)**

Elected, London  
Partner, Munsloves and Non-executive  
Director, Ambrian Capital plc  
and Longships plc

**Mike Sturgess (6/6)**

Elected, South Western  
Managing Director, Swat UK Ltd

**Jonathan Teller (6/6)**

Ex officio, representative of the Information  
Technology Faculty Consultant

**John Tiernay (5/6)**

Elected, Liverpool  
Partner, TiernayFedrick

**Peter Tucker (6/6)**

Elected, Beds Bucks and Herts  
Tax Partner, Dickinsons Chartered  
Accountants

**Paul Wagstaff (5/6)**

Elected, Thames Valley  
Partner, Thames Valley, Rouse Partners LLP

**David Walker (5/6)**

Elected, West Yorkshire  
Finance Director, Assurant Intermediary Ltd

**Jatinder Wasu (4/6)**

Elected, London  
Principal, Sterling Hay Chartered Accountants

**Jan Weber (3/6)**

Elected, London  
Finance Director, DIAM International

**Eric Wiles (3/6)**

Elected, Birmingham & West Midlands  
Director, Corporate Finance, Eversholt Rail  
(UK) Ltd

**Fiona Wilkinson (6/6)**

Elected, South Western  
Principal, Fiona Wilkinson

**Alan Wintersgill (2/6)**

Elected, West Yorkshire  
Senior Partner, Naylor Wintersgill

**The following were also members of council during the year 2010:**

*Retired with effect from 9 June 2010*

**Graham Durgan (2/2)**

Co-opted, Member in business  
Chairman, Emile Woolf, Thomas Murray,  
Non-Executive Directors Association and  
Durgan Monstein plc

**Richard Dyson (1/2)**

Ex officio, Past President  
Director of various charities

**Tony Lomas (1/2)**

Co-opted, Chairman, Insolvency Committee  
Chairman, Business Recovery Services  
Division, PricewaterhouseCoopers LLP

**Gareth Pearce (0/2)**

Co-opted, senior member in practice  
Chairman, Smith & Williamson

**Richard Reid (0/2)**

Co-opted, senior partner in a Big Four firm  
London Chairman, KPMG LLP

**Nicos Syrimis (2/2)**

Co-opted, member in the EU  
Chairman, KPMG, Cyprus

**Peter Wong (2/2)**

Co-opted, HKICPA representative  
Consultant, Deloitte Touche Tohmatsu, Hong  
Kong and Non-executive Chairman, GFC  
Trustees (Hong Kong) Ltd

*Resigned with effect from 6 October 2010*

**Victoria Alexander (3/5)**

Co-opted, younger woman  
member in business  
Fixed Income Controller, Goldman Sachs

**The following have been co-opted to council since 31 December 2010**

*With effect from January 2011*

**Jan Babiak**

Senior member in business  
with sustainable expertise  
Logica plc

*With effect from 18 February 2011*

**Edward Chow**

HKICPA representative

**Notes**

- 1 Elected wef 9 June 2010
- 2 Co-opted wef 9 June 2010

**Senior management team 2010****Michael Izza**

Chief Executive

**Robin Fieth**

Executive Director, Finance & Operations

**Robert Hodgkinson**

Executive Director, Technical Strategy

**Mark Protherough**

Executive Director,  
Learning & Professional Development  
*With effect from 2 February 2010*

**Vernon Soare**

Executive Director, Professional Standards



ICAEW is a founder member of the Global Accounting Alliance, which represents over 775,000 professional accountants in over 165 countries worldwide, to promote quality services, share information and collaborate on important international issues.

ICAEW is a professional membership organisation, supporting over 136,000 chartered accountants around the world. Through our technical knowledge, skills and expertise, we provide insight and leadership to the global accountancy and finance profession.

Our members provide financial knowledge and guidance based on the highest professional, technical and ethical standards. We develop and support individuals, organisations and communities to help them achieve long-term, sustainable economic value.

**Because of us, people can do business with confidence.**

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UK

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[icaew.com](http://icaew.com)



ICAEW



# FINANCIAL STATEMENTS 2010



BUSINESS WITH CONFIDENCE

[icaew.com/review](http://icaew.com/review)

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The role of chartered accountants in the world's economies has never been more important. People making financial decisions need knowledge and guidance based on the highest technical and ethical standards.

Our members provide this better than anyone. They challenge people and organisations to think and act differently, to provide clarity and rigour, and so help create and sustain prosperity.

As their institute, we create the environment in which those skills are constantly developed, recognised and valued. We shape opinion, understanding and delivery, to ensure the highest standards in business and in the public interest.

Because of us, people can do business with confidence.

These financial statements should be read in conjunction with ICAEW's *annual review 2010*



# Financial review 2010

➔ ICAEW's financial statements for 2010 include the four charitable trusts associated with ICAEW together with our international subsidiaries. The commentary below relates primarily to the operating activities of ICAEW.

## Results

Total income was £76.4m, £2.7m higher than in 2009. The retained surplus after tax for the year was £1.8m (2009: £0.7m).

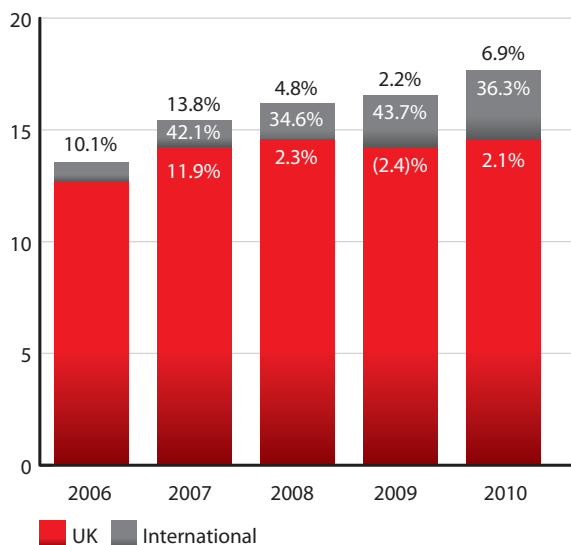
Net assets at 31 December 2010 were £29.3m, an increase of £7.9m over 2009 net assets of £21.4m. Cash and cash equivalents ended the year at £10.3m, reflecting a net cash inflow of £0.3m in the year. Total cash and investments stood at £41.1m at the end of the year, an increase of £2.9m on 2009.

The consolidated outcome for the year, including the results of ICAEW's charitable trusts, was a surplus after tax of £2.0m (2009: £1.1m).

## Student and membership growth

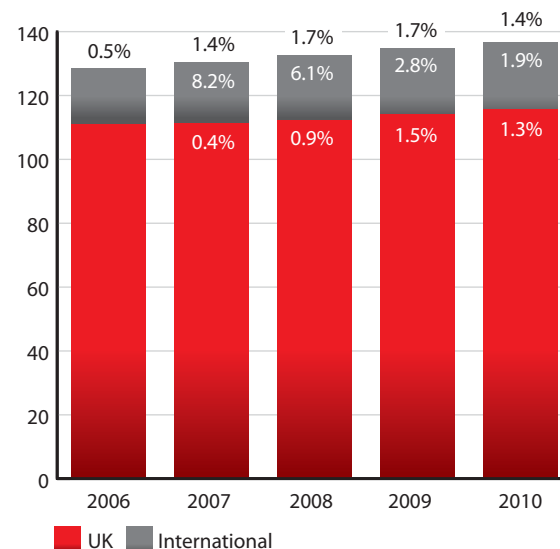
2010 ACA student intake of 5,652 (2009: 4,854) was the highest for 19 years and reflects both increases in our market share in the UK and growth in our number of overseas students. Total ACA student numbers at the end of 2010 stood at 17,653 (2009: 16,517). In addition 625 students signed up for our foundation level Certificate in Finance, Accounting and Business (2009: 342).

Student growth ('000)



Membership grew by 1.4% to 136,615, from admissions of newly qualified students to membership, together with reciprocal and similar arrangements with members of other institutes.

Membership growth ('000)



## Income

Revenue from members' fees and subscriptions rose by 3.4% to £36.0m. Other income, outside of core fees and subscriptions, increased by £1.5m to £40.4m in 2010.

Income from students and other qualifications, including ACA, International Financial Reporting Standards (IFRSs), Corporate Finance and the Diploma in Charity Accounting remained flat at £11.8m.

Professional standards income, including from practice regulation together with disciplinary-related income, reduced by £0.5m to £13.7m.

Revenues from our commercial initiatives increased in the year to £4.6m (2009: £3.9m).

During 2010, the final Joint Disciplinary Scheme (JDS) case was concluded and resulted in fines of £0.4m and cost recoveries of £2.1m being returned to ICAEW by the scheme.

Investment income increased 28% to £1.8m following a review of our investment policy and objectives in 2009.

# Financial review 2010 (continued)

## Expenditure

Operating expenditure increased by 1.9% over the year to £74.5m. We have continued to exert tight control over our costs, while investing in our strategy.

Learning and professional development expenditure reduced by 4.5% to £14.8m (2009: £15.5m) as a result of restructuring carried out during the year, continued cost control, and the transfer of certain international responsibilities to the regional teams.

Within our regional teams, costs increased to £8.1m from £6.5m in 2009 as we continued to invest in supporting our members and students locally in the UK while continuing to develop our international regional network.

During 2010 we charged costs of £5.1m to the income statement in relation to the Accountancy and Actuarial Discipline Board (AADB), an increase of £3.0m on 2009. This reflects the funding required for their increasing case load.

The AADB carries out independent investigations of the work and conduct of chartered accountants, both in public practice and elsewhere, where this has given rise to public concern.

## Tax

The net corporation tax charge for the year was £0.1m (2009: £0.1m credit).

## Pensions

ICAEW's defined benefits pension scheme was closed to future accrual from 30 June 2010.

As part of the agreement to the closure of the scheme, we have agreed to make deficit funding contributions of £6.0m a year for three years, reducing to £3.5m a year thereafter until the deficit is eliminated. We have also agreed to increase funds held in escrow should there be a breach of our financial covenants, from £5.0m to £10.0m. A charge remains over Chartered Accountants' Hall.

Employees who participated in the scheme have been invited to join ICAEW's defined contribution pension arrangements, with transitional enhanced employer contributions payable until June 2013.

The 2010 actuarial valuation of the scheme has not yet been completed but is expected to show a deficit as at 31 March 2010 of £22.6m. The deficit funding arrangements referred to above are intended to eliminate the deficit in around five years. We are working with the trustee to develop and implement an investment strategy intended to make the scheme entirely self-sufficient by 2025.

The IAS 19 deficit on the scheme at 31 December 2010 was £5.7m (2009: £14.8m) following a year of good investment performance in addition to the impact of closing the scheme to future accrual and deficit funding contributions.

Further details are given in note 27 to the financial statements.

## Financial position

Net assets at 31 December 2010 were £29.3m – an increase of £7.9m on the 2009 position. The most significant movement within net assets was the reduction in ICAEW's share of the pension deficit to £5.4m from £14.2m in 2009 discussed above.

During 2010 the market value of our long-term investments increased to £30.8m from £28.2m in 2009. In addition, the value of Chartered Accountants' Hall, together with our silver collection and antiques, increased by £1.2m in total, following a reduction in 2009 of £1.8m. Chartered Accountants' Hall was valued at £8.9m at 31 December 2010.

Trade and other payables were £28.2m (2009: £26.8m). This increase reflects our continued focused approach to working capital management as well as an increase in 2011 regulatory income in advance.

We have provided £8.8m (2009: £5.3m) of costs relating to the AADB at 31 December 2010 reflecting their increasing case load. Case costs are forecast on the basis of the available information on actual or prospective cases. However, the accuracy of the forecast will depend on assumptions made as to the progress of individual cases and is subject to a significant degree of uncertainty. We do not take account of any potential future income from fines or cost recoveries from the AADB before a judicial judgement has been made.

## Cash flow

Cash balances at 31 December 2010 were £10.3m. Net cash inflow was £0.3m compared to a £1.3m inflow in 2009. Our cash profile fluctuates on an annual cycle, this year peaking at £36.2m in March and bottoming out at £4.9m in November.

We continued to focus on working capital management with a net inflow of £0.4m in the year in that area. Funding of the JDS and the AADB saw a cash outflow of £2.2m (2009: £2.5m).

ICAEW provided £6.2m (2009: £3.9m) of funding to the Staff Pensions Fund, in line with the current agreement.

Capital expenditure was £2.7m (2009: £3.3m). We expect to spend £3.0m of capital expenditure in 2011.

## Reserves policies

Our agreed reserves policies ensure that reserves are set at a level sufficient to cover both short-term requirements and longer term investment needs:

- reserves should be set at a level equivalent to between three and six months of expenditure through the income statement; and
- cash and investment balances should be at least sufficient to cover between three and six months of annual budgeted/forecast gross cash expenditure.

Our strategic priorities are summarised in our *annual review 2010*.



# Financial review 2010 (continued)

## Charitable trusts

The difference between the result of ICAEW and that of the group is mainly a result of donations received by the ICAEW Foundation in the year together with investment income received by the trusts during the year.

During the year we made donations under gift aid to our charitable trusts amounting to £1.6m (2009: £1.8m). ICAEW's charitable trusts continued to run the Library and Information Service and also approved grants in the year of £0.2m (2009: £0.3m).

## Creditor payment policy

It is our policy to agree and communicate clearly the terms of payment as part of the commercial arrangements negotiated with suppliers. We then pay according to those terms based upon the timely receipt of an accurate invoice. Trade creditor days at 31 December 2010 were 23 days (2009: 23 days).

## Corporate responsibility commitment

We are committed to meeting our responsibilities in support of a sustainable world. We do this by maximising the benefits and minimising the downsides of the impacts of our activities and also by the way in which we meet our public interest obligations.

There are four main ways in which we will implement this:

- ▶ being a leader in corporate responsibility to ensure we meet and exceed good practice business regulation;
- ▶ working towards sustainability by improving our environmental performance and minimising the adverse impact we have on natural resources;
- ▶ encouraging community links for and by our members and our staff; and
- ▶ promoting partnerships that bring added value to our members through commercial and non-commercial activities.

You can find more information about our commitment to corporate responsibility in our *annual review 2010*.

## Going concern

The financial statements have been prepared on a going concern basis. The council has a reasonable expectation that ICAEW has adequate resources to continue in operational existence for the foreseeable future. The council receives and approves a three-year operational plan each year, which comprises forecast income statements, cash flow summaries, statements of financial position and key non-financial indicators. These are the basis of the monthly management accounts which are reviewed by the board.

ICAEW's business activities, together with the factors likely to affect its future development, performance and position are set out above, as well as in our *annual review 2010*. The financial position of ICAEW, its cash flows and liquidity position are described in the financial

review above. In addition the accounting policies include ICAEW's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its hedging activities and its exposure to liquidity risk.

ICAEW has considerable financial resources. Consequently, the council believes that ICAEW is well placed to manage its business risks successfully despite the current economic outlook.

## Internal control

The council is responsible for ICAEW's system of internal control and for reviewing its effectiveness. The audit committee, on behalf of the council, reviews the effectiveness of the system. This is done on the basis of information and regular reports provided by management, internal audit and the external auditors. The system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives. It can only provide reasonable, but not absolute, assurance against material misstatement or loss. It includes all controls including financial, operational, compliance and risk management.

The key elements of the system of internal control are listed below.

## Risk management

The council, through the board, chief executive and executive directors, has an established and continuous process for identifying, evaluating and managing the significant risks faced by ICAEW. This process has been in place for the whole of 2010 and has continued up to the date on which this document was approved.

Each department identifies and reviews the risks faced by ICAEW, assessing both the controls in place and key actions required to manage the significant risks. These assessments are reported regularly to the audit committee, board and the council. Directors also report regularly to the board on any changes in risks and key risk highlights.

The assessment of risk is linked with the evolving ICAEW strategy in compliance with the guidance *Internal Control: Guidance for Directors on the Combined Code* (October 2005).

Annually in March, the council undertakes a regular review to consider:

- ▶ the application of the risk management processes;
- ▶ reports on risk and internal control from the board;
- ▶ reports on internal control from the audit committee; and
- ▶ how the risks have changed over the period under review and any significant issues.

The board reviews the risks twice a year and management puts in place the appropriate mitigation strategies. In reviewing the risks, the board considers whether management has appropriately assessed the risk by

challenging the risk rating, whether the action taken to address and mitigate the risk is effective, and whether the timescales are appropriate. The board also considers whether there are other risks that should be reviewed and advises management accordingly. Over the year the board has considered a diverse range of risks and mitigation strategies, including the following key items:

- ▶ how we manage through our leadership and stakeholder programmes, the reputational and economic consequences of a major corporate or firm failure;
- ▶ through our budget and forecasting process, how we manage our resources to deliver ICAEW's strategy and services, particularly in the face of unexpected events;
- ▶ through our communications programme, the need to state clearly what ICAEW stands for in an increasingly competitive environment;
- ▶ in the changing regulatory environment emerging from the financial crisis, how we best represent the public interest and the interests of our members through our leadership, stakeholder and communications programmes, to law-makers, standard setters and regulators; and
- ▶ through our key contact programmes, how we maintain and develop our relationships with the major trainers and employers of chartered accountants.

## Delegation

There is a clear organisational structure, detailing lines of authority and control responsibilities. There are defined revenue and capital spend authorisation limits in place.

## Business plans and budgets

Staff prepare detailed business plans and budgets for the board and council to approve. We have agreed key performance targets and monitor achievement against these on a monthly basis. Actual results are compared to approved budgets or latest forecasts on a monthly basis and reported to each meeting of the board and the council. We also prepare revised annual forecasts and report on these three times a year. We post a summary of the monthly results and forecast reviews on the council members' online community.

## Internal audit

Internal audit provides assurance that risk management processes are addressing the significant risks faced by ICAEW and assesses the controls in place. It ensures that management takes appropriate remedial action if control weaknesses are identified. Internal audit reports formally to the audit committee and has direct access to the chairman of the committee. The committee also receives reports from the staff and the external auditors on important control matters.

## Review

The council, through the reports it receives from the board and through the audit committee, has reviewed the effectiveness of ICAEW's system of internal control in operation during 2010. Where control weaknesses have been identified, remedial action was, or is, being taken. None of these weaknesses resulted in any material losses, contingencies or uncertainties that would require disclosure in the annual review.

# Corporate governance statement

## Our approach to governance

ICAEW is a chartered corporation and operates under the terms of its Royal Charter, bye-laws and regulations. Nonetheless, we choose to measure our governance against the UK Corporate Governance Code. We believe that we comply with all relevant provisions of the Code, recognising that it does not always read across to ICAEW. The underlying principle is that our governance must support the delivery of our strategy.

## ICAEW meetings

The Charter and bye-laws reserve certain matters to ICAEW members in general meeting. This includes consideration of the annual review and the financial statements with the report of the auditor.

## ICAEW council

Council considers, reviews and approves strategy, operational plans and budgets proposed by the board. It represents and articulates the views of members on all these matters and otherwise delegates the powers and authorities conferred on it by the Charter and bye-laws to the board, the departmental boards and to the chief executive within an overall framework of financial approval limits.

In 2010, council met six times. As at 31 December 2010, it comprised 100 members. The great majority of council members are directly elected by ICAEW members, with a leavening of co-option and membership *ex officio*. Council elects its chairman annually from among its members. You will find brief details of each council member, including their status and record of attendance at council meetings in 2010, in the *annual review 2010*.

Council members do not receive remuneration other than reimbursement of travel and subsistence costs incurred on ICAEW business, and payments on a normal commercial basis, particularly in connection with lecturing and writing.

## The office-holders and chief executive

The ICAEW office-holders (President: Gerald Russell; Deputy-President: Clive Parritt; Vice-President: Mark Spofforth) have no formal personal powers other than the procedural matters specified in the principal bye-laws. They have an ambassadorial role, meeting members and stakeholders. They represent the views of the council and the wider membership within ICAEW and ensure that these are taken into account in the development of ICAEW strategy and policies. They counsel and advise the chief executive. The president chairs ICAEW meetings and the ICAEW board. He also chairs the CCAB.

The chief executive (Michael Izza) operates within the framework of delegations approved by the council. He is responsible for the overall management of ICAEW, for the development and implementation of strategy, and for ensuring that it operates economically, efficiently and effectively. He also has a representational role, building effective relationships with governments, regulators, other public bodies and with members.

## The board

The board is responsible for monitoring the development and implementation of ICAEW strategy, including reviews of key risks. The chief executive and executive directors report to each board meeting on performance against operational plans and financial performance. The board reports on its activities to each council meeting.

The board comprises non-executives, normally council members *ex officio*, and senior executives. The council elects two of its members directly to the board for a two-year term. The elected members fulfil the role of 'senior independent director'. Under reciprocal arrangements, CIPFA nominates a member of the board. In 2010, the board met 11 times.

The board had an independent evaluation of its performance in 2010. This showed that it was in the upper decile of those that the reviewer had seen.

## Corporate governance statement (continued)

The members of the board (for whom you can find brief biographical details in the *JCAEW - governance and structure* section of our website at [icaew.com](http://icaew.com)) during 2010 were:

	Position	Appointed	Retired	Attendance
<b>Volunteer members</b>				
Arthur Bailey	elected by the council consultant, Begbies Traynor Group and non-executive director			10/11
Penny Bickerstaff	chairman, member services board independent management consultant			9/11
Ian Cherry	elected by the council director, A I Cherry Ltd			10/11
Martin Hagen	president and chairman to 8 June non-executive director, South West Water and Swallowfield plc, and deputy chairman, Regulatory Decisions Committee, Financial Services Authority		8 June	5/5
Richard Harwood	chairman, professional standards board principal, Harwoods			10/11
Jeremy Jennings	co-opted member global director, regulatory and government relations, Ernst & Young LLP, Brussels			8/11
Caroline Mawhood	appointed as a non-voting member under reciprocal arrangements with CIPFA			6/11
Clive Parritt	vice-president to 8 June; deputy-president from 8 June chairman, Baronsmead VCT 2 plc; DiGiCo Europe Ltd; BG Consulting Group Ltd and non-executive director, London & Associated Properties plc and other companies			10/11
Andrew Ratcliffe	chairman, technical strategy board partner, PricewaterhouseCoopers LLP			9/11
Gerald Russell	deputy-president to 8 June; president and chairman from 8 June consultant			11/11
Mark Spofforth	vice-president from 8 June partner, Spofforths	8 June		5/6
Jan Weber	chairman, learning and professional development board finance director, DIAM International			9/11
<b>Staff members</b>				
Robin Fieth	executive director, finance & operations			11/11
Robert Hodgkinson	executive director, technical strategy			9/11
Michael Izza	chief executive			10/11
Mark Protherough	executive director, learning & professional development	2 February		10/11
Vernon Soare	executive director, professional standards			9/11

# Corporate governance statement (continued)

## Audit committee

The audit committee is responsible, on behalf of the council, for ensuring that all significant activities of ICAEW are subject to independent review and audit; monitoring ICAEW's relationship with its auditors; reviewing internal controls; and assessing risk. The audit committee met four

times in 2010. Both the internal and external auditors attend its meetings and have direct access to its chairman. The external auditors attend at least one meeting (or part of a meeting) each year without ICAEW management present.

The members of the audit committee during 2010 were:

		Appointed	Retired	Attendance
Brian Boswell	charity trustee & financial adviser to Property Management Co			3/4
John Cain	audit partner, KPMG LLP			3/4
Ian Cherry*	director, A I Cherry Ltd			3/4
David Chitty*	partner, Crowe Clark Whitehill LLP	8 June		1/3
Mary Hardy	head of risk assurance, London Organising Committee for the Olympic Games and Paralympic Games			3/4
Neeraj Kapur*	managing director, Lombard Asset Finance Group			2/4
Michael Pavia* (chairman)	non-executive director, Thames Water and other companies			4/4

\* council member

The chairman of the audit committee reports annually to the council. The audit committee makes the minutes of its meetings available to the board.

Grant Thornton UK LLP is proposed for re-appointment at the annual meeting. We tendered the appointment of the external auditors in 2010 for the year ended 31 December 2011, in line with our tendering policy. As a result, Grant Thornton UK LLP was recommended for re-appointment by the audit committee. The firm was appointed in 2006, and the current lead partner has been responsible for the audit for four years.

The audit committee annually reviews and considers the quality, effectiveness and independence of the auditors. This includes a review of safeguards in place in relation to non-audit services, and a review of the partners and directors of the firm who sit on ICAEW committees. The committee agrees staff rotation policies in relation to ICAEW's audit with the audit firm. To ensure appropriate levels of independence, a firm cannot be ICAEW's auditor if any partner or employee of the firm is a member of council during the period of tenure. ICAEW also has a policy in place regarding non-audit work by the audit firm. The general principle is that the audit firm should not be asked to carry out non-audit services where it may, in the future, be required to give an audit opinion.

During the year the audit committee has:

- reviewed the financial statements, having received a report from the external auditors on their review and audit of the financial statements;
- considered the output of the procedures used to manage risk within ICAEW;

- reviewed the effectiveness of ICAEW's internal controls;
- considered the management letter from the external auditors on their review of the effectiveness of internal controls;
- agreed the fees and terms of appointment of the external auditors, including their quality and effectiveness;
- reviewed the committee's effectiveness; and
- agreed the work plan of internal audit and reviewed the resulting output from that plan.

The committee has helped the board to assess the adequacy of the internal audit plan. The committee has received reports on the work carried out by internal audit and the results of their investigations including management responses, their adequacy and timeliness. In line with good governance practice the audit committee reviewed its effectiveness during the year. It reported that the work of the audit committee was effective, measured against its terms of reference and general audit committee practice. As a result of its work during the year, the committee has concluded that it has acted in accordance with its terms of reference and has ensured (as far as possible) the independence of the external auditors.

## Corporate governance statement (continued)

### Remuneration committee

The remuneration committee keeps under review, on behalf of the board, the elements of the remuneration package provided for ICAEW staff, including the chief executive and executive directors. Staff are remunerated

with reference to their annual performance rating and benchmark market salaries.

The members of the remuneration committee during 2010 were:

		Appointed	Retired	Attendance
Arthur Bailey*	consultant Begbies Traynor Group and non-executive director			2/4
John Collier*	director, Clive & Stokes International, Executive Search			2/4
Peter Jenkins* (chairman)	finance director, The Prince's Regeneration Trust			4/4
Sean O'Hare	partner, PwC Human Resources Services			3/4
Clive Parritt*	vice-president to 8 June; deputy-president from 8 June  chairman Baronsmead VCT 2 plc; DiGiCo Europe Ltd; BG Consulting Group Ltd and non-executive director, London & Associated Properties plc and other companies			3/4
Gerald Russell*	deputy-president to 8 June; president and chairman from 8 June  consultant		8 June	2/2
Mark Spofforth*	vice-president from 8 June partner, Spofforths	8 June		2/2

\* council member

The chairman of the remuneration committee reports at least annually to the board.

# Corporate governance statement (continued)

## Nominating committee

The nominating committee is responsible for making recommendations to the council for co-options, for the appointment of committee chairmen and for honorary membership of ICAEW. It also has direct responsibility for all other appointments. The committee makes recommendations and appointments on the basis of

the best person for the job and against agreed profiles. The committee deals with much of its business by correspondence and meets only as required.

The members of the nominating committee during 2010 were:

	Position	Appointed	Retired	Attendance
Richard Dyson	past-president		8 June	3/3
Susan Field	elected by the council sole practitioner	1 November		1/1
David Furst	past-president chairman, Crowe Clark Whitehill LLP			5/5
Martin Hagen	president and chairman to 8 June; past-president from 8 June non-executive director, South West Water and Swallowfield plc, and deputy chairman, Regulatory Decisions Committee, Financial Services Authority			4/5
Sheilagh Moffat	elected by the council partner, Moffat Gilbert			5/5
Clive Parritt	vice-president to 8 June; deputy-president from 8 June chairman Baronsmead VCT 2 plc; DiGiCo Europe Ltd; BG Consulting Group Ltd and non-executive director, London & Associated Properties plc and other companies			3/5
Gerald Russell	deputy-president to 8 June; president and chairman from 8 June consultant			5/5
Mark Spofforth	vice-president from 8 June partner, Spofforths	8 June		1/2
Paul Wagstaff	elected by the council partner, Rouse Partners LLP		1 November	3/4

# Corporate governance statement (continued)

## Senior staff appointments committee

The senior staff appointments committee is responsible for all matters relating to the recruitment and appointment of the chief executive and executive directors. The committee met in February 2010. It appointed Mark Protherough as executive director, learning and professional development.

## Departmental boards

Four departmental boards steer the development of policy for ICAEW's key activities: learning and professional development; member services; professional conduct; and technical strategy. These boards also exercise a general oversight of the work programmes over the departments.

You can find the terms of reference for the key ICAEW committees in the *about us - governance and structure* section of ICAEW's website at [icaew.com](http://icaew.com).

## Employees

ICAEW aims to create a working environment that is based on a number of key principles including fairness, equality of opportunity, respect and dignity, flexibility, transparency and work-life balance. We believe that these key principles enable staff to enjoy work, develop as individuals and provide the best possible service to members, clients and the public, which contributes to the continued success of the organisation.

ICAEW is committed to the core values of acting responsibly, integrity, effective partnerships and the highest standards. It is our policy to treat all staff fairly and equally regardless of race, sex, sexual orientation, gender re-assignment, marital status, or disability. Should existing staff suffer a disability, we will do all we can to accommodate that disability and to help the member of staff to continue their career in their existing role where possible, or in an alternative position in the organisation.

ICAEW conducts an annual staff survey to give us the opportunity to glean insight into changes in staff perception, attitudes, behaviours and engagement. Based on the feedback received in 2009 we introduced a new performance management process and new training and development policy. Staff can now discuss their development needs at their one-to-ones or as part of the annual performance management process.

We also improved staff communications and involvement by introducing regular strategy updates and dedicated communications channels, including intranet and weekly email updates. We set up a 'Working at ICAEW Group', which has representatives from all departments, to give staff the opportunity to raise issues, share best practice and encourage cross-departmental working.

The feedback received on these changes has been positive from staff. The 2010 staff survey results show an improvement in staff understanding of what ICAEW is trying to achieve, effectiveness of communications, flexibility of our working arrangements and better access to our training and development programme.

Following consultation with staff members who were active members of the Staff Pensions Fund, the fund closed to future accrual from 30 June 2010.

## Financial responsibilities of the council

Bye-law 12(a) requires the council to prepare financial statements for each financial year which give a true and fair view of the state of affairs of ICAEW and of the result for ICAEW for that year.

The council has delegated these responsibilities to the board. In preparing these financial statements on behalf of the council, the board has:

- prepared the financial statements in accordance with applicable law and IFRSs as adopted for use in the EU;
- selected suitable accounting policies and applied them consistently;
- made judgements and estimates that are reasonable and prudent;
- followed applicable accounting standards; and
- prepared the financial statements on a going concern basis.

The council is responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy the financial position of ICAEW. It is also responsible for safeguarding the assets of ICAEW and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## Directors' confirmation

As far as each of the directors is aware:

- there is no relevant audit information of which ICAEW's auditors are unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that ICAEW's auditors are aware of that information.

For the purposes of this declaration, all members of the board are deemed directors of ICAEW.



# ICAEW five-year summary

	2010 £m	2009 £m	2008 £m	2007 £m	2006 £m
<b>Income statement</b>					
Operating income	76.4	73.7	73.6	69.1	63.6
ICAEW services	(67.1)	(66.0)	(67.6)	(62.3)	(52.3)
Funding of regulatory and other professional associations	(5.8)	(5.3)	(4.6)	(7.2)	(5.9)
Gift aid and library funding	(1.6)	(1.8)	(1.2)	(0.8)	(1.4)
<b>Result before taxation</b>	<b>1.9</b>	<b>0.6</b>	<b>0.2</b>	<b>(1.2)</b>	<b>4.0</b>
Taxation	(0.1)	0.1	–	(0.5)	(0.2)
<b>Net result after taxation</b>	<b>1.8</b>	<b>0.7</b>	<b>0.2</b>	<b>(1.7)</b>	<b>3.8</b>
<b>Net assets</b>					
Non-current assets	53.2	49.9	49.8	54.4	52.5
Current assets	19.8	19.1	18.2	18.9	27.7
Current liabilities	(33.6)	(30.4)	(29.1)	(25.0)	(26.3)
Non-current liabilities excluding staff pensions fund liability	(4.7)	(3.0)	(1.5)	(2.8)	(6.0)
Non-current liabilities - staff pensions fund liability	(5.4)	(14.2)	(8.6)	(15.9)	(25.2)
<b>Total net assets</b>	<b>29.3</b>	<b>21.4</b>	<b>28.8</b>	<b>29.6</b>	<b>22.7</b>
<b>Member and student numbers</b>					
	2010	2009	2008	2007	2006
Members	136,615	134,698	132,411	130,243	128,416
Students	17,653	16,517	16,165	15,422	13,551
	<b>154,268</b>	<b>151,215</b>	<b>148,576</b>	<b>145,665</b>	<b>141,967</b>

# Report of the independent auditor to the members of The Institute of Chartered Accountants in England and Wales for the year ended 31 December 2010

We have audited the financial statements of The Institute of Chartered Accountants in England and Wales (ICAEW) for the year ended 31 December 2010. These comprise the group and ICAEW income statements, the group and ICAEW statements of comprehensive income, the group and ICAEW statements of changes to reserves, the group and ICAEW statements of financial position, the group and ICAEW statements of cash flow and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU.

This report is made solely to ICAEW's members, as a body. Our audit work has been undertaken so that we might state to ICAEW'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 ICAEW and ICAEW's members as a body, for our audit work, for this report, or for the opinions we have formed.

## Respective responsibilities of the council and auditor

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

## Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to ICAEW's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the financial review and corporate governance statement to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## Opinion on financial statements

In our opinion:

- ▶ the financial statements give a true and fair view of the state of the group's and of ICAEW's affairs as at 31 December 2010 and of the group's and ICAEW's result for the year then ended;
- ▶ the group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU; and
- ▶ the information given in the financial review and corporate governance statement is consistent with the financial statements.



Grant Thornton UK LLP  
Registered Auditor  
Chartered Accountants  
London

15 March 2011

# Group income statement

► for the year ended 31 December 2010

		2010					2009 restated <sup>1</sup>
	Note	Income £m	Expenditure £m	Net £m	Income £m	Expenditure £m	Net £m
Subscriptions and fees		36.0	–	36.0	34.8	–	34.8
Learning and professional development	1	11.8	(14.8)	(3.0)	11.8	(15.5)	(3.7)
Professional standards	2	13.7	(14.2)	(0.5)	14.2	(14.5)	(0.3)
Member services	3	4.6	(10.6)	(6.0)	3.9	(10.3)	(6.4)
Regional services	4	0.1	(8.1)	(8.0)	0.1	(6.5)	(6.4)
Technical strategy	5	3.9	(9.1)	(5.2)	3.8	(9.0)	(5.2)
Central activities	6	–	(10.9)	(10.9)	0.1	(10.8)	(10.7)
Charitable trusts	7	0.2	(1.2)	(1.0)	0.3	(1.3)	(1.0)
		70.3	(68.9)	1.4	69.0	(67.9)	1.1
Joint Disciplinary Scheme	8	0.4	2.2	2.6	–	(0.1)	(0.1)
Accountancy and Actuarial Discipline Board	9	1.4	(5.1)	(3.7)	0.9	(2.1)	(1.2)
Other regulatory and professional associations	10	0.8	(2.9)	(2.1)	0.8	(3.1)	(2.3)
		2.6	(5.8)	(3.2)	1.7	(5.3)	(3.6)
Other income - licence and data access fees		1.9	–	1.9	1.9	–	1.9
<b>Operating result</b>	12	<b>74.8</b>	<b>(74.7)</b>	<b>0.1</b>	<b>72.6</b>	<b>(73.2)</b>	<b>(0.6)</b>
Investment income	13	2.0	–	2.0	1.6	–	1.6
<b>Result before taxation</b>		<b>76.8</b>	<b>(74.7)</b>	<b>2.1</b>	<b>74.2</b>	<b>(73.2)</b>	<b>1.0</b>
Taxation	14			(0.1)			0.1
<b>Net result after taxation</b>				<b>2.0</b>			<b>1.1</b>

<sup>1</sup> The presentation of the income statement has been revised to reflect current responsibilities more accurately; 2009 figures have been re-analysed in line with this presentation, this has no impact on the previously reported net assets or result.

# ICAEW income statement

► for the year ended 31 December 2010

		2010					2009 restated <sup>2</sup>
	Note	Income £m	Expenditure £m	Net £m	Income £m	Expenditure £m	Net £m
Subscriptions and fees		36.0	–	36.0	34.8	–	34.8
Learning and professional development	1	11.8	(14.8)	(3.0)	11.8	(15.5)	(3.7)
Professional standards	2	13.7	(14.2)	(0.5)	14.2	(14.5)	(0.3)
Member services	3	4.6	(10.6)	(6.0)	3.9	(10.3)	(6.4)
Regional services	4	0.1	(8.1)	(8.0)	0.1	(6.5)	(6.4)
Technical strategy	5	3.9	(9.1)	(5.2)	3.8	(9.0)	(5.2)
Central activities	6	–	(10.3)	(10.3)	0.1	(10.2)	(10.1)
		70.1	(67.1)	3.0	68.7	(66.0)	2.7
Joint Disciplinary Scheme	8	0.4	2.2	2.6	–	(0.1)	(0.1)
Accountancy and Actuarial Discipline Board	9	1.4	(5.1)	(3.7)	0.9	(2.1)	(1.2)
Other regulatory and professional associations	10	0.8	(2.9)	(2.1)	0.8	(3.1)	(2.3)
		2.6	(5.8)	(3.2)	1.7	(5.3)	(3.6)
Other income - licence and data access fees		1.9	–	1.9	1.9	–	1.9
Gift aid and library funding	11	–	(1.6)	(1.6)	–	(1.8)	(1.8)
<b>Operating result</b>	12	<b>74.6</b>	<b>(74.5)</b>	<b>0.1</b>	<b>72.3</b>	<b>(73.1)</b>	<b>(0.8)</b>
Investment income	13	1.8	–	1.8	1.4	–	1.4
<b>Result before taxation</b>		<b>76.4</b>	<b>(74.5)</b>	<b>1.9</b>	<b>73.7</b>	<b>(73.1)</b>	<b>0.6</b>
Taxation	14			(0.1)			0.1
<b>Net result after taxation</b>				<b>1.8</b>			<b>0.7</b>

<sup>2</sup> The presentation of the income statement has been revised to reflect current responsibilities more accurately; 2009 figures have been re-analysed in line with this presentation, this has no impact on the previously reported net assets or result.

# Group and ICAEW statements of comprehensive income

➡ for the year ended 31 December 2010

	Note	2010 £m	Group 2009 £m	2010 £m	ICAEW 2009 £m
Net result after taxation recognised in the income statement in the year		2.0	1.1	1.8	0.7
Gains/(losses) on revaluation of property, plant and equipment	15	1.2	(1.8)	1.2	(1.8)
Gains on revaluation of available for sale investments	18	2.7	3.2	1.8	2.0
Actuarial gains/(losses) recognised in the year	27	4.3	(8.3)	4.1	(8.0)
Deferred tax	20	(1.0)	(0.3)	(1.0)	(0.3)
Net gains/(losses) not recognised in the income statement in the year		7.2	(7.2)	6.1	(8.1)
<b>Total comprehensive income/(expense) in the year</b>		<b>9.2</b>	<b>(6.1)</b>	<b>7.9</b>	<b>(7.4)</b>

# Group and ICAEW statements of changes to reserves

► for the year ended 31 December 2010

						Group
	Revaluation reserve £m	Investment revaluation reserve £m	Accumulated fund £m	Self- financing reserves £m	Charitable trusts £m	Total £m
<b>Reserves at 1 January 2009</b>	<b>5.9</b>	<b>(0.1)</b>	<b>17.0</b>	<b>6.1</b>	<b>8.3</b>	<b>37.2</b>
Net result after taxation	–	–	(1.4)	2.1	0.4	1.1
Decrease in valuation of property, plant and equipment	(1.8)	–	–	–	–	(1.8)
Net change in market value of long-term investments over cost	–	2.0	–	–	1.2	3.2
Actuarial losses recognised in year on defined benefit pension scheme	–	–	(5.8)	(2.2)	(0.3)	(8.3)
Deferred tax attributable to above	0.1	(0.6)	0.2	–	–	(0.3)
<b>Total comprehensive (expense)/income in the year</b>	<b>(1.7)</b>	<b>1.4</b>	<b>(7.0)</b>	<b>(0.1)</b>	<b>1.3</b>	<b>(6.1)</b>
<b>Reserves at 1 January 2010</b>	<b>4.2</b>	<b>1.3</b>	<b>10.0</b>	<b>6.0</b>	<b>9.6</b>	<b>31.1</b>
Net result after taxation	–	–	1.4	0.5	0.1	2.0
Re-classification of practice regulation reserves to accumulated fund <sup>3</sup>	–	–	2.5	(2.5)	–	–
Increase in valuation of property, plant and equipment	1.2	–	–	–	–	1.2
Net change in market value of long-term investments over cost	–	1.8	–	–	0.9	2.7
Actuarial gains recognised in year on defined benefit pension scheme	–	–	4.0	0.1	0.2	4.3
Deferred tax attributable to above	(0.1)	(0.5)	(0.4)	–	–	(1.0)
<b>Total comprehensive income/(expense) in the year</b>	<b>1.1</b>	<b>1.3</b>	<b>7.5</b>	<b>(1.9)</b>	<b>1.2</b>	<b>9.2</b>
<b>Reserves at 31 December 2010</b>	<b>5.3</b>	<b>2.6</b>	<b>17.5</b>	<b>4.1</b>	<b>10.8</b>	<b>40.3</b>

						ICAEW
	Revaluation reserve £m	Investment revaluation reserve £m	Accumulated fund £m	Self- financing reserves £m		
<b>Reserves at 1 January 2009</b>	<b>5.9</b>	<b>(0.1)</b>	<b>16.9</b>	<b>6.1</b>	<b>28.8</b>	
Net result after taxation	–	–	(1.4)	2.1	0.7	
Decrease in valuation of property, plant and equipment	(1.8)	–	–	–	(1.8)	
Net change in market value of long-term investments over cost	–	2.0	–	–	2.0	
Actuarial losses recognised in year on defined benefit pension scheme	–	–	(5.8)	(2.2)	(8.0)	
Deferred tax attributable to above	0.1	(0.6)	0.2	–	(0.3)	
<b>Total comprehensive (expense)/income in the year</b>	<b>(1.7)</b>	<b>1.4</b>	<b>(7.0)</b>	<b>(0.1)</b>	<b>(7.4)</b>	
<b>Reserves at 1 January 2010</b>	<b>4.2</b>	<b>1.3</b>	<b>9.9</b>	<b>6.0</b>	<b>21.4</b>	
Net result after taxation	–	–	1.3	0.5	1.8	
Re-classification of practice regulation reserves to accumulated fund <sup>3</sup>	–	–	2.5	(2.5)	–	
Increase in valuation of property, plant and equipment	1.2	–	–	–	1.2	
Net change in market value of long-term investments over cost	–	1.8	–	–	1.8	
Actuarial gains recognised in year on defined benefit pension scheme	–	–	4.0	0.1	4.1	
Deferred tax attributable to above	(0.1)	(0.5)	(0.4)	–	(1.0)	
<b>Total comprehensive income/(expense) in the year</b>	<b>1.1</b>	<b>1.3</b>	<b>7.4</b>	<b>(1.9)</b>	<b>7.9</b>	
<b>Reserves at 31 December 2010</b>	<b>5.3</b>	<b>2.6</b>	<b>17.3</b>	<b>4.1</b>	<b>29.3</b>	

<sup>3</sup> From 2010 the former practice regulation reserves have been amalgamated into the accumulated fund

# Group and ICAEW statements of financial position

► for the year ended 31 December 2010

	Note	2010 £m	2009 £m	Group 2008 £m	2010 £m	2009 £m	ICAEW 2008 £m
<b>Assets</b>							
<b>Non-current assets</b>							
Property, plant and equipment	15	19.0	17.2	18.2	19.0	17.2	18.2
Intangible assets	16	2.7	2.4	2.6	2.7	2.4	2.6
Investments in subsidiaries and associates	17	0.1	0.1	0.1	–	–	–
Financial assets:							
Restricted available for sale investments	18	5.0	5.0	5.0	5.0	5.0	5.0
Available for sale investments	18	37.0	33.3	29.8	25.8	23.2	21.1
Other receivables	19	0.5	1.5	2.5	0.5	1.5	2.5
Deferred tax asset	20	0.2	0.6	0.4	0.2	0.6	0.4
		<b>64.5</b>	<b>60.1</b>	<b>58.6</b>	<b>53.2</b>	<b>49.9</b>	<b>49.8</b>
<b>Current assets</b>							
Inventories	21	0.8	0.8	0.8	0.8	0.8	0.8
Trade and other receivables	22	8.7	8.3	8.8	8.7	8.3	8.7
Cash and cash equivalents	23	10.8	10.5	8.9	10.3	10.0	8.7
		<b>20.3</b>	<b>19.6</b>	<b>18.5</b>	<b>19.8</b>	<b>19.1</b>	<b>18.2</b>
<b>Total assets</b>		<b>84.8</b>	<b>79.7</b>	<b>77.1</b>	<b>73.0</b>	<b>69.0</b>	<b>68.0</b>
<b>Liabilities</b>							
<b>Current liabilities</b>							
Trade and other payables	24	(28.7)	(27.2)	(24.3)	(28.2)	(26.8)	(24.0)
Current tax liabilities		(0.1)	–	(0.2)	(0.1)	–	(0.2)
Joint Disciplinary Scheme provision	25	–	(0.7)	(1.8)	–	(0.7)	(1.8)
Accountancy and Actuarial Discipline Board provision	26	(5.3)	(2.9)	(3.1)	(5.3)	(2.9)	(3.1)
		<b>(34.1)</b>	<b>(30.8)</b>	<b>(29.4)</b>	<b>(33.6)</b>	<b>(30.4)</b>	<b>(29.1)</b>
<b>Non-current liabilities</b>							
Pension liabilities	27	(5.7)	(14.8)	(9.0)	(5.4)	(14.2)	(8.6)
Accountancy and Actuarial Discipline Board provision	26	(3.5)	(2.4)	(1.4)	(3.5)	(2.4)	(1.4)
Deferred tax liability	20	(1.2)	(0.6)	(0.1)	(1.2)	(0.6)	(0.1)
		<b>(10.4)</b>	<b>(17.8)</b>	<b>(10.5)</b>	<b>(10.1)</b>	<b>(17.2)</b>	<b>(10.1)</b>
<b>Total liabilities</b>		<b>(44.5)</b>	<b>(48.6)</b>	<b>(39.9)</b>	<b>(43.7)</b>	<b>(47.6)</b>	<b>(39.2)</b>
<b>Total net assets</b>		<b>40.3</b>	<b>31.1</b>	<b>37.2</b>	<b>29.3</b>	<b>21.4</b>	<b>28.8</b>
<b>Reserves</b>							
Revaluation reserve		5.3	4.2	5.9	5.3	4.2	5.9
Investment revaluation reserve		2.6	1.3	(0.1)	2.6	1.3	(0.1)
Accumulated fund		17.5	10.0	17.0	17.3	9.9	16.9
Faculties		1.0	0.5	0.5	1.0	0.5	0.5
Practice regulation <sup>4</sup>		–	2.5	2.6	–	2.5	2.6
Chartered Accountants' Compensation Scheme		3.1	3.0	3.0	3.1	3.0	3.0
Charitable trust endowment funds		8.3	7.3	6.0	–	–	–
Charitable trust unrestricted funds		2.5	2.3	2.3	–	–	–
		<b>40.3</b>	<b>31.1</b>	<b>37.2</b>	<b>29.3</b>	<b>21.4</b>	<b>28.8</b>

Approved on behalf of the council



Gerald Russell, President  
15 March 2011



Michael Izza, Chief Executive

<sup>4</sup> From 2010 the former practice regulation reserves have been amalgamated into the accumulated fund

# Group and ICAEW statements of cash flows

► for the year ended 31 December 2010

	Note	2010 £m	Group 2009 £m	2010 £m	ICAEW 2009 £m
<b>Cash flows from operating activities<sup>5</sup></b>					
<b>Result before taxation</b>		<b>2.2</b>	<b>1.0</b>	<b>1.9</b>	<b>0.5</b>
Adjustments for:					
Depreciation and amortisation		2.5	2.3	2.5	2.3
Investment income	13	(2.0)	(1.6)	(1.8)	(1.4)
Non-cash movement in provisions		6.3	3.6	6.3	3.6
<b>Cash flows from operating activities before movements in working capital</b>		<b>9.0</b>	<b>5.3</b>	<b>8.9</b>	<b>5.0</b>
<b>Movements in working capital</b>					
(Increase)/decrease in trade and other receivables		(0.5)	0.5	(0.4)	0.4
Increase in trade and other payables		0.9	3.2	0.8	3.3
<b>Cash generated from operating activities</b>		<b>9.4</b>	<b>9.0</b>	<b>9.3</b>	<b>8.7</b>
<b>Cash flows on provisions</b>					
Cash outflow on pension liabilities		(6.2)	(3.9)	(6.2)	(3.9)
Cash outflow on Joint Disciplinary Scheme		(0.6)	(1.2)	(0.6)	(1.2)
Cash outflow on Accountancy and Actuarial Discipline Board		(1.6)	(1.3)	(1.6)	(1.3)
<b>Net cash generated from operating activities</b>		<b>1.0</b>	<b>2.6</b>	<b>0.9</b>	<b>2.3</b>
<b>Cash flows from investing activities</b>					
Purchase of property, plant and equipment		(1.6)	(2.5)	(1.6)	(2.5)
Purchase of intangible assets		(1.1)	(0.8)	(1.1)	(0.8)
Deferred consideration received		1.0	1.0	1.0	1.0
Purchase of available for sale investments		(22.6)	(65.7)	(12.1)	(56.1)
Disposal of available for sale investments		21.9	65.6	11.6	56.2
Investment income received		1.7	1.4	1.6	1.2
<b>Net cash outflow from investing activities</b>		<b>(0.7)</b>	<b>(1.0)</b>	<b>(0.6)</b>	<b>(1.0)</b>
<b>Net increase in cash and cash equivalents in the year</b>		<b>0.3</b>	<b>1.6</b>	<b>0.3</b>	<b>1.3</b>
Net cash and cash equivalents at 1 January		10.5	8.9	10.0	8.7
<b>Net cash and cash equivalents at 31 December</b>	23	<b>10.8</b>	<b>10.5</b>	<b>10.3</b>	<b>10.0</b>

<sup>5</sup> Fines and cost recoveries from disciplinary cases including the JDS and AADB are included within operational cash flows and included in the result before taxation above. Amounts levied on firms as contributions towards AADB costs are similarly included in operational income. Payments to JDS and AADB from amounts previously provided are included separately in the cash movement on provisions above.



# Accounting policies

## I Basis of preparation

ICAEW is a body incorporated by Royal Charter. The financial statements have been prepared in accordance with IFRSs as adopted for use in the EU, and under the historical cost convention as modified by the revaluation of properties and available for sale investments. Consolidated financial statements have been prepared which comprise ICAEW and all its subsidiary undertakings.

Subsidiaries are all entities over which the group has the power to control the financial and operating policies. All subsidiaries have a reporting date of 31 December. All transactions and balances between group entities are eliminated on consolidation.

Investments in associates are accounted for using the equity method. ICAEW's interest in the net assets of associates is included in investment in associates in

the consolidated statement of financial position, and its interest in their results, in the income statement below operating result. Associates are those entities over which ICAEW has significant influence to participate in, but not control over, the financial and operating policies of the companies.

ICAEW has adopted all relevant standards effective for accounting periods beginning on or after 1 January 2010. The first-time application of these standards has not resulted in any prior period adjustments of cash flows, net income or statement of financial position line items. ICAEW is outside the scope of IFRS 8 *Operating Segments*.

At the date of authorisation of these financial statements, the following standards and interpretations were in issue, but not yet effective:

Standard or interpretation	Effective from years commencing:
IFRS 9 <i>Financial Instruments</i>	1 January 2013
IAS 24 <i>Related Party Disclosures</i> (Revised 2009)	1 January 2011
Amendment to IAS 32 <i>Classification of Rights Issues</i>	1 February 2010
IFRIC 19 <i>Extinguishing Financial Liabilities with Equity Instruments</i>	1 July 2010
Amendment to IFRIC 14 <i>Prepayments of a Minimum Funding Requirement</i>	1 January 2011
Improvements to IFRS issued May 2010	1 July 2010 and 1 January 2011
Amendment to IFRS 7 <i>Financial Instruments: Disclosures</i>	1 July 2011
Amendment to IAS 12 <i>Income Taxes</i>	1 January 2012

## II Critical accounting judgements and key sources of estimation

To be able to prepare financial statements according to generally accepted accounting principles, the board must make estimates and assumptions that affect the recorded asset and liability items as well as other information, such as that provided on JDS and AADB provisions and pensions (notes 25-27). These estimates are based on historical experience and various other assumptions that the board believes are reasonable under the circumstances. The results of these form the basis for making judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. Further details in relation to specific areas are included in the accounting policies below, or in the notes to the financial statements.

## III Income

Income from fees and subscriptions is recognised in the accounting period to which the services covered by those subscriptions relate, and is stated net of VAT where applicable. Fees and subscriptions received in advance are included within trade and other payables. Income as presented in the income statements is revenue as defined under IAS 18 *Revenue*.

Income from consulting services is recognised when the services are provided, with reference to the stage of completion of the contract at the reporting date. Income associated with professional conduct is recognised on receipt. Other income, including licence fees, examination fees and income in association with JDS and AADB is recognised when receivable.

# Accounting policies (continued)

## IV Professional Conduct, Joint Disciplinary Scheme and Accountancy and Actuarial Discipline Board

Provision is made for the estimated future external costs of disciplinary cases relating to events which occurred before the year end. Case costs are forecast on the basis of the available information on actual or prospective cases. However, the accuracy of the forecast will depend on assumptions made about the progress of cases and is subject to a significant degree of uncertainty. No account is taken of any potential fines or cost recoveries due to ICAEW before a judicial judgement has been made.

## V Property, plant and equipment, and depreciation

### Freehold properties

Freehold properties are revalued annually at open market value and are included in the statements of financial position at their revalued amounts. Surpluses on revaluations are transferred to the revaluation reserve. Deficits on revaluations are charged against the revaluation reserve to the extent that there are available surpluses relating to the same asset and are otherwise charged to the income statement.

Certain major items of fixed plant and equipment are identified separately and are depreciated over their individual estimated useful economic lives.

Depreciation is not charged on freehold land. Depreciation is charged on the revalued amount of freehold buildings at 2% per annum.

### Leasehold improvements

Improvements to leasehold properties are capitalised and are depreciated on a straight line basis over the shorter of their estimated useful economic lives and the remaining lease term.

### Historic collections

ICAEW's collections of silver, rare books, period furniture, pictures and sculptures are revalued annually and are stated at estimated open market values. In view of the nature of these assets, ie the estimated residual value is equal to the carrying amount, no depreciation is provided. Surpluses on revaluation, including surpluses arising from donations of items to the collections, are transferred to the revaluation reserve. Deficits on revaluations are charged against the revaluation reserve to the extent that there are available surpluses relating to the same asset and are otherwise charged to the income statement.

### Other plant and equipment

Depreciation is charged on other plant and equipment on a straight line basis over the estimated useful economic lives of the assets ranging from three to ten years.

The impairment of property, plant and equipment is considered annually or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, and provisions are made where necessary.

## VI Intangible assets

Intangible assets comprise computer software and are stated at cost. Amortisation is charged on a straight line basis over the estimated useful economic life of the software (from two to five years). The impairment of intangible assets is considered whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, and provisions are made where necessary.

## VII Investments

Interest-bearing investments, equities and unit trusts held for the purposes of generating long-term investment income are treated as non-current available for sale investments and are included at bid price market value at the year-end date. Gains and losses on re-measurement are taken to the investment revaluation reserve initially and are recognised in the statement of comprehensive income. On disposal, the cumulative gain or loss previously recognised in reserves is transferred to the income statement.

At each year-end date, an assessment is made as to whether there is objective evidence that an available for sale equity instrument is impaired. A significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the asset is impaired. Judgement is used in determining what a significant or prolonged decline is. Impairment charges are recognised in the income statement.

## VIII Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, balances with banks and investments in money market instruments representing short-term, highly liquid investments that are readily convertible to known amounts of cash.

## IX Inventories

Inventories are stated at the lower of cost, using the first in first out basis, and net realisable value. Using information available at the year-end date, ICAEW makes judgements based on experience on the level of provision required to account for potential unsaleable inventories.

## X Trade and other receivables

Trade and other receivables are stated at cost less allowances made for doubtful receivables after initial recognition, which approximates fair value. Using information available at the year-end date, provision against trade receivables is made when there is objective evidence that ICAEW will not be able to collect all amounts due to it in accordance with the original terms of those receivables. The amount of the write-down is determined as the difference between the carrying amount and the present value of estimated future cash flows.

## Accounting policies (continued)

### XI Leases

Costs of operating leases are charged to the income statement on a straight line basis over the period of the relevant agreement. For property leases, where a rent-free period is agreed, this is spread over the life of the lease.

### XII Grants

Revenue grants receivable are recognised in the relevant period to match with the related costs which they are intended to compensate.

### XIII Pensions

#### Defined benefit scheme

Retirement benefits are accounted for under IAS 19 *Employee Benefits*. Scheme assets are measured at fair value. Scheme liabilities are measured by qualified actuaries on an actuarial basis using the projected unit credit method, and are discounted at appropriate high-quality corporate bond rates that have terms to maturity approximated to the terms of the related liability. Past service cost is recognised as an expense on a straight line basis over the average period until benefits become vested. Current service costs, expected return on scheme assets, and interest on scheme liabilities are recognised in the income statement. Actuarial gains and losses are recognised in full in the statement of comprehensive income as they arise.

The scheme closed to future accrual with effect from 30 June 2010. The quantification of the pension deficit is based on actuarial assumptions made by the board, in conjunction with the scheme's actuary, relating to discount rate, expected return on the plan's assets, inflation and future price increases. These assumptions, the details of which for the current financial year are included in note 27, are reviewed in the context of the economic climate.

- ▶ The plan assets are principally in equities and government bonds and the expected return on these assets is based on the long-term expectation for each asset class at the beginning of the period.
- ▶ The discount rate is determined with reference to the market rate of over 15 year AA rated bonds at the year-end date, allowing for the anticipated maturity of the scheme's projected benefit cash flow profile.
- ▶ The assumption for long-term inflation is based on market expectation of long-term future inflation at the year end, as measured by the difference between yields on fixed interest and index-linked government bonds.
- ▶ The assumptions relating to the mortality of current and future pensioners are based on the 92 series mortality tables, with allowance for future mortality improvements in line with the 'medium cohort' projections. This is consistent with the assumption used in the most recent actuarial valuation.

Because of changing market and economic conditions, the expenses and liabilities actually arising under the scheme in the future may differ materially from

the estimates made on the basis of these actuarial assumptions. The effects of any change to these assumptions are accounted for in the next financial year as other comprehensive income. The calculation of any charge relating to retirement benefits is clearly dependent on the assumptions used, which reflects the exercise of judgement.

#### Defined contribution schemes

Contributions under defined contribution schemes are charged to the income statement as they become due and payable.

### XIV Taxation

#### Current tax

Current tax is the tax currently payable based on taxable profit for the year and is recognised as a component of tax expense in the income statement.

#### Deferred tax

Deferred tax is recognised on all taxable temporary differences. However, deferred tax is not provided on initial recognition of an asset or liability unless the related transaction affects tax or accounting profit. In addition, a deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be used. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. Measurement is also based on the tax consequences of recovering or settling the carrying amount of assets and liabilities. Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the income statement, except where they relate to items that are recognised in other comprehensive income, in which case the related deferred tax is also recognised in other comprehensive income.

### XV Financial risk management

Senior management directly controls day-to-day policies and operations. Financial risk management issues are covered by ICAEW's risk management process as set out in the financial review section. Board and council members are regularly updated on any significant issues relating to financial risk management. The major financial risks to which ICAEW is exposed are summarised below.

#### Currency risk

The majority of ICAEW's transactions are carried out in sterling. In addition, ICAEW holds accounts in US dollars and euros. Where possible, ICAEW uses the income received from services provided in these currencies to hedge any exposures on payments made.

#### Credit risk

Working capital and longer term funds are held in interest-bearing investments and in listed equity securities for investment purposes through independent custodians.

The credit risk for cash and cash equivalents is monitored regularly. In the current economic climate, extra attention has been given to the agreed list of counterparties, which

## Accounting policies (continued)

are all reputable banks with a high-quality external credit rating of at least AA- and which have been judged to be too systematically important for a government to allow to enter administration.

In respect of trade and other receivables, ICAEW is not exposed to any significant credit risk to any single counterparty or group of counterparties. The majority of ICAEW's counterparties are members or member firms which are not considered to be a credit risk to ICAEW. ICAEW continuously monitors defaults of counterparties and incorporates this information into its credit risk controls relating to non-member customers.

The maximum exposure to credit risk at the year-end date is represented by the carrying value of financial instruments and management considers that all the financial assets not impaired or past due are of good credit quality.

### **Liquidity and interest rate risk**

ICAEW policy is to maintain a strong statement of financial position with cash or cash equivalent balances and therefore it does not have significant exposure to liquidity risk. ICAEW manages its liquidity risk by monitoring its net cash and cash equivalent flows. Liquidity needs are monitored on a day-to-day and monthly basis for short-term needs. Excess funds are invested as appropriate, depending on the forecast working capital cash flow needs, on short-term high interest deposit accounts or certificates of deposit. As a result of its holding of certificates of deposit with financial institutions, ICAEW does have exposure to interest rate fluctuations. These investments are invested by our agents in high-quality, liquid deposits, with a range of counterparties in such a way as to avoid an excessive concentration of our investment with any specific counterparty, and are monitored on a regular basis.

### **Going concern**

The financial statements have been prepared on a going concern basis; the conclusions of council's going concern review are set out in the financial review section.

## **XVI Reserves**

Reserves are set at a level equivalent to between three and six months of expenditure through the income statement and for cash and investment balances to be at least sufficient to cover between three and six months of annual budgeted/forecast gross cash expenditure.

Reserves comprise the following:

### **Revaluation reserve**

Represents the excess of the open market valuation over the depreciated historical cost of ICAEW's historic collections and properties, net of deferred taxation.

### **Investment revaluation reserve**

Represents unrealised gains and losses arising from the revaluation of available for sale investments over their historical cost.

### **Accumulated fund and other reserves**

Represents the retained result of ICAEW activities. In calculating the result to be taken to self-financing reserves, account has been taken of a share of central activities costs and other indirect costs and an allocation of investment income where appropriate.

# Notes to the financial statements

► for the year ended 31 December 2010

## 1 Learning and professional development

	Group and ICAEW			Group and ICAEW restated		
	2010 Income £m	2010 Expenditure £m	2010 Net £m	2009 Income £m	2009 Expenditure £m	2009 Net £m
Qualifications	11.7	(9.0)	2.7	11.7	(9.2)	2.5
Business development	0.1	(5.0)	(4.9)	0.1	(5.1)	(5.0)
Executive, policy and strategy	–	(0.8)	(0.8)	–	(1.2)	(1.2)
	11.8	(14.8)	(3.0)	11.8	(15.5)	(3.7)

The presentation of the learning and professional development note has been revised to reflect current responsibilities more accurately, in particular the international support team has been reported within international regions in note 4 below. The 2009 figures have been re-analysed in line with this presentation, this has no impact on the reported results.

## 2 Professional standards

	Group and ICAEW			Group and ICAEW restated		
	2010 Income £m	2010 Expenditure £m	2010 Net £m	2009 Income £m	2009 Expenditure £m	2009 Net £m
Disciplinary	0.6	(3.5)	(2.9)	0.5	(3.4)	(2.9)
Authorisation of investment business	1.6	(1.5)	0.1	1.6	(1.8)	(0.2)
Practice regulation and assurance	10.9	(8.5)	2.4	11.2	(8.5)	2.7
Commercial consultancy	0.6	(0.7)	(0.1)	0.9	(0.8)	0.1
	13.7	(14.2)	(0.5)	14.2	(14.5)	(0.3)

From 2010, the results of professional standards are reported as a whole, and no longer split between professional standards and practice regulation on the face of the income statement as was the case in 2009. In addition, regulatory income and costs relating specifically to AADB and FRC have been reflected in notes 9 and 10 below, rather than within the professional standards note. The 2009 figures have been re-analysed in line with this presentation; this has no impact on the reported results.

## 3 Member services

	Group and ICAEW			Group and ICAEW		
	2010 Income £m	2010 Expenditure £m	2010 Net £m	2009 Income £m	2009 Expenditure £m	2009 Net £m
Commercial	3.3	(4.6)	(1.3)	2.8	(4.6)	(1.8)
Member services	1.3	(4.8)	(3.5)	1.1	(3.0)	(1.9)
Administration	–	(1.2)	(1.2)	–	(2.7)	(2.7)
	4.6	(10.6)	(6.0)	3.9	(10.3)	(6.4)

## 4 Regional services

	Group and ICAEW			Group and ICAEW restated		
	2010 Income £m	2010 Expenditure £m	2010 Net £m	2009 Income £m	2009 Expenditure £m	2009 Net £m
UK regions	0.1	(4.6)	(4.5)	0.1	(4.6)	(4.5)
International regions	–	(3.5)	(3.5)	–	(1.9)	(1.9)
	0.1	(8.1)	(8.0)	0.1	(6.5)	(6.4)

The presentation of the regional services note has been revised to reflect current responsibilities more accurately. The 2009 figures have been re-analysed in line with this presentation, this has no impact on the reported results.

# Notes to the financial statements (continued)

► for the year ended 31 December 2010

## 5 Technical strategy

	Group and ICAEW			Group and ICAEW		
	2010	2010	2010	2009	2009	2009 restated
	Income	Expenditure	Net	Income	Expenditure	Net
	£m	£m	£m	£m	£m	£m
ICAEW-funded faculty activities	–	(2.6)	(2.6)	–	(2.6)	(2.6)
Technical departments	0.1	(2.8)	(2.7)	0.1	(2.4)	(2.3)
Audit and Assurance Faculty	0.9	(0.6)	0.3	1.0	(0.8)	0.2
Corporate Finance Faculty	0.5	(0.5)	–	0.6	(0.6)	–
Finance and Management Faculty	0.7	(0.5)	0.2	0.7	(0.6)	0.1
Financial Reporting Faculty	0.2	(0.3)	(0.1)	0.1	(0.2)	(0.1)
Financial Services Faculty	0.3	(0.4)	(0.1)	0.2	(0.4)	(0.2)
Information Technology Faculty	0.5	(0.4)	0.1	0.4	(0.4)	–
Tax Faculty	0.7	(0.7)	–	0.7	(0.6)	0.1
Administration	–	(0.3)	(0.3)	–	(0.4)	(0.4)
	3.9	(9.1)	(5.2)	3.8	(9.0)	(5.2)

From 2010, the results of technical strategy are reported as a whole, and no longer split between technical strategy and self financing faculties on the face of the income statement as was the case in 2009. In addition, the Europe region is now reported within international regions. The 2009 figures have been re-analysed in line with this presentation; this has no impact on the reported results.

## 6 Central activities

	Group			Group		
	2010	2010	2010	2009	2009	2009
	Income	Expenditure	Net	Income	Expenditure	Net
	£m	£m	£m	£m	£m	£m
Infrastructure	–	(9.7)	(9.7)	0.1	(10.3)	(10.2)
Marketing and communications	–	(8.6)	(8.6)	–	(8.0)	(8.0)
Finance and administration	–	(6.2)	(6.2)	–	(6.3)	(6.3)
	–	(24.5)	(24.5)	0.1	(24.6)	(24.5)
Less: allocated to other activities or recovered from outside bodies (including notional rent of £1.1m (2009: £1.1m))	–	13.6	13.6	–	13.8	13.8
	–	(10.9)	(10.9)	0.1	(10.8)	(10.7)

	ICAEW			ICAEW		
	2010	2010	2010	2009	2009	2009
	Income	Expenditure	Net	Income	Expenditure	Net
	£m	£m	£m	£m	£m	£m
Infrastructure	–	(9.7)	(9.7)	0.1	(10.3)	(10.2)
Marketing and communications	–	(8.6)	(8.6)	–	(8.0)	(8.0)
Finance and administration	–	(6.2)	(6.2)	–	(6.3)	(6.3)
	–	(24.5)	(24.5)	0.1	(24.6)	(24.5)
Less: allocated to other activities or recovered from outside bodies (including notional rent of £1.1m (2009: £1.1m))	–	14.2	14.2	–	14.4	14.4
	–	(10.3)	(10.3)	0.1	(10.2)	(10.1)

## 7 Charitable trusts

	Group			Group		
	2010	2010	2010	2009	2009	2009
	Income	Expenditure	Net	Income	Expenditure	Net
	£m	£m	£m	£m	£m	£m
External research grants	–	(0.2)	(0.2)	–	(0.3)	(0.3)
Library income and expenditure	–	(1.0)	(1.0)	–	(1.0)	(1.0)
Other income and expenditure	0.2	–	0.2	0.3	–	0.3
	0.2	(1.2)	(1.0)	0.3	(1.3)	(1.0)

# Notes to the financial statements (continued)

► for the year ended 31 December 2010

## 8 Joint Disciplinary Scheme

	Group and ICAEW			Group and ICAEW		
	2010 Income £m	2010 Expenditure £m	2010 Net £m	2009 Income £m	2009 Expenditure £m	2009 Net £m
Costs	–	–	–	–	(0.1)	(0.1)
Cost recoveries	–	2.2	2.2	–	–	–
Fines	0.4	–	0.4	–	–	–
	<u>0.4</u>	<u>2.2</u>	<u>2.6</u>	<u>–</u>	<u>(0.1)</u>	<u>(0.1)</u>

Total ICAEW cash receipts from fines and cost recoveries were £2.5m (2009: nil). Of this, £0.4m relates to fines, and is reflected as income. The remainder relates to the recovery of costs paid over previous years and therefore has been recognised as a cost recovery.

## 9 Accountancy and Actuarial Discipline Board

	Group and ICAEW			Group and ICAEW		
	2010 Income £m	2010 Expenditure £m	2010 Net £m	2009 Income £m	2009 Expenditure £m	2009 restated Net £m
Accountancy and Actuarial Discipline Board	1.4	(5.1)	(3.7)	0.9	(2.1)	(1.2)

Income relates to a direct levy on regulated firms. This income, and the matching costs, was previously reported within professional standards. The 2009 figures have been re-analysed in line with this presentation; this has no impact on the reported results.

## 10 Other regulatory bodies and professional associations

	Group and ICAEW			Group and ICAEW		
	2010 Income £m	2010 Expenditure £m	2010 Net £m	2009 Income £m	2009 Expenditure £m	2009 restated Net £m
Financial Reporting Council	0.8	(1.8)	(1.0)	0.8	(2.0)	(1.2)
Consultative Committee of Accountancy Bodies	–	(0.5)	(0.5)	–	(0.4)	(0.4)
International Federation of Accountants	–	(0.6)	(0.6)	–	(0.7)	(0.7)
	<u>0.8</u>	<u>(2.9)</u>	<u>(2.1)</u>	<u>0.8</u>	<u>(3.1)</u>	<u>(2.3)</u>

Income relates to a direct levy on regulated firms. This income, and the matching costs, was previously reported within professional standards. The 2009 figures have been re-analysed in line with this presentation; this has no impact on the reported results.

## 11 Gift aid and library funding

ICAEW made payments of £1.6m (2009: £1.8m) in the year under gift aid to the Chartered Accountants' Trust for Education and Research (CATER), which funds the ICAEW library and education in the field of accountancy and related subjects.



# Notes to the financial statements (continued)

► for the year ended 31 December 2010

## 12 Operating result

The group and ICAEW operating result is stated after charging:

	2010	Group 2009	2010	ICAEW 2009
	£m	£m	£m	£m
Staff costs	36.0	35.4	35.2	34.5
Depreciation on owned property, plant and equipment	1.6	1.4	1.6	1.4
Amortisation of intangible assets	0.9	1.0	0.9	1.0
Cost of inventories recognised as an expense	0.9	0.9	0.9	0.9
Amounts payable under operating leases:				
Plant and machinery	0.2	0.2	0.2	0.2
Other	0.8	0.7	0.7	0.6
Fees payable to ICAEW's auditor for the audit of the financial statements	0.1	0.1	0.1	0.1

The group and ICAEW operating results include reimbursement of members' expenses on ICAEW activities and payments on a normal commercial basis to members and member firms for services, particularly in connection with lecturing and writing. In 2010 these payments in aggregate amounted to £1.7m (2009: £1.8m). Of this, £18,000 (2009: £8,000) was paid for services to member firms who have a partner or employee who is also a member of the council. The amounts paid to individual council members for services was £52,000 (2009: £54,000) in total.

Fees payable to ICAEW's auditor for taxation services were £8,000 (2009: £17,000) and for consultancy work £17,000 (2009: £20,000). Fees were also payable to the auditor for the audit of the Staff Pensions Fund of £6,000 (2009: £6,000). Fees payable to associates of ICAEW's auditor for the local audits of the international subsidiaries were £14,000 (2009: £7,000).

## 13 Net investment income

	2010	Group 2009 restated	2010	ICAEW 2009 restated
	£m	£m	£m	£m
Bank interest receivable	0.1	0.1	0.1	0.1
Interest receivable from investment deposits	0.3	0.8	0.1	0.6
Other financial income	0.7	0.7	0.7	0.7
Returns on multi-asset portfolio	0.7	0.2	0.7	0.2
Realised gains/(losses) from equities	0.2	(0.2)	0.2	(0.2)
	2.0	1.6	1.8	1.4
Allocated to self-financing activities and charitable trusts	(0.2)	(0.5)	–	(0.2)
Net investment gains and income to the accumulated fund	1.8	1.1	1.8	1.2

Other financial income relates in the main to indexation on the licence fees and deferred consideration from Wolters Kluwer NV.

Investment income allocated to self-financing activities and charitable trusts is summarised as follows:

	2010	Group 2009	2010	ICAEW 2009
	£m	£m	£m	£m
Practice regulation	–	0.1	–	0.1
Faculties	–	0.1	–	0.1
Charitable trusts	0.2	0.3	–	–
	0.2	0.5	–	0.2

From 2010 the former practice regulation reserves have been amalgamated into the accumulative fund. Consequently there is no allocation of net investment gains and income from the accumulated fund. The 2009 figures have been re-analysed in line with this, resulting in an increase of £0.1m of net investment gains and income to the accumulated fund in 2009.



# Notes to the financial statements (continued)

➤ for the year ended 31 December 2010

## 14 Taxation

	Group and ICAEW	
	2010	2009
	£m	£m
<b>Current tax</b>		
Adjustment for previous periods	(0.1)	0.1
	(0.1)	0.1
<b>Deferred tax</b>		
Origination and reversal of temporary differences	–	–
Tax (charge)/credit on operating result	(0.1)	0.1

ICAEW is chargeable to corporation tax on investment income and gains and on net surpluses arising from certain services to the extent that they relate to transactions with non-members. The liability has been reduced by payments made under gift aid to CATER. The charitable trusts fall outside the scope of corporation tax and accordingly there is no liability for their activities. The subsidiary companies pay local tax based on their country of operation and this has been included in the current tax calculations. The ICAEW net corporation tax charge for the year was £100,000 (2009: £115,000 credit).

Factors affecting the tax credit for the year:

	Group		ICAEW	
	2010	2009	2010	2009
	£m	£m	£m	£m
Net result before taxation	2.1	1.0	1.9	0.6
Add back: result on transactions with members	(1.1)	(1.2)	(0.9)	(0.9)
Net result before taxation on transactions with non-members	1.0	(0.2)	1.0	(0.3)
Net result above at the standard rate of corporation tax in the UK of 28%	(0.2)	0.1	(0.2)	0.1
Effects of:				
Items not chargeable/deductible for tax purposes	0.4	0.1	0.4	0.1
Unutilised tax losses	(0.2)	(0.2)	(0.2)	(0.2)
Adjustments in respect of prior years	(0.1)	0.1	(0.1)	0.1
	(0.1)	0.1	(0.1)	0.1

ICAEW anticipates that tax charges in future years may be affected by continued donations under gift aid to CATER.

# Notes to the financial statements (continued)

► for the year ended 31 December 2010

## 15 Property, plant and equipment

The freehold property, Chartered Accountants' Hall, London, was revalued by CB Richard Ellis Ltd, independent chartered surveyors, at 31 December 2010 at open market value, in accordance with the appraisal and valuation manual of the Royal Institution of Chartered Surveyors.

The historical cost of ICAEW's silver collection and antiques represents only the cost of items bought by ICAEW. The valuations of these collections also include substantial donations and bequests. ICAEW's historic collections were revalued at open market value at 31 December 2010 by William Walter Antiques Limited (the Benney silver collection and other silver); John Drury Rare Books (rare books) and Ritchie Associates (period furniture, pictures and sculptures).

The revaluations during the year ended 31 December 2010 resulted in a valuation increase of £1.2m (2009: reduction of £1.8m). Depreciation is provided on the plant and equipment elements within the freehold property. At 31 December 2010 there were no contracts for capital expenditure not provided for in these financial statements (2009: £nil).

There is a charge over Chartered Accountants' Hall in favour of the trustee of ICAEW's defined benefit pension scheme (see note 27).

	Group and ICAEW				
	Freehold property £m	Short leasehold property £m	Silver collection and antiques £m	Furniture, computer hardware and equipment £m	Total £m
<b>Cost or valuation</b>					
<b>At 1 January 2008</b>	<b>12.2</b>	<b>1.4</b>	<b>4.0</b>	<b>7.1</b>	<b>24.7</b>
Additions	1.5	1.2	–	2.4	5.1
Disposals at cost or valuation	–	(0.3)	–	(0.8)	(1.1)
Deficit on revaluation	(4.2)	–	(0.2)	–	(4.4)
<b>At 1 January 2009</b>	<b>9.5</b>	<b>2.3</b>	<b>3.8</b>	<b>8.7</b>	<b>24.3</b>
Additions	1.0	0.1	–	1.2	2.3
Disposals at cost or valuation	(0.1)	–	–	(0.7)	(0.8)
Deficit on revaluation	(1.9)	–	–	–	(1.9)
<b>At 1 January 2010</b>	<b>8.5</b>	<b>2.4</b>	<b>3.8</b>	<b>9.2</b>	<b>23.9</b>
Additions	0.9	–	–	1.3	2.2
Disposals at cost or valuation	–	–	–	(2.0)	(2.0)
Surplus on revaluation	0.6	–	0.5	–	1.1
<b>At 31 December 2010</b>	<b>10.0</b>	<b>2.4</b>	<b>4.3</b>	<b>8.5</b>	<b>25.2</b>
<b>Accumulated depreciation</b>					
<b>At 1 January 2008</b>	<b>0.5</b>	<b>0.3</b>	–	<b>5.5</b>	<b>6.3</b>
Depreciation for the year	0.2	0.1	–	0.6	0.9
Depreciation on disposals	–	(0.3)	–	(0.7)	(1.0)
Adjustment on revaluation	(0.1)	–	–	–	(0.1)
<b>At 1 January 2009</b>	<b>0.6</b>	<b>0.1</b>	–	<b>5.4</b>	<b>6.1</b>
Depreciation for the year	0.4	0.2	–	0.8	1.4
Depreciation on disposals	(0.1)	–	–	(0.6)	(0.7)
Adjustment on revaluation	(0.1)	–	–	–	(0.1)
<b>At 1 January 2010</b>	<b>0.8</b>	<b>0.3</b>	–	<b>5.6</b>	<b>6.7</b>
Depreciation for the year	0.4	0.2	–	1.0	1.6
Depreciation on disposals	–	–	–	(2.0)	(2.0)
Adjustment on revaluation	(0.1)	–	–	–	(0.1)
<b>At 31 December 2010</b>	<b>1.1</b>	<b>0.5</b>	–	<b>4.6</b>	<b>6.2</b>
<b>Carrying amount</b>					
At 31 December 2008	8.9	2.2	3.8	3.3	18.2
At 31 December 2009	7.7	2.1	3.8	3.6	17.2
<b>At 31 December 2010</b>	<b>8.9</b>	<b>1.9</b>	<b>4.3</b>	<b>3.9</b>	<b>19.0</b>
On an historical cost basis the comparable amounts of property, plant and equipment are:					
Cost	12.1	2.4	0.2	8.5	23.2
Accumulated depreciation	4.8	0.5	–	4.6	9.9
<b>Net historical cost at 31 December 2010</b>	<b>7.3</b>	<b>1.9</b>	<b>0.2</b>	<b>3.9</b>	<b>13.3</b>

On an historical cost basis the comparable amounts of property, plant and equipment are:

Cost	12.1	2.4	0.2	8.5	23.2
Accumulated depreciation	4.8	0.5	–	4.6	9.9
<b>Net historical cost at 31 December 2010</b>	<b>7.3</b>	<b>1.9</b>	<b>0.2</b>	<b>3.9</b>	<b>13.3</b>

# Notes to the financial statements (continued)

► for the year ended 31 December 2010

## 16 Intangible assets

	Group and ICAEW Computer software		
	2010 £m	2009 £m	2008 £m
<b>Cost</b>			
At 1 January	7.7	6.9	6.0
Additions at cost	1.2	0.8	0.9
Disposals at cost	(1.7)	–	–
<b>At 31 December</b>	<b>7.2</b>	<b>7.7</b>	<b>6.9</b>
<b>Accumulated amortisation</b>			
At 1 January	5.3	4.3	3.2
Amortisation for the year	0.9	1.0	1.1
Amortisation on disposals	(1.7)	–	–
<b>At 31 December</b>	<b>4.5</b>	<b>5.3</b>	<b>4.3</b>
<b>Carrying amount at 31 December</b>	<b>2.7</b>	<b>2.4</b>	<b>2.6</b>

Amortisation charges are allocated to departments on the basis of use of ICAEW's systems.

## 17 Investments in subsidiaries and associates

The following entities, all registered in England, have been treated as subsidiaries on the basis that ICAEW, through its nominating committee, controls the appointment of trustee directors:

	Activity
ICAEW Foundation	Makes charitable donations of particular interest to ICAEW
PD Leake Trust	Provides grants for accountancy research, conferences and publications
Chartered Accountants' Permanent Education Trust	Provides examination prizes
Chartered Accountants' Trust for Education and Research	Owens and operates the ICAEW library. Provides grants for accounting research, conferences and publications
Chartered Accountants' Library Limited	Trading subsidiary of Chartered Accountants' Trust for Education and Research
Chartered Accountants' Charitable Investment Pool	Common investment fund managing the investments of the other charitable trusts

The following entities, all registered in England, have been treated as subsidiaries on the basis that ICAEW holds all the shares in each entity:

	Shareholding %	2010 cost £m	2009 cost £m	2008 cost £m	Activity
ICAEW Malaysia Limited	100	–	–	–	Representative office for ICAEW in Malaysia
ICAEW China Limited	100	–	–	–	Representative office for ICAEW in China
ICAEW Middle East Limited	100	–	–	–	Representative office for ICAEW in the Middle East
ICAEW SEA Limited	100	–	–	–	Representative office for ICAEW in South East Asia
ICAEW CIS Limited	100	–	–	–	Dormant company
ICAEW Ltd	100	–	–	–	Holding company for the above companies
Dormant companies	100	–	–	–	Dormant

# Notes to the financial statements (continued)

► for the year ended 31 December 2010

## 17 Investments in subsidiaries and associates (continued)

The following related companies, all with their principal place of business in the UK, have been treated as associates. In each case, and notwithstanding the majority ownership of CCAB Limited and the Chartered Accountants' Compensation Scheme Limited, ICAEW has significant influence to participate in, but not govern, the financial and operating policies of the companies.

	Shareholding (ordinary shares) %	2010 cost £m	2009 cost £m	2008 cost £m	Activity
The Joint Insolvency Examination Board (a company limited by guarantee)	–	–	–	–	Conducts examinations in insolvency practice to meet the education requirements of the Insolvency Act 1986. ICAEW is one of seven subscribers each of whom has guaranteed £1 in the event of the company being wound up.
Fraud Advisory Panel (a company limited by guarantee)	–	–	–	–	Registered charity which carries out research into, and education in, all aspects of fraud prevention, detection, prosecution and deterrence.
CCAB Limited	51.7%	–	–	–	Undertakes activities of mutual interest to the six major accountancy bodies in the British Isles. Although ICAEW is the majority shareholder it does not have the majority of voting shares on the board and therefore does not control the company.
Chartered Accountants' Compensation Scheme Limited	80.0%	–	–	–	Evaluates and administers claims for compensation arising from the obligations of ICAEW, the Institute of Chartered Accountants of Scotland and the Institute of Chartered Accountants in Ireland as recognised professional bodies under the Financial Services Act 1986 and as designated professional bodies under the Financial Services and Markets Act 2000. The company is not treated as a subsidiary as a result of the rights of the other shareholders to nominate directors such that no party has a majority of the board.

The companies all operate on a not-for-profit basis. There is a full list of subsidiaries and associates at [icaew.com/review](http://icaew.com/review).

Financial information relating to the associates is summarised below:

	The Joint Insolvency Examination Board 2010 £m	Fraud Advisory Panel 2010 £m	CCAB Limited 2010 £m	Chartered Accountants' Compensation Scheme Limited 2010 £m	Total 2010 £m	Total 2009 £m	Total 2008 £m
Assets	0.3	0.2	1.3	0.1	1.9	1.9	1.5
Liabilities	(0.1)	(0.1)	(1.3)	(0.1)	(1.6)	(1.6)	(1.3)
Net assets	0.2	0.1	–	–	0.3	0.3	0.2
Revenue	0.2	0.2	5.6	0.1	6.1	6.2	5.1
Net result	–	–	–	–	–	–	–
Balances due from associates as at 31 December	–	–	–	0.1	0.1	0.1	0.1
Balances due to associates as at 31 December	–	–	(1.2)	–	(1.2)	(1.0)	(0.5)
Group share of net assets as at 31 December	–	0.1	–	–	0.1	0.1	0.1

# Notes to the financial statements (continued)

► for the year ended 31 December 2010

## 18 Financial assets: available for sale investments

	Interest-bearing investments			Equities and unit trusts			Group		
	2010	2010	Total 2010	2009	2009	Total 2009	2008	2008	Total 2008
	£m	£m	£m	£m	£m	£m	£m	£m	£m
<b>Fair value</b>									
At 1 January	8.2	30.1	38.3	24.7	10.1	34.8	24.1	12.8	36.9
Additions	13.6	9.0	22.6	46.9	18.8	65.7	93.2	2.4	95.6
Disposals	(13.6)	(8.3)	(21.9)	(63.7)	(1.9)	(65.6)	(93.9)	(1.9)	(95.8)
Gains/(losses) on disposal	–	0.3	0.3	0.4	(0.2)	0.2	1.2	–	1.2
Change in market value of investments:									
Recognised as other comprehensive income	–	2.7	2.7	(0.1)	3.3	3.2	0.1	(3.2)	(3.1)
<b>At 31 December</b>	<b>8.2</b>	<b>33.8</b>	<b>42.0</b>	<b>8.2</b>	<b>30.1</b>	<b>38.3</b>	<b>24.7</b>	<b>10.1</b>	<b>34.8</b>
<b>Held as</b>									
Restricted	5.0	–	5.0	5.0	–	5.0	5.0	–	5.0
Unrestricted	3.2	33.8	37.0	3.2	30.1	33.3	19.7	10.1	29.8
	<b>8.2</b>	<b>33.8</b>	<b>42.0</b>	<b>8.2</b>	<b>30.1</b>	<b>38.3</b>	<b>24.7</b>	<b>10.1</b>	<b>34.8</b>
On an historical cost basis the comparable amounts of investments are:									
At 31 December	8.2	29.6	37.8	8.3	28.4	36.7	24.6	12.0	36.6

	Interest-bearing investments			Equities and unit trusts			ICAEW		
	2010	2010	Total 2010	2009	2009	Total 2009	2008	2008	Total 2008
	£m	£m	£m	£m	£m	£m	£m	£m	£m
<b>Fair value</b>									
At 1 January	5.0	23.2	28.2	21.6	4.5	26.1	20.2	5.9	26.1
Additions	3.3	8.9	12.2	37.4	18.7	56.1	77.9	1.9	79.8
Disposals	(3.3)	(8.3)	(11.6)	(54.3)	(1.9)	(56.2)	(77.9)	(1.9)	(79.8)
Gains/(losses) on disposal	–	0.2	0.2	0.4	(0.2)	0.2	1.3	–	1.3
Change in market value of investments:									
Recognised as other comprehensive income	–	1.8	1.8	(0.1)	2.1	2.0	0.1	(1.4)	(1.3)
<b>At 31 December</b>	<b>5.0</b>	<b>25.8</b>	<b>30.8</b>	<b>5.0</b>	<b>23.2</b>	<b>28.2</b>	<b>21.6</b>	<b>4.5</b>	<b>26.1</b>
<b>Held as</b>									
Restricted	5.0	–	5.0	5.0	–	5.0	5.0	–	5.0
Unrestricted	–	25.8	25.8	–	23.2	23.2	16.6	4.5	21.1
	<b>5.0</b>	<b>25.8</b>	<b>30.8</b>	<b>5.0</b>	<b>23.2</b>	<b>28.2</b>	<b>21.6</b>	<b>4.5</b>	<b>26.1</b>
On an historical cost basis the comparable amounts of investments are:									
At 31 December	5.0	22.2	27.2	5.0	21.1	26.1	21.5	4.8	26.3

Within group investments are charitable funds of £11.1m (2009: £10.1m) which are maintained independently of ICAEW, and for which the trustee sets investment policies and monitors performance. ICAEW investments include cash balances of £4.5m (2009: £6.8m).

All the listed investments are denominated in sterling and are publicly traded in the UK. Fair values have been determined by reference to their quoted bid prices at the reporting date. The methods and valuation techniques used to measure fair value are unchanged compared to the previous year.

Restricted available for sale investments relate to ring-fenced funds which the trustee of the Staff Pensions Fund may call upon should ICAEW's financial position deteriorate materially in relation to the pension scheme (see note 27).

# Notes to the financial statements (continued)

► for the year ended 31 December 2010

## 19 Non-current financial assets: other receivables

	2010 £m	Group and ICAEW	
		2009 £m	2008 £m
Deferred consideration receivable	0.5	1.5	2.5

Deferred consideration following the sale of the business of ABG Professional Information in 2002 is receivable as follows:

	2010 £m	2009 £m	2008 £m
Within one year (included within current assets)	1.0	1.0	1.0
Within two to five years	0.5	1.5	2.5
	1.5	2.5	3.5

Non-current financial assets: other receivables are categorised as loans and receivables as required by IAS 39. Deferred consideration is receivable from Wolters Kluwer NV, a group with annual revenues for 2010 of €3,556m (2009: €3,425m) incorporated in the Netherlands and engaged in publishing and providing information products and services. The carrying value of this asset is considered to be equal to its fair value, as interest is receivable at an appropriate level to compensate for the discounted value of the deferred consideration. The relationship with Wolters Kluwer is managed and monitored through ICAEW's risk management process.

## 20 Deferred taxation

	2010 £m	Group and ICAEW	
		2009 £m	2008 £m
The provision for deferred taxation comprises:			
Revaluation of available for sale investments	(0.9)	(0.4)	0.2
Revaluation of properties and historic collections	(0.3)	(0.2)	(0.3)
Deferred tax liability	(1.2)	(0.6)	(0.1)
Defined benefit pension scheme deficit	0.2	0.6	0.4
Deferred tax asset	0.2	0.6	0.4
<b>Net deferred tax (liability)/asset</b>	<b>(1.0)</b>	<b>–</b>	<b>0.3</b>

Movements in the net deferred tax (liability)/asset are summarised as follows:

	Group and ICAEW				
	Revaluation of available for sale investments £m	Revaluation of properties and historic collections £m	Inflationary element of deferred consideration £m	Defined benefit pension scheme deficit £m	Net £m
(Liability)/asset at 1 January 2008	(0.2)	(0.5)	0.1	0.5	(0.1)
Movement in year:					
Recognised in income statement	–	–	(0.1)	–	(0.1)
Recognised as other comprehensive income	0.4	0.2	–	(0.1)	0.5
Asset/(liability) at 1 January 2009	0.2	(0.3)	–	0.4	0.3
Movement in year:					
Recognised as other comprehensive income	(0.6)	0.1	–	0.2	(0.3)
(Liability)/asset at 1 January 2010	(0.4)	(0.2)	–	0.6	–
Movement in year:					
Recognised as other comprehensive income	(0.5)	(0.1)	–	(0.4)	(1.0)
<b>(Liability)/asset at 31 December 2010</b>	<b>(0.9)</b>	<b>(0.3)</b>	<b>–</b>	<b>0.2</b>	<b>(1.0)</b>

The government substantively enacted a change in the national corporation tax rate from 28% to 27% in 2011.

# Notes to the financial statements (continued)

► for the year ended 31 December 2010

## 21 Inventories

	Group and ICAEW		
	2010	2009	2008
	£m	£m	£m
Learning materials	0.8	0.8	0.8

There was no provision for learning material publications at the year end (2009: £nil, 2008: £nil).

## 22 Trade and other receivables – current

	Group			ICAEW		
	2010	2009	2008	2010	2009	2008
	£m	£m	£m	£m	£m	£m
Trade and other receivables	5.0	4.6	4.6	4.7	4.5	4.4
Amounts owed by subsidiaries	–	–	–	0.3	0.1	0.1
Amounts owed by associates	0.1	0.1	0.1	0.1	0.1	0.1
Deferred consideration receivable	1.0	1.0	1.0	1.0	1.0	1.0
Prepayments	1.8	1.7	1.7	1.8	1.7	1.7
Accrued income	1.4	1.6	2.0	1.4	1.6	2.0
	9.3	9.0	9.4	9.3	9.0	9.3
Less: provision for impairment of trade and other receivables	(0.6)	(0.7)	(0.6)	(0.6)	(0.7)	(0.6)
	8.7	8.3	8.8	8.7	8.3	8.7

Trade and other receivables are categorised as loans and receivables as required by IAS 39. The principal component of trade and other receivables is amounts due from ICAEW's members and member firms, and in the case of disciplinary fines and costs, certain former members, and are short term. The carrying value of trade receivables is considered a reasonable approximation of fair value. It is considered that all the above financial assets which are not impaired or past due are of good credit quality.

All receivables have been reviewed for indicators of impairment. Certain trade receivables, principally in relation to disciplinary fines and costs from members, member firms and former members, were found to be impaired, and a provision of £0.6m (2009: £0.7m, 2008: £0.6m) has been made. The movement in the provision for trade and other receivables can be reconciled as follows:

	Group			ICAEW		
	2010	2009	2008	2010	2009	2008
	£m	£m	£m	£m	£m	£m
Balance at 1 January	0.7	0.6	0.7	0.7	0.6	0.7
Amounts written off (uncollectable)	–	(0.1)	(0.1)	–	(0.1)	(0.1)
Impairment losses	0.1	0.4	0.3	0.1	0.4	0.3
Impairment losses reversed	(0.2)	(0.2)	(0.3)	(0.2)	(0.2)	(0.3)
	0.6	0.7	0.6	0.6	0.7	0.6

In addition, some of the unimpaired trade receivables are past due as at the reporting date. The age of financial assets past due but not impaired is as follows:

	Group			ICAEW		
	2010	2009	2008	2010	2009	2008
	£m	£m	£m	£m	£m	£m
More than one month but not more than three months	0.5	0.8	0.8	0.5	0.8	0.8
More than three months	0.3	0.2	0.2	0.3	0.2	0.2
	0.8	1.0	1.0	0.8	1.0	1.0

## 23 Cash and cash equivalents

Cash and cash equivalents are categorised as loans and receivables as required by IAS 39. Cash and cash equivalents consist of current balances with banks and money market deposits. They do not include interest-bearing investments held for the long term.

Forward contracts are used to cover known foreign currency exposures. No forward contracts were in place at the year end (2009: £nil, 2008: £nil).

The effect of a 0.25% change in the average market interest rate on current cash and equivalents, and cash balances within the available for sale portfolio, held at the reporting date that are sensitive to changes in interest rates, would be £37,000 (2009: £42,000). All other variables are held constant.

# Notes to the financial statements (continued)

► for the year ended 31 December 2010

## 24 Trade and other payables

	2010	2009	Group	2010	2009	ICAEW
	£m	£m	2008	£m	£m	2008
			£m			£m
Subscriptions and admission fees in advance	10.5	10.9	9.3	10.5	10.9	9.3
Amounts owed to associates	1.2	1.0	0.5	1.2	1.0	0.5
Other income in advance	5.7	3.9	3.6	5.7	3.9	3.6
Trade payables	3.5	3.3	4.3	3.5	3.3	4.3
Other payables	1.1	1.1	0.8	0.6	0.8	0.5
Income tax and social security payables	1.0	0.9	1.0	1.0	0.9	1.0
Accruals	5.7	6.1	4.8	5.7	6.0	4.8
	28.7	27.2	24.3	28.2	26.8	24.0

Trade and other payables are categorised as current financial liabilities measured at amortised cost as required by IAS 39. All the above trade payables and other payables are short term and are payable within one month. Subscriptions and admission fees in advance relate to income received during 2010 but relating to 2011 annual subscriptions and fees. The carrying values are considered to be a reasonable approximation of fair value.

## 25 Joint Disciplinary Scheme provision

	2010	Group and ICAEW	
	£m	2009	2008
		£m	£m
Balance at 1 January	0.7	1.8	1.4
(Credit)/charge to income statement	(0.1)	0.1	1.8
Amounts paid	(0.6)	(1.2)	(1.4)
Balance at 31 December	–	0.7	1.8

The JDS was closed during the year following completion of its one remaining case.

## 26 Accountancy and Actuarial Discipline Board provision

	2010	Group and ICAEW	
	£m	2009	2008
		£m	£m
Balance at 1 January	5.3	4.5	4.0
Charge to income statement	5.1	2.1	1.5
Amounts paid	(1.6)	(1.3)	(1.0)
Balance at 31 December	8.8	5.3	4.5
Provision expected to be used within one year	5.3	2.9	3.1
Provision expected to be used after more than one year	3.5	2.4	1.4
	8.8	5.3	4.5

The AADB is part of the Financial Reporting Council and is responsible for operating and administering an independent disciplinary scheme (the Accountancy Scheme) covering members of ICAEW and the following participating institutes: the Association of Chartered Certified Accountants, the Chartered Institute of Management Accountants, the Chartered Institute of Public Finance and Accountancy, the Institute of Chartered Accountants in Ireland and the Institute of Chartered Accountants of Scotland. The AADB also operates and administers a separate independent disciplinary scheme (the Actuarial Scheme) covering members of the Institute and Faculty of Actuaries.

The amount provided is based on the estimated present obligation to ICAEW of investigations by the AADB for cases arising from past events up to 31 December 2010. The provision is expected to be used over the next five years. ICAEW reviews the adequacy of the AADB provision through a review of past case cost estimates and discussions of current cases with relevant individuals. However, the accuracy of both the provision and the forecast of the period over which it will be used will depend on assumptions made about the progress of individual cases and is subject to a significant degree of uncertainty.



# Notes to the financial statements (continued)

► for the year ended 31 December 2010

## 27 Pension liabilities

### Defined benefit scheme

Until 30 June 2010, ICAEW operated a defined benefit staff pension scheme (the scheme) which provided participating members of staff with retirement benefits based on their final pensionable salary. The assets of the scheme continue to be held by a separate trustee-administered fund. Following consultation during 2009, the scheme was closed to future accrual from 30 June 2010.

The most recent completed valuation of the scheme was carried out by Hymans Robertson LLP as at 5 April 2007 on the projected unit credit method. At that valuation date, the market value of the assets of the scheme was £90.0m, which represented 82% of the value of the benefits that had accrued to members, after allowing for expected future increases in earnings.

The next triennial valuation of the scheme as at 31 March 2010 had not been completed at the date of signing these financial statements. The draft valuation carried out by Hymans Robertson LLP on the projected unit credit method as at 31 March 2010 has taken into account the closure of the scheme to future accrual from 30 June 2010. At the draft valuation date, the market value of the assets of the scheme was £113.0m, which is provisionally estimated to represent 83% of the value of the benefits that had accrued to members.

As part of the agreement for the closure of the scheme to future accrual, ICAEW has undertaken to make monthly payments of £0.5m (£6.0m a year) for three years from 1 July 2010 towards funding the estimated deficit on past service costs, reducing to £3.5m a year thereafter until the deficit is eliminated. Total payments by ICAEW to the scheme during 2010 for past service deficits amounted to £5.8m (2009: £3.6m, 2008: £3.5m).

ICAEW also agreed to make additional employer contributions during the year for back-dated benefits awarded to participating employees attaining 10 years' service with ICAEW during that period of £0.4m (2009: £0.3m, 2008: £0.2m).

In conjunction with the 2007 valuation of the scheme, the trustee commissioned a review of the strength of ICAEW's financial covenant. The resulting agreement set a number of trigger points in relation to the key financial ratios. If an amber trigger event occurs, then ICAEW and the trustee of the pension scheme are required to meet to determine whether the deficit recovery period should be shortened. If a red trigger event occurs, then an immediate additional contribution of £5.0m is required to be made by ICAEW to the scheme and the recovery period would be shortened. To secure this arrangement, ICAEW agreed to a charge being made over Chartered Accountants' Hall and to ring-fence £5.0m of available for sale investments, which the trustee of the scheme may call upon should a red trigger event occur.

Once the 2010 valuation is concluded, the 2007 covenant agreement will be replaced by a fresh agreement, expected to be on substantially the same terms other than that the additional contributions payable on a red trigger event occurring will increase to £10.0m.

In order to monitor the strength of ICAEW's financial covenant under the 2007 agreement, the actuary has provided a desktop update on the scheme's funding position as at 31 December 2010. This review estimated that the deficit, based on assumptions consistent with the draft 2010 triennial valuation, was £19.9m (2009: £39.0m). At the year end, both key financial covenant triggers were at green (2009: green).

The following table summarises the key assumptions used in preparing the desktop actuarial valuation:

	31 December 2010	31 December 2009	31 December 2008
Pre-retirement discount rate	5.42%	6.50%	5.87%
Inflation	3.62%	3.80%	3.05%
Future salary increases	—	1.50%	1.50%
Life expectancy	Medium cohort	Medium cohort	Medium cohort

The main reason for the difference between this desktop actuarial valuation and the IAS19 valuation relates to the post-retirement discount rates applied.

The sensitivities of the liabilities in the above desktop actuarial valuation to changes in these assumptions are summarised below:

	Change in assumption	Effect on value of liabilities	
		%	£m
Discount rate	Increase/(decrease) by 0.5% pa	(Decrease)/increase by 8.8%	12.2
Rate of inflation	Increase/(decrease) by 0.25% pa	Increase/(decrease) by 4.1%	5.7
Longevity	Increase by 1 year	Increase by 3.4%	4.7

### IAS 19 valuation

The scheme's actuary provides a separate report for IAS 19 *Employee Benefits* purposes at each year end. The assumptions made at 31 December 2010 on the advice of the scheme's actuary were:

	2010	2009	2008
Discount rate	5.40%	5.68%	6.35%
Expected return on scheme assets	5.78%	5.92%	5.49%
Future salary increases	—	3.55%	4.20%
Future increases in pensionable earnings	3.35%	3.55%	3.20%
Rate of inflation	3.35%	3.55%	3.20%

# Notes to the financial statements (continued)

► for the year ended 31 December 2010

## 27 Pension liabilities (continued)

IAS 19 states that the discount rate used should have regard to returns on high quality corporate bonds of a suitable term. The *iBoxx over 15 year AA bond index* is typically used for this purpose, but the average term of the constituents of this index are somewhat shorter than appropriate for the ICAEW scheme. Accordingly an appropriate discount rate has been derived, in consultation with independent actuaries, with regard to the yields available on the government bonds (where longer maturity yields are available) plus a suitable increment to reflect the typical credit spreads between AA rated corporate bonds and similarly dated government bonds.

The expected return on assets has been based on the long-term expectation for each asset class at the beginning of the year. The return on equities has been taken as 2.75% per annum in excess of the yield on government bonds at the year end.

The mortality tables used to calculate the pension liabilities imply an expected future life expectancy of current pensioners at age 65 of 22.5 years (men) and 24.5 years (women); and for current non-pensioners of 24.5 years (men) and 26.3 years (women). These assumptions are in line with the actuarial valuation as at 31 March 2010.

The scheme actuary has confirmed that the assumptions adopted are within their acceptable range for the purposes of the IAS 19 valuation, and have calculated the sensitivity of the liabilities as at 31 December 2010 to certain key assumptions as follows:

	Change in assumption	Effect on value of liabilities	
		%	£m
Discount rate	Increase/(decrease) by 0.5% pa	(Decrease)/increase by 8.0%	10.0
Rate of inflation	Increase/(decrease) by 0.25% pa	Increase/(decrease) by 4.0%	5.0
Longevity	Increase by 1 year	Increase by 3.0%	4.0

The following table summarises the results of the IAS 19 valuation of the fund:

	Group			ICAEW		
	2010 £m	2009 £m	2008 £m	2010 £m	2009 £m	2008 £m
Present value of funded obligations	(125.0)	(120.4)	(99.9)	(125.0)	(120.4)	(99.9)
Fair value of plan assets	119.3	105.6	90.8	119.3	105.6	90.8
Whole scheme deficit	(5.7)	(14.8)	(9.1)	(5.7)	(14.8)	(9.1)
Less: relating to other employers	–	–	0.1	0.3	0.6	0.5
Scheme deficit relating to ICAEW	(5.7)	(14.8)	(9.0)	(5.4)	(14.2)	(8.6)

Until February 2009, the scheme was a multi-employer scheme comprising ICAEW group and the Chartered Accountants' Benevolent Association (CABA). CABA ceased to participate in the scheme in February 2009.

### Reconciliation of defined benefit obligation – whole scheme

	2010 £m	2009 £m	2008 £m
Opening defined benefit obligation	120.4	99.9	115.4
Current service cost	0.9	1.9	2.2
Past service cost	0.9	–	–
Interest on obligation	6.7	6.3	6.6
Contributions by plan participants	0.3	0.7	0.8
Actuarial loss/(gain) in the year	2.3	16.2	(20.9)
Benefits paid	(6.5)	(4.6)	(4.2)
Closing defined benefit obligation	125.0	120.4	99.9

### Reconciliation of fair value of plan assets – whole scheme

	2010 £m	2009 £m	2008 £m
Opening fair value of plan assets	105.6	90.8	98.9
Expected return on assets	6.3	5.0	6.3
Contributions by plan participants	0.3	0.7	0.8
Contributions by the employer	7.0	5.8	5.7
Actuarial gain/(loss) in the year	6.6	7.9	(16.7)
Benefits paid	(6.5)	(4.6)	(4.2)
Closing fair value of plan assets	119.3	105.6	90.8
Actual return on assets	12.8	13.0	(10.4)

# Notes to the financial statements (continued)

➡ for the year ended 31 December 2010

## 27 Pension liabilities (continued)

The major categories of plan assets as a percentage of total plan assets are as follows:

	2010	2009	2008
Equities	58%	57%	56%
Government bonds	33%	34%	37%
Cash	3%	4%	2%
Corporate bonds	6%	5%	5%
	100%	100%	100%

Amounts recognised in the income statement within staff costs are as follows:

	2010 £m	2009 £m	Group 2008 £m	2010 £m	2009 £m	ICAEW 2008 £m
Current service cost	(0.9)	(1.9)	(2.2)	(0.9)	(1.9)	(2.2)
Past service cost	(0.9)	–	–	(0.9)	–	–
Expected return on pension scheme assets	6.3	5.0	6.3	6.3	5.0	6.3
Interest on pension scheme liabilities	(6.7)	(6.3)	(6.6)	(6.7)	(6.3)	(6.6)
	(2.2)	(3.2)	(2.5)	(2.2)	(3.2)	(2.5)
Less: relating to other employers within the scheme	–	–	–	0.1	0.1	0.1
	(2.2)	(3.2)	(2.5)	(2.1)	(3.1)	(2.4)

Amounts recognised as other comprehensive income:

	2010 £m	2009 £m	Group 2008 £m	2010 £m	2009 £m	ICAEW 2008 £m
Actuarial gain/(loss) on plan assets	6.6	7.9	(16.7)	6.6	7.9	(16.7)
Actuarial (loss)/gains on obligation	(2.3)	(16.2)	20.9	(2.3)	(16.2)	20.9
Actuarial gain/(loss) – whole scheme	4.3	(8.3)	4.2	4.3	(8.3)	4.2
Less: relating to other employers within the scheme	–	–	–	(0.2)	0.3	(0.1)
	4.3	(8.3)	4.2	4.1	(8.0)	4.1

Amounts for the current and previous periods are as follows:

	2010 £m	2009 £m	2008 £m	2007 £m	2006 £m
Defined benefit obligation	(125.0)	(120.4)	(99.9)	(115.4)	(113.1)
Plan assets	119.3	105.6	90.8	98.9	86.8
Whole scheme deficit	(5.7)	(14.8)	(9.1)	(16.5)	(26.3)
Actuarial gain/(loss) on plan assets	6.6	7.9	(16.7)	5.8	1.3
Actuarial (loss)/gain on obligation	(2.3)	(16.2)	20.9	3.1	(6.3)
Experience (losses)/gains on obligation	(0.7)	–	–	0.2	–

### Defined contribution scheme

ICAEW also operates a defined contribution scheme for employees. This provides benefits based upon contributions made and investment returns achieved. The assets of the scheme are held in a separate trustee fund. ICAEW contributes 9% of pensionable earnings for participating employees. Employees contribute a minimum of 4%. Transitional arrangements over three years, including enhanced ICAEW contributions, are in place for participating employees transferring from the defined benefit scheme.

The amount charged to the income statement during the year for these schemes was £1.8m (2009: £1.3m). There were no contributions payable to the scheme at the year-end date (2009: £nil).

# Notes to the financial statements (continued)

➤ for the year ended 31 December 2010

## 28 Reserves

Included within reserves is £3.1m relating to the Chartered Accountants' Compensation Scheme. In accordance with investment business regulations ICAEW is required to maintain a compensation scheme, funded by levies on firms authorised for investment business. This compensation scheme exists to deal with claims received in respect of work carried out by authorised firms under both the Recognised Professional Body (RPB pre 2001) and Designated Professional Body (DPB post 2001) regimes. ICAEW maintains a reserve to meet anticipated future claims. A levy was made in 2010 on licensed firms under the DPB regime. ICAEW has reserved the right to make further levies on firms authorised under the RPB regime before 1 December 2001 should additional funds be required.

## 29 Leasing commitments – operating leases

At 31 December the group and ICAEW had the following total future minimum lease payments under non-cancellable operating leases:

	<b>Land and buildings 2010 £m</b>	<b>Group Plant and machinery 2010 £m</b>	<b>Land and buildings 2009 £m</b>	<b>Group Plant and machinery 2009 £m</b>
Minimum lease payments due:				
Within one year	0.1	–	0.1	–
In two to five years inclusive	0.2	0.2	0.2	0.2
After five years	7.0	–	7.7	–
	<b>7.3</b>	<b>0.2</b>	<b>8.0</b>	<b>0.2</b>

	<b>Land and buildings 2010 £m</b>	<b>ICAEW Plant and machinery 2010 £m</b>	<b>Land and buildings 2009 £m</b>	<b>ICAEW Plant and machinery 2009 £m</b>
Minimum lease payments due:				
In two to five years inclusive	0.2	0.2	0.2	0.2
After five years	7.0	–	7.7	–
	<b>7.2</b>	<b>0.2</b>	<b>7.9</b>	<b>0.2</b>

## 30 Staff costs

Average number of staff employed during the year

	<b>2010</b>	<b>Group 2009</b>	<b>2010</b>	<b>ICAEW 2009</b>
Total employees	664	648	646	629
Full-time equivalents	635	618	619	599

Employment costs

	<b>2010 £m</b>	<b>Group 2009 £m</b>	<b>2010 £m</b>	<b>ICAEW 2009 £m</b>
Wages and salaries	29.1	28.1	28.5	27.5
Employer's social security costs	2.9	2.8	2.9	2.7
Employer's pension costs	4.0	4.5	3.8	4.3
	<b>36.0</b>	<b>35.4</b>	<b>35.2</b>	<b>34.5</b>

The figures above do not include two members of staff whose employment costs are borne by the Fraud Advisory Panel (2009: two). The charitable trust employees' employment costs are borne by CATER although they have contracts of employment with ICAEW.

# Notes to the financial statements (continued)

➤ for the year ended 31 December 2010

## 31 Key management compensation – executive directors

	Group and ICAEW			Group and ICAEW			
	Salary	Deferred	Total	Salary	Deferred	Payment in lieu	Total
	2010	variable pay	2010	2009	variable pay	of notice and	2009
	£'000	£'000	£'000	£'000	£'000	compensation	£'000
Robin Fieth	182	41	223	175	40	–	215
Robert Hodgkinson	232	50	282	225	47	–	272
Michael Izza	351	99	450	340	95	–	435
Mark Protherough	170	37	207	–	–	–	–
Vernon Soare	183	33	216	178	41	–	219
Former executive director	–	–	–	117	10	158	285
	<b>1,118</b>	<b>260</b>	<b>1,378</b>	<b>1,035</b>	<b>233</b>	<b>158</b>	<b>1,426</b>

The executive directors are remunerated on a total-package basis. This means that they may elect to take all of their remuneration in the form of salary or they may opt to commute a portion of their salary towards ICAEW benefits such as pension scheme membership, health insurance or a car. Deferred variable pay is payable to executive directors on the basis of performance and is agreed by the remuneration committee. Mark Protherough was appointed as executive director, learning and professional development from 2 February 2010.

## 32 Contingent liabilities and guarantees

ICAEW has undertakings to Chartered Accountants' Compensation Scheme Limited for its agreed proportion of claims for compensation and administration costs, of amounts up to but not exceeding £10.0m in any one year. Payments for individual claims are limited to a maximum of £50,000. ICAEW's share of the costs of the scheme is recovered from those firms licensed by ICAEW under the Financial Services and Markets Act 2000 and those firms previously authorised by ICAEW under the Financial Services Act 1986 as appropriate.

During the year ended 31 December 2001 ABG Professional Information assigned the residue of a property lease to a third party. ICAEW signed an authorised guarantee agreement in respect of rents due under the remainder of the lease. The current annual rental is £0.1m and the lease is due to expire in 2013.







ICAEW is a founder member of the Global Accounting Alliance, which represents over 775,000 of the worlds leading professional accountants in over 165 countries around the globe, to promote quality services, share information and collaborate on important international issues.

ICAEW is a professional membership organisation, supporting over 136,000 chartered accountants around the world. Through our technical knowledge, skills and expertise, we provide insight and leadership to the global accountancy and finance profession.

Our members provide financial knowledge and guidance based on the highest professional, technical and ethical standards. We develop and support individuals, organisations and communities to help them achieve long-term, sustainable economic value.

**Because of us, people can do business with confidence.**

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London EC2R 6EA  
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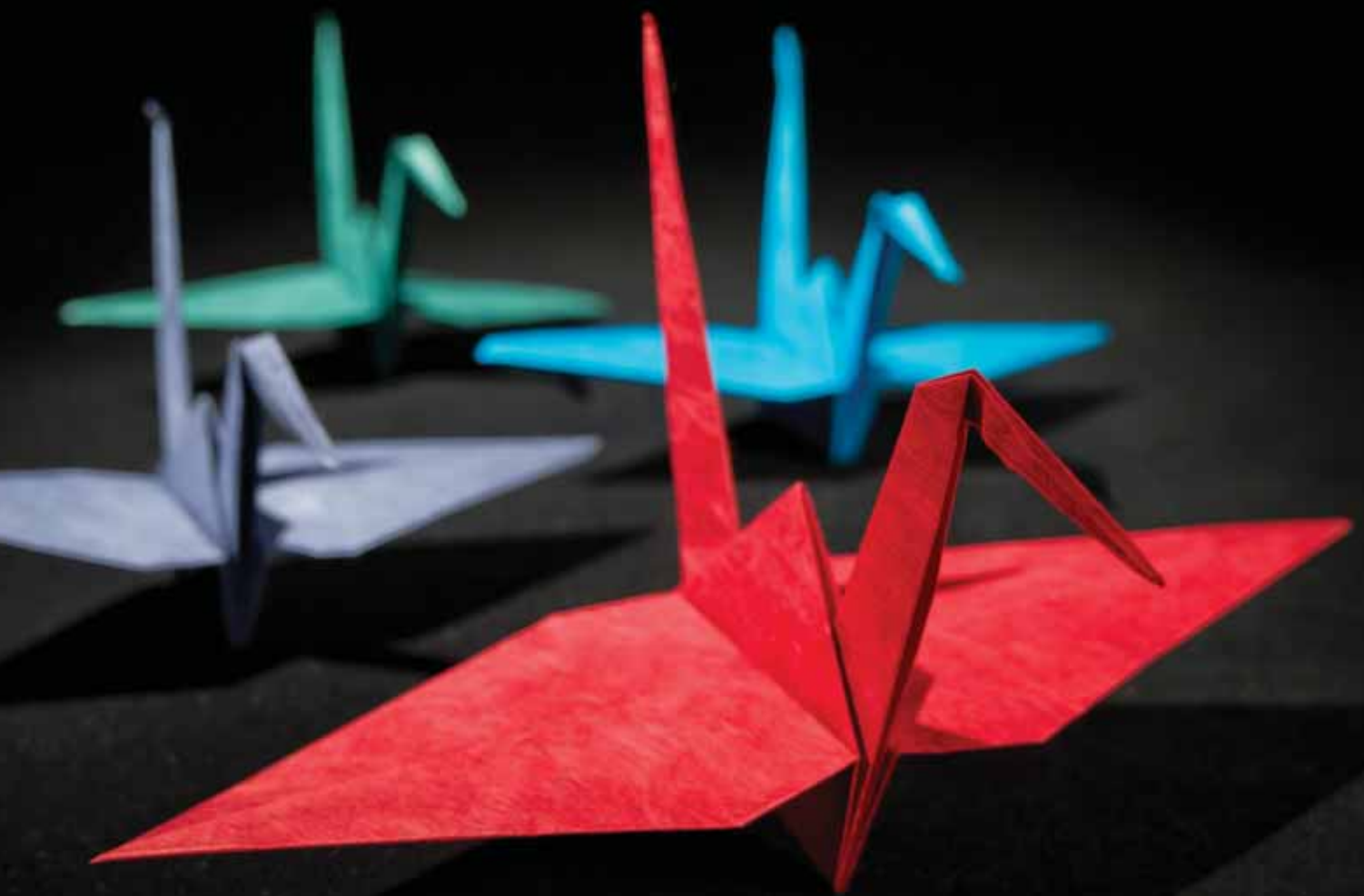
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# ANNUAL REVIEW 2011



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# 1

## A LETTER TO MEMBERS

Dear Members

We are pleased to report that ICAEW's performance in 2011 was strong.

- Member numbers are up, at over 138,000.
- Income grew by £6m to £82.4m. (All figures shown are ICAEW only and exclude our charities and other group companies).
- We delivered a net surplus of £4.1m which included £2.4m one-off receipts of fines and recoveries of past costs from the AADB (Accountancy and Actuarial Discipline Board). Our net assets at 31 December 2011 were £25.3m.
- We continued to increase student numbers, with 25% of intake now from outside the UK.

During 2011 we published 200 research/technical submissions. We also shaped the profession's response to a worsening of the economic outlook in the UK, eurozone and beyond. Key risks on the horizon include the reform of the Financial Reporting Council (FRC) and the EC legislative proposals on audit.

We were especially pleased with:

- 1 our **Business Advice Service**, through which members offer free advice to start-ups and SMEs (with over 3,000 offices signed up);
- 2 our work on **increasing access to the profession**, from special degree schemes and modern apprenticeships to an internship code; and
- 3 our **enhanced reputation with policy-makers and standard-setters**, particularly with the Coalition Government in the UK.

You will notice a few differences this year in the annual review structure. It covers ICAEW's strategy, operating context, performance against KPIs and future outlook, and aims to give you a balanced view of the past year.

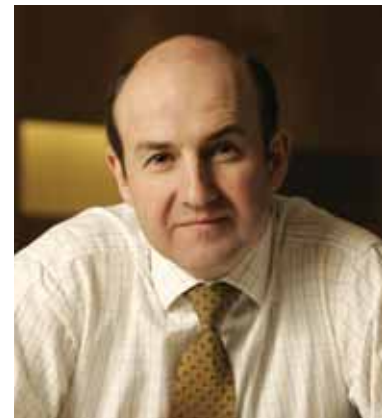
Finally, a huge thank you to staff, and to all our members in the UK and around the world who contribute so much through their involvement to the success of ICAEW.



**Clive Parritt**  
President



**Michael Izza**  
Chief Executive



# 2

## ORGANISATIONAL OVERVIEW AND BUSINESS MODEL



ICAEW is a professional membership organisation, supporting over 138,000 chartered accountants around the world. Through our technical knowledge, skills and expertise, we provide insight and leadership to the global accountancy and finance profession.

Our **business model** is based on the transformation of students into future leaders of the business and finance profession and supporting them as our members when they are qualified. We also help to provide business confidence by enforcing high standards and encouraging up-to-date business knowledge.

In our Charter, we set ourselves an aim to serve the public interest as we believe that in the long term the profession's interests should be aligned with the public it serves.

Our **financial model** is based on fees for training and exams and then annual subscription fees for membership. We also provide further exams and training for those who want to specialise in particular areas.

We are a regulator of the profession with independent oversight from the Financial Reporting Council for which our members and member firms pay annual fees.

We have also developed additional income streams from our capacity-building work around the world and from our growing commercial focus through One Moorgate

Place, leadership development, ICAEWjobs and other commercial partnerships. To consolidate our position, we set up a new commercial division at the start of 2012.

Our **business structure** is headed by the chief executive.

Until the end of 2011, our work was spread across 4 divisions and 13 departments. We modified this structure at the end of 2011 with the creation of a fifth new division (Commercial and Shared Services) to run business development and commercial initiatives. These are:

- to develop and examine ICAEW qualifications (Learning & Professional Development);
- to provide services to members and corporate functions (Members and Operations);
- to provide confidence that our members uphold our standards – and to investigate and, if necessary, discipline those who don't (Professional Standards); and
- to research, influence and develop guidance on best practice and policy in the activities our members typically work (Technical Strategy).

The structure is overseen by council, a board and departmental boards comprising a mixture of members, non-members and senior staff (see Governance section).

# 3

## OPERATING CONTEXT INCLUDING RISKS AND OPPORTUNITIES



2011 was a year of continuing turmoil and economic slowdown in many global financial markets – particularly in the eurozone and in the US – and of continuing opportunity in others.

There were many opportunities presented by an increasingly global business and finance world, with countries keen to develop strong accountancy professions and make the transition to international accounting standards; and with firms keen for students to have internationally-recognised qualifications.

There were also opportunities to develop as a regulator, and potentially for our members to develop and extend their businesses. However, there were also downsides.

We have worked to protect our assets in the turbulent market conditions. However, the market fluctuations have affected the value of our pension liabilities and covenant values of the scheme were breached at 31 December 2011. We are working with the staff pensions fund trustee to determine whether this represents a temporary event.

### OUR PRINCIPAL RISKS IN 2011

We have identified a number of significant risks that may adversely affect our business, operations, financial position or future performance. These are listed together with their mitigating actions.

#### **1 Proposed EU reforms to the audit market and regulation by professional bodies resulting in the loss by ICAEW of key functions and activities.**

We manage a communications and representations programme at all levels, exploring alternative models and proposals with the regulators and with our member firms, and commissioning independent research with audit committee chairmen.

#### **2 ICAEW does not adjust quickly to changes in powers or influence exercised by UK regulatory bodies.**

We promote the contribution ICAEW makes to the public interest, before the member interest, and engage regularly with law-makers, standard-setters and regulators.

#### **3 Limitations on resources which arise through unexpected events, such as AADB funding demands and pension requirements, impacting delivery of our strategy.**

We maintain robust budget and forecast processes, monitor developments regularly with key stakeholders and amend activity as necessary.

#### **4 Disruption to operations and reputational damage arising from failure of physical or data security systems.**

We run regular audits of access and penetration tests together with careful selection of third parties for sensitive work.



# 4

## STRATEGIC OBJECTIVES AND STRATEGIES TO ACHIEVE THEM



Our strategic vision is for ICAEW to be a world leader of the finance and accountancy profession. We want to be recognised as the best for:

- the quality of service given by our members and in support of our members;
- the quality and innovation of our portfolio of finance-related qualifications; and
- our reputation and influence.

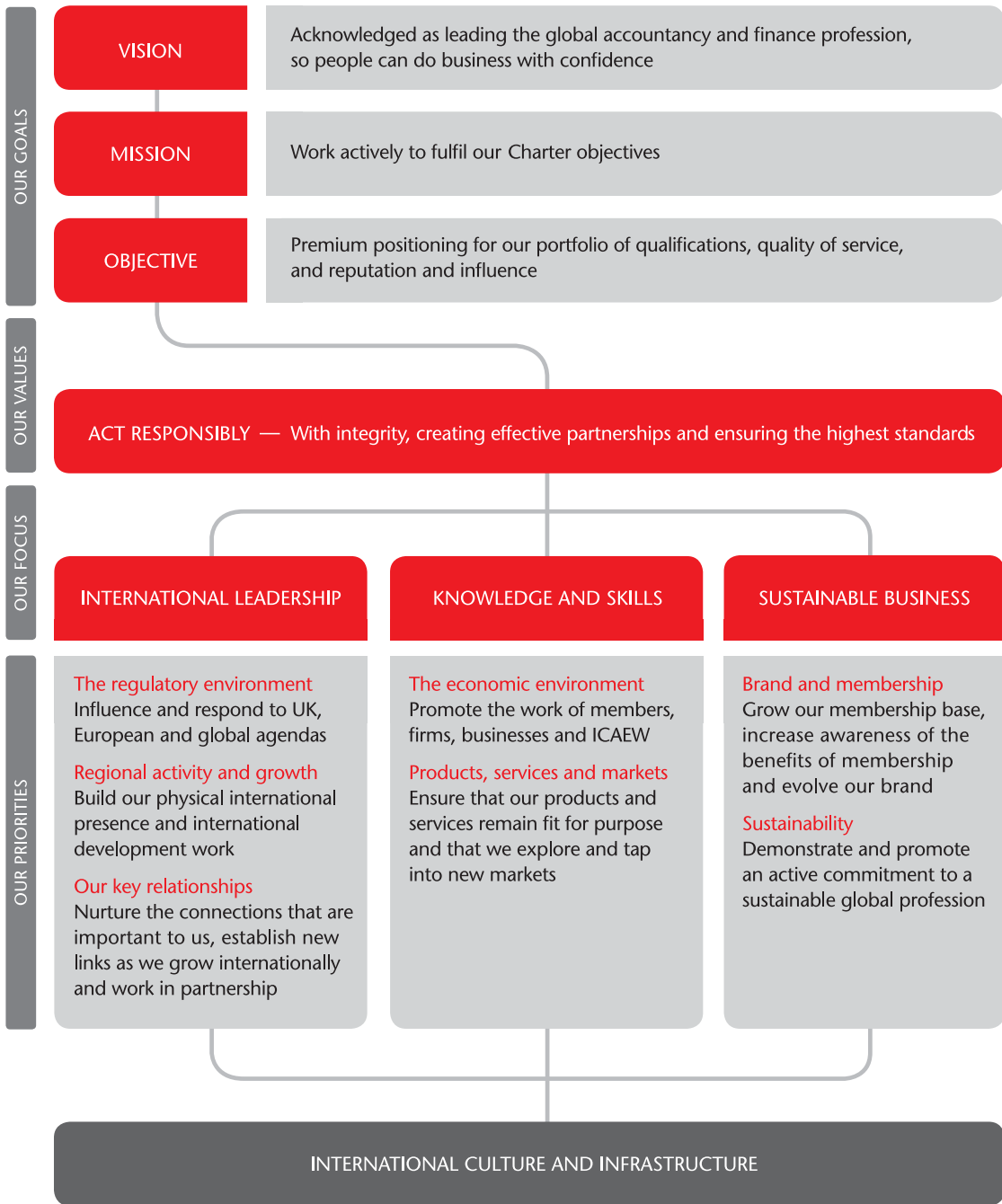
To achieve this we have looked to:

- maintain our primacy in the UK;
- establish an international footprint in chosen markets;
- grow student numbers, both in the UK and internationally, while maintaining high examination standards;

- create a suite of member services and commercial activities;
- help members maintain high professional standards; and
- grow our brand presence and thought leadership programme to position ICAEW as a leading voice on professional and public policy developments.

These aims are reflected in our key performance indicators (see Performance section). We track a range of financial and non-financial indicators relating to our qualifications, service by and for our members, and our reputation and influence.

# OUR STRATEGY 2011



# 5

## GOVERNANCE



ICAEW is a chartered corporation and operates under the terms of its Royal Charter, bye-laws and regulations. We choose to measure our governance against the UK Corporate Governance Code (June 2010) where appropriate.

As at the end of 2011, we had a **council of 83 members**. Council considers, reviews and agrees ICAEW's strategy, operational plans and budgets, representing and articulating the views of members. It delegates most matters to the ICAEW board, the departmental boards, committees and the chief executive. Council members serve on a voluntary basis, but we reimburse their costs for travel and subsistence.

The majority (currently 54) are elected by ICAEW members. They serve for a four-year period, with elections being held every two years for half the available seats. In addition to the elected members there are 12 ex officio members (office-holders, the two most recent past presidents, faculty representatives and a representative from the international student council) and 17 co-opted members. Co-opted members are appointed to ensure that council broadly represents the main sectors and interests of the whole membership.

**ICAEW's office-holders** (president, deputy-president and vice-president) have an ambassadorial role meeting members and stakeholders, promoting ICAEW and representing the views of the council and wider membership. They counsel and advise the chief executive. The president chairs ICAEW annual and special meetings, the board and, currently, the CCAB.

**The chief executive** is responsible for the overall management of ICAEW, for developing and implementing strategy, and for ensuring that ICAEW operates economically, efficiently and effectively. He also has a representational role, building effective relationships with members and stakeholders.

ICAEW's board had 15 members in 2011. The board has overall responsibility for monitoring the development and implementation of ICAEW's strategy, planning and budgeting and the development of policy.

### The board in 2011 consisted of:

- The President (Chairman) – Gerald Russell (to June)  
Clive Parritt (from June)
- The Deputy-President (Vice-Chairman) – Clive Parritt (to June), Mark Spofforth (from June)
- The Vice-President – Mark Spofforth (to June), Martyn Jones (from June)
- The chairs of Learning & Professional Development Board, Jan Weber (to June), Andrew Baigent (from June); Member Services Board, Penny Bickerstaff; Professional Standards Board, Richard Harwood; and Technical Strategy Board, Andrew Ratcliffe
- Two members who are elected from and by council for two years, Arthur Bailey and Ian Cherry (to June)/ Ian Davies (from June)
- Member involved in regulation – EU and International – Jeremy Jennings
- The Chief Executive – Michael Izza
- Other Executive Directors:
  - Robin Fieth, Members and Operations
  - Robert Hodgkinson, Technical Strategy
  - Vernon Soare, Professional Standards
  - Mark Protherough, Learning & Professional Development

Sharron Gunn joined the board from 1 January 2012 as Executive Director, Commercial. Gerald Russell, Jan Weber, Ian Cherry and Caroline Mawhood (co-opted to the board from CIPFA) stood down from the board during the year and we thank them for their service.



# 6

## PERFORMANCE



### SUMMARY

ICAEW performed well in 2011 despite difficult conditions. The economic environment has affected some of our targets for this year. Our focus was on how those conditions would affect our members, both now and in the longer term.

The core assumption for the 2011 budget was to break even financially and increase member numbers to 138,000, which we achieved. In the UK we maintained our leading position, while we consolidated key international markets.

We also increased demand for our education and training products outside our core qualification, and grew our commercial revenues.

We had a strong year for building our reputation with governments and regulators, both through our technical work and engagement, and through a number of initiatives, most notably the Business Advice Service, our work around access to the profession,

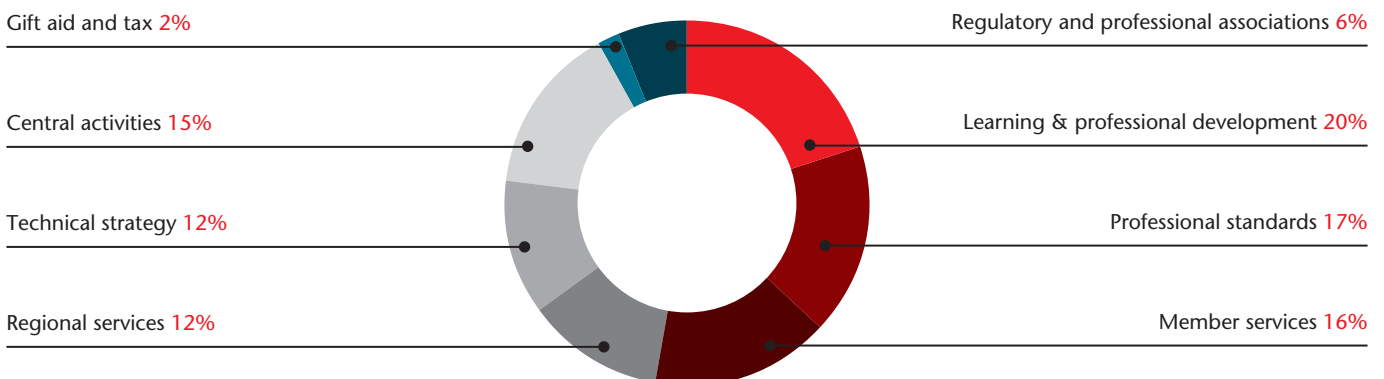
and our international capacity-building work with key projects including the first stand-alone accountancy qualification for Botswana.

We've continued to develop our stakeholder and member engagement on professional issues through our faculties, social media: LinkedIn, Facebook, Twitter and through our communities, as well as more traditional routes such as our international City groups, and by email.

For sustainable business, too, we had a successful year, attracting substantial funding for the Finance Innovation Lab's The Economics of Ecosystems and Biodiversity (TEEB) project, which aims to assess the true cost of business to society and the environment.

We extended our branding focus in 2011 to put more emphasis on the value of the ICAEW Chartered Accountant.

### Expenditure information

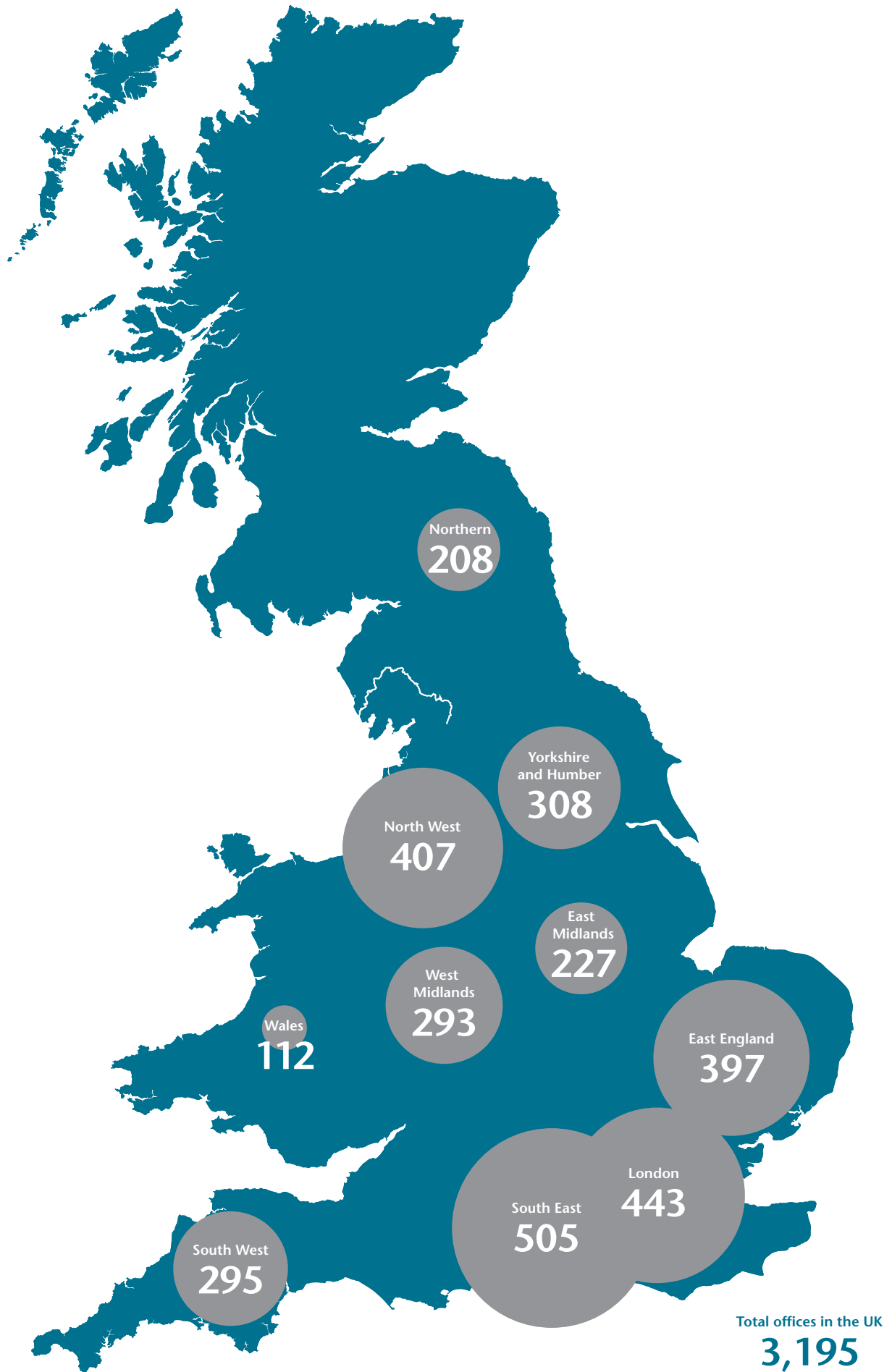


## KEY PERFORMANCE INDICATORS

1 Knowledge and Skills: Economic Environment: promote the work of ICAEW, members, firms and businesses. See [icaew.com/review](http://icaew.com/review) Performance section for fully linked KPIs.

Initiative	Results	
<b>Business Advice Service</b> <a href="http://businessadviceservice.com">businessadviceservice.com</a>	<p>The Business Advice Service promotes free initial advice sessions to SMEs, start-ups and growing businesses from ICAEW Chartered Accountants.</p> <ul style="list-style-type: none"> <li>By the end of 2011, over 3,000 offices had signed up to offer free advice sessions to SMEs.</li> <li>It was endorsed by UK Government and business figures for promoting business-led growth and as a communications channel to business.</li> </ul>	<p>Over 3,000 offices offer free advice to SMEs</p>
<b>Business Confidence Monitor</b> <a href="http://icaew.com/bcm">icaew.com/bcm</a>	<ul style="list-style-type: none"> <li>The quarterly <i>ICAEW/Grant Thornton Business Confidence Monitor</i> was one of the first indicators to highlight the contraction in the UK economy in Q4.</li> <li>This year we carried out econometric research showing that it tracked and predicted UK GDP effectively.</li> </ul>	<p>Tracked and predicted UK GDP effectively</p>
<b>Small Business Economic Forum (SBEF) UK</b> <a href="http://icaew.com/publicpolicy">icaew.com/publicpolicy</a>	<ul style="list-style-type: none"> <li>The Small Business Economic Forum is one way the government engages with the needs of small business. Through Michael Izza's membership of SBEF, we helped hold the British Bankers' Association to account for implementing the BBA Business Finance Taskforce's 17 recommendations, and helped it bring small business concerns to the government's attention.</li> </ul>	
<b>Public Policy Submissions (UK)</b>	<ul style="list-style-type: none"> <li>We made well-received public policy submissions to the UK Budget and Autumn Statement, and to a variety of all-party parliamentary groups including an inquiry into <i>Financial Education and the Curriculum</i>.</li> <li>ICAEW was quoted over 50 times in Parliament this year.</li> </ul>	<p>Quoted over 50 times in Parliament this year</p>
<b>New capabilities</b>	<ul style="list-style-type: none"> <li>ICAEW became an accredited body under the Retail Distribution Review in early 2012.</li> <li>The Prudential case on legal and professional privilege moved on and the case was given leave to appeal to the Supreme Court. This will be heard in November 2012.</li> </ul>	
<b>Enterprise Survey Reports</b> <a href="http://icaew.com/en/technical/business-and-financial-management/smes/enterprise-survey-report">icaew.com/en/technical/business-and-financial-management/smes/enterprise-survey-report</a>	<ul style="list-style-type: none"> <li>The Enterprise Survey asks ICAEW Chartered Accountants across the world about business concerns; this year the <i>Global Enterprise Survey</i> showed that 6 in 10 businesses worldwide expect to grow turnover in 2012, with particularly strong expectations in Africa and the Gulf.</li> <li>We published the <i>Global Enterprise Survey</i> in our international regions where it gained strong media coverage.</li> </ul>	<p>Showed that 6 in 10 businesses worldwide expect to grow turnover in 2012</p>

Business Advice Service Offices, by region  
Figures correct at 13 April 2012

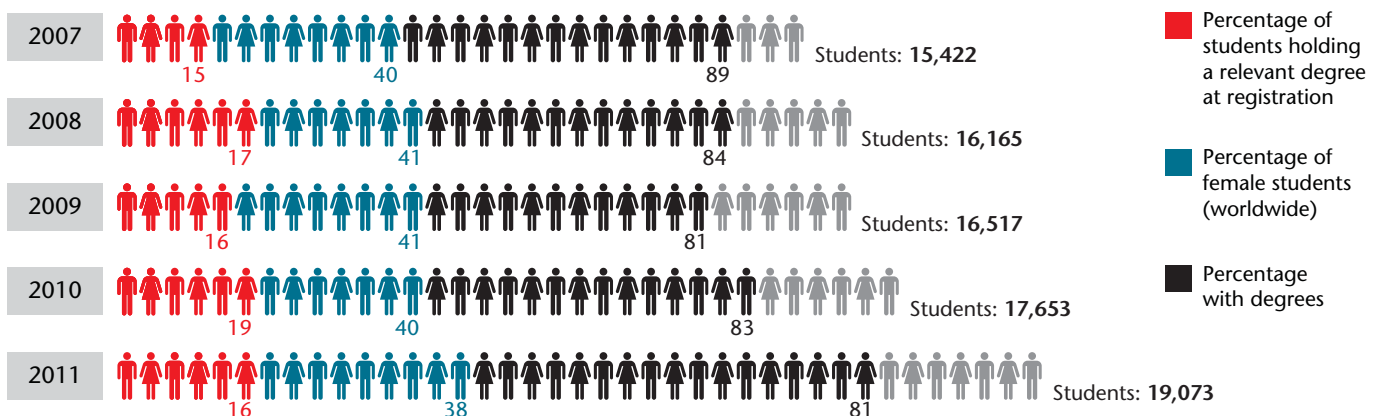


## KEY PERFORMANCE INDICATORS

### 2 Knowledge and Skills: Products and Markets: ensure that our portfolio of qualifications and services remains fit for purpose and that we explore and tap into new markets.






Initiative	Results	
<p><b>Work on increasing access to the profession:</b></p> <ul style="list-style-type: none"> <li>Strategic Partnership Degrees</li> <li>Higher Apprenticeships in Professional Services scheme with PwC</li> <li>Common Best Practice Code for High Quality Internships</li> </ul> <p><a href="http://icaew.com/publicpolicy">icaew.com/publicpolicy</a></p>	<p>ICAEW has become recognised for promoting access to the chartered accountancy profession in the UK.</p> <ul style="list-style-type: none"> <li>We launched new strategic partnership degrees, such as the scheme with Manchester Metropolitan University where students can study for two degrees and three qualifications including the ACA at the same time, on a part-time basis, or KPMG's scheme with Durham University which pays school leavers a wage during their work and study. They have been inundated with applicants.</li> <li>We won a joint bid with PwC to set up 1,500 Higher Apprenticeships by March 2015.</li> <li>We helped produce the industry-led Common Best Practice Code for High Quality Internships, which has been applied to our own internships. We encourage members to adopt it.</li> </ul>	<p>Manchester Met: students study for two degrees and three qualifications</p> <p>KPMG's Durham University scheme pays students a wage</p>
<p><b>New qualifications</b></p> <ul style="list-style-type: none"> <li>Corporate Finance Experience Route</li> <li>IFRSs Diploma</li> <li>Certificate in Clarified International Standards on Auditing (ISAs)</li> <li>Financial Reporting Standard for Smaller Entities Programme launched at end 2011</li> </ul> <p><a href="http://icaew.com/en/qualifications-and-programmes/">icaew.com/en/qualifications-and-programmes/</a></p>	<ul style="list-style-type: none"> <li>We launched four new qualifications to respond to gaps in the market.</li> <li>The ISAs certificate has already had strong take-up, and there was strong take-up of the IFRSs diploma too.</li> </ul>	<p>Four new qualifications in 2011</p>
<p><b>Fit for purpose exams, Authorised Training Employers and electronic administration</b></p>	<ul style="list-style-type: none"> <li>ACA exams now take place in 26 countries.</li> <li>New companies offering training, including Nestlé, BUPA and Bank of New York Mellon.</li> <li>All exams (except the Case Study) are now electronically marked.</li> </ul>	<p>ACA exams now take place in 26 countries</p>
<p><b>Thought leadership in education</b></p> <p><a href="http://icaew.com/technical">icaew.com/technical</a></p>	<ul style="list-style-type: none"> <li>We published two key papers on education in the UK: a response to the White paper on Higher Education and the first paper on Repayment Mechanisms.</li> </ul>	
<p><b>Increase student numbers</b></p>	<ul style="list-style-type: none"> <li>19,073 ACA students were studying in 2011, with 5,951 new students, a 20-year high.</li> <li>Over 800 new CFAB students registered in 2011, the highest ever.</li> </ul>	<p>Highest ACA student numbers in 20 years</p>

#### Student data



## KEY PERFORMANCE INDICATORS

### 3 International Leadership: The Regulatory Environment: influence and respond to UK, European and global agendas.

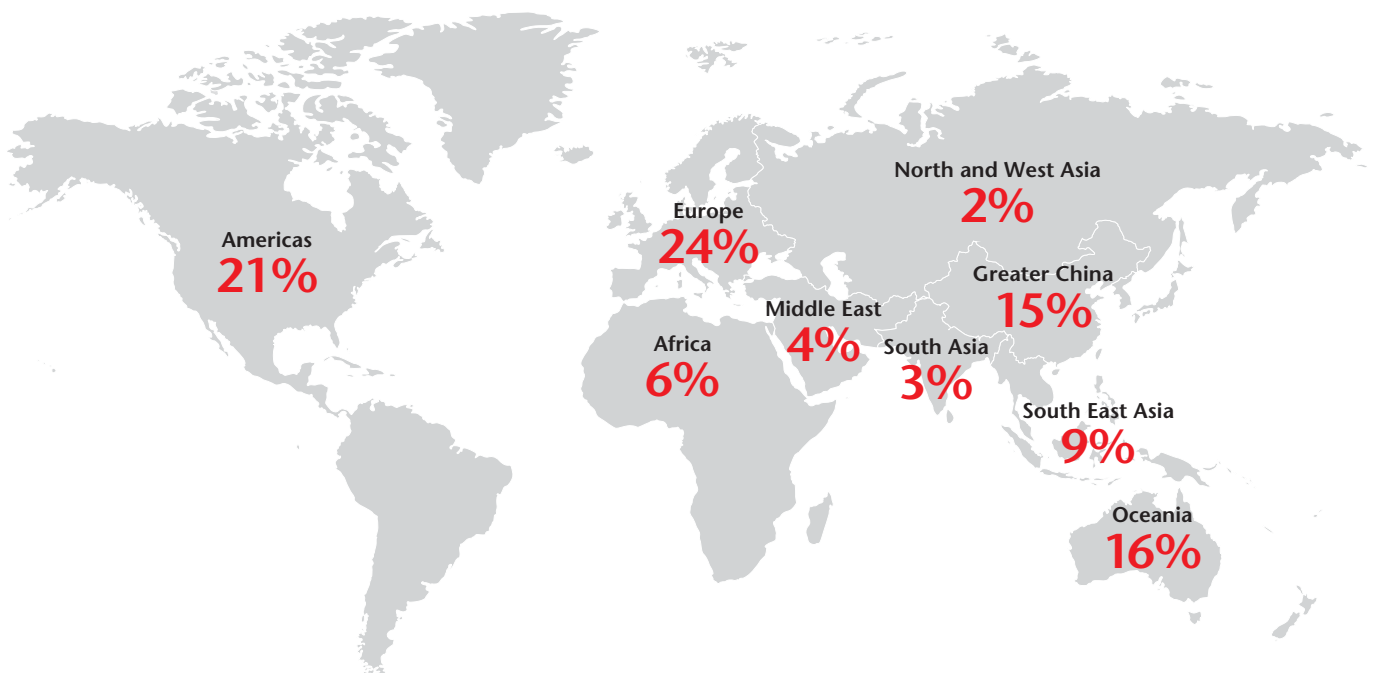
Initiative	Results	
<b>Technical policy</b> <a href="http://icaew.com/technical">icaew.com/technical</a>	<p>In 2011, we published some 200 high-quality technical representations worldwide, including 70 on tax. Among them:</p> <ul style="list-style-type: none"> <li>• <i>PCAOB Concept Release on Auditor Reporting</i></li> <li>• <i>IAASB on Auditor Reporting</i></li> <li>• <i>Simpler Reporting for the Smallest Businesses (BIS)</i></li> <li>• <i>Simpler income tax for the Smallest Businesses (HMT)</i></li> <li>• <i>The Kay review of UK Equity Capital Markets (BIS)</i></li> <li>• <i>Disincorporation of small companies (HMT)</i></li> <li>• <i>Consultation on the future of financial reporting in the UK (ASB)</i></li> <li>• <i>Managing the Professional Liability of Accountants</i></li> <li>• <i>A long-term focus for Corporate Britain (BIS)</i></li> </ul>	 200 policy submissions
<b>Thought leadership</b> <a href="http://icaew.com/thoughtleadership">icaew.com/thoughtleadership</a>	<p>We published four major thought leadership reports in 2011:</p> <ul style="list-style-type: none"> <li>• <i>How information systems work</i> – Building trust in the digital age: rethinking privacy, property and security</li> <li>• <i>Information for Better Markets</i> – Reporting Business Risks: Meeting Expectations</li> <li>• <i>Finance Direction</i> – The finance function: a framework for analysis</li> <li>• <i>New Challenges Initiative</i> – <i>The Buck Stops Here?</i> New Challenges for Audit Committees</li> </ul>	 Four thought leadership reports
<b>Public policy</b> <a href="http://icaew.com/publicpolicy">icaew.com/publicpolicy</a>	<p>We continued to engage at the highest levels within the UK, EU and other international markets. Including:</p> <ul style="list-style-type: none"> <li>• engagement with a host of other institutes and professional bodies (eg, chairing sessions at a EU27 Roundtable organised by the Hungarian Chamber of Auditors), FEE, (Fédération des Experts Comptables Européens), the European Court of Auditors, and key European think tanks;</li> <li>• the new International Integrated Reporting Council (IIRC), over international proposals for a more integrated approach to reporting;</li> <li>• HMRC service standards in the UK;</li> <li>• our work on legal professional privilege; and</li> <li>• our work on the EU and UK debates on audit such as engaging with MEPs and working closely with the Bank of England and the FSA to develop a Code of Practice in audit.</li> </ul>	 Worked with IIRC, HMRC, EU, FSA...
<b>Organising major events responding to global agendas</b> <a href="http://icaew.com/events">icaew.com/events</a>	<ul style="list-style-type: none"> <li>• Among our events this year were three international policy summits, <i>Crisis without a legacy?</i> which attracted senior regulators, government and figures in financial services and academia in Brussels, Singapore and Abu Dhabi.</li> </ul>	 Concluded successful policy summit series
<b>Contributing to significant conferences</b>	<p>We engaged with key academics, regulators and professionals:</p> <ul style="list-style-type: none"> <li>• at major American Accounting Association conferences;</li> <li>• at ICIS (International Conference on Information Systems); and</li> <li>• at the World Economic Forum in Davos.</li> </ul>	 Engaged with AAA, ICIS, World Economic Forum

## KEY PERFORMANCE INDICATORS

### 4 International Leadership: Regional Activity: build our physical international presence and our international development work.

Initiative	Results	
<b>Launch of Greater China region</b> <a href="http://icaew.com/greaterchina">icaew.com/greaterchina</a>	<ul style="list-style-type: none"> <li>Our new Greater China regional office in Beijing is now one of four international regional offices, including Europe, Middle East and South East Asia, which aim to provide better services to our members in those regions.</li> </ul>	 Fourth international region, Greater China
<b>Capacity building work</b>	<ul style="list-style-type: none"> <li>We worked in four countries on projects to build strong national sustainable accountancy bodies.</li> <li>We set up the first stand-alone accountancy qualification with the Botswana Institute of Chartered Accountants.</li> <li>We won and signed four further contracts, for Asian Development Bank, Ghana, Tanzania and Malawi.</li> </ul>	 Four capacity-building projects and signed four more
<b>International conferences, events and CPD for members</b> <a href="http://icaew.com/events">icaew.com/events</a>	<ul style="list-style-type: none"> <li>Among our conferences and events, we were joint organisers with the National Bank of Romania of a major conference on IFRSs implementation, and joint organisers of a conference with the Cyprus – UK Business Association which attracted the Minister of Finance and British High Commissioner.</li> <li>We had a successful exchange with CICPA (Chinese Institute of Certified Public Accountants) and a Chinese Authorised Training Employer visit, among others.</li> </ul>	
<b>Launched The Middle East Accountancy and Finance Excellence Awards</b> <a href="http://accountancyandfinanceawards.ae">accountancyandfinanceawards.ae</a>	<ul style="list-style-type: none"> <li>Successful launch of the prestigious new Middle East Accountancy and Finance Excellence Awards, which celebrate the profession in an increasingly competitive part of the world.</li> </ul>	 Prestigious new Accountancy and Finance Awards

### Members outside the UK in 2011







## KEY PERFORMANCE INDICATORS

### 5 International Leadership: Our Key Relationships: nurture the connections that are important to us and establish new links as we grow internationally.

Initiative	Results	
<b>Member relationships: consultation</b> <a href="http://icaew.com/communities">icaew.com/communities</a> <a href="http://icaew.com/economia">icaew.com/economia</a>	<p>As a membership organisation heavily dependent on members volunteering their expertise, understanding the views of our members is vital. As well as using more formal channels such as our committees and faculties, we engage with members using different media.</p> <ul style="list-style-type: none"> <li>• Our communities doubled their unique users in 2011 (515,218). Participation in social media like Facebook, Twitter and LinkedIn, also grew strongly.</li> <li>• Readership of the chief executive's blog more than doubled in 2011.</li> <li>• We also consulted members on their ideas for our new magazine <i>economia</i>, launched in February 2012.</li> </ul>	<p>Our online communities doubled unique users</p>
<b>Member relationships: resources and networks</b> <ul style="list-style-type: none"> <li>• Advisory Services Helpline</li> <li>• LIS (Library &amp; Information Services) and Business Centre <a href="http://icaew.com/library">icaew.com/library</a></li> <li>• new Practice Committee and Portal <a href="http://icaew.com/practice">icaew.com/practice</a></li> <li>• Business Portal <a href="http://icaew.com/en/members/resources-for-business">icaew.com/en/members/resources-for-business</a></li> <li>• Special Interest Groups <a href="http://icaew.com/sigs">icaew.com/sigs</a></li> <li>• Faculties <a href="http://icaew.com/faculties">icaew.com/faculties</a></li> <li>• Leadership development <a href="http://icaew.com/leadership">icaew.com/leadership</a></li> <li>• Regional volunteer-run member groups</li> <li>• Active Members</li> <li>• FTSE 250 Club and AIM FD Club</li> </ul>	<p>We exist to serve our members and offer them the information, training and networks that they need.</p> <ul style="list-style-type: none"> <li>• Advisory Services Helpline handled 150,000 enquiries.</li> <li>• Library enquiries increased by 5.8% to reach 18,800 in 2011 and its online resources, such as eBooks, Country and Subject gateways, continued to expand. There were over 17,000 member visits to the Business Centre in London.</li> <li>• The Business Portal on the website launched at the end of 2011.</li> <li>• Membership of the 12 special interest groups grew by 9% to over 12,000.</li> <li>• Total faculty membership grew to over 30,000. A few examples of the many faculty resources launched in 2011: our internationally acclaimed Financial Reporting Faculty iPhone App, IT Faculty's Excel Community, Finance &amp; Management Faculty's 'How to Manage your Boss' video.</li> <li>• Our leadership development programme included the launch of the new major Middle East Accountancy and Finance Excellence Awards, and a targeted series of leadership programmes for members at different stages of their careers. For women these include Women in Finance, Women in Leadership, Women on Boards.</li> <li>• We launched a new programme for our our Active Members (volunteers) with monthly email updates.</li> <li>• We are engaging business members with their peers through regular meetings of our FTSE 250 and AIM FD Clubs, and regional FD forums.</li> </ul>	<p>150,000 enquiries to Advisory Services</p> <p>18,800 Library enquiries</p> <p>Over 17,000 visits to the Business Centre</p> <p>Over 12,000 SIG members</p> <p>Over 30,000 faculty members</p>
<b>Memoranda of Understanding</b>	<ul style="list-style-type: none"> <li>• We engage closely with international professional bodies to advance the profession, and MoUs can help pave the way to working together. Five agreements were signed in 2011 in Poland with the Chamber of Auditors KIBR, with ICPAS (Institute of Certified Public Accountants of Singapore) and in Kenya, Vietnam, and Mexico.</li> </ul>	<p>Five MoUs were signed</p>
<b>Publishing contract tendered</b> <a href="http://icaew.com/economia">icaew.com/economia</a>	<ul style="list-style-type: none"> <li>• This commercial contract was tendered in 2011 resulting in a new partnership with Progressive Customer Publishing, which, from 2012, is publishing our new member magazine, <i>economia</i>, and faculty magazines.</li> </ul>	<p>New member magazine, <i>economia</i>, launched</p>

## KEY PERFORMANCE INDICATORS

6 Culture and Infrastructure: ensure we have an international mindset among staff and volunteers, and the infrastructure required to support our strategy.

Initiative	Results	
Internal Communications, cross cultural and cultural awareness workshops, talent management programme	<ul style="list-style-type: none"> <li>We pay the living wage, pay our interns, and adopted the Common Best Practice Code for High-Quality Internships.</li> <li>We carried out cultural awareness workshops to help our staff work with international members.</li> <li>35 staff studied languages through ICAEW.</li> </ul>	 Pay the living wage and our interns
Infrastructure projects to develop tailored content	<ul style="list-style-type: none"> <li>Among our work this year was the email preference centre. Feedback has been positive, with most satisfied with the system which allows members to opt in and out of being contacted by ICAEW.</li> </ul>	 Email preference centre launched
Digital infrastructure to support international membership and better support time-pressured UK members helping them cut down on travel and join in at a time to suit them	<ul style="list-style-type: none"> <li>32 live webinars (up from 19 in 2010) which are proving popular, with 3,884 members participating.</li> <li>Library substantially increased digital resources available through the LIS microsite <a href="http://icaew.com/library">icaew.com/library</a>.</li> <li><i>Members' handbook</i> was put online.</li> </ul>	 3,884 members took part in live webinars
New website and redeveloped homepage	<ul style="list-style-type: none"> <li>New <a href="http://icaew.com">icaew.com</a> website rolled out in 2011.</li> <li>We successfully redeveloped the <a href="http://icaew.com">icaew.com</a> homepage in response to user feedback and site stats; and we improved the top 500 pages.</li> </ul>	 New <a href="http://icaew.com">icaew.com</a> website

### Top five webinars

# 1

## Clarified ISAs – 446 (Practice Support)

[icaew.com/emags/webinars/ClarifiedISAsTop15Questions18.5.11.wmv](http://icaew.com/emags/webinars/ClarifiedISAsTop15Questions18.5.11.wmv)

# 2

## Avoiding Clarified ISA pitfalls – 427 (Practice Support)

[icaew.com/emags/webinars/Avoiding\\_Clarified\\_ISA\\_pitfalls.wmv](http://icaew.com/emags/webinars/Avoiding_Clarified_ISA_pitfalls.wmv)

# 3

## Top tips on practice management – 294 (Practice Support)

[icaew.com/emags/webinars/Toptipsonpracticemgmt\\_new.wmv](http://icaew.com/emags/webinars/Toptipsonpracticemgmt_new.wmv)

# 4

## Agent Strategy – 220 (Tax Faculty)

[icaew.com/emags/webinars/TaxNewsAgentStrategyJuly.11.wmv](http://icaew.com/emags/webinars/TaxNewsAgentStrategyJuly.11.wmv)

# 5

## Exam technique – 207 (LPD)

[icaew.com/emags/webinars/Examtechniques.25.5.11.wmv](http://icaew.com/emags/webinars/Examtechniques.25.5.11.wmv)

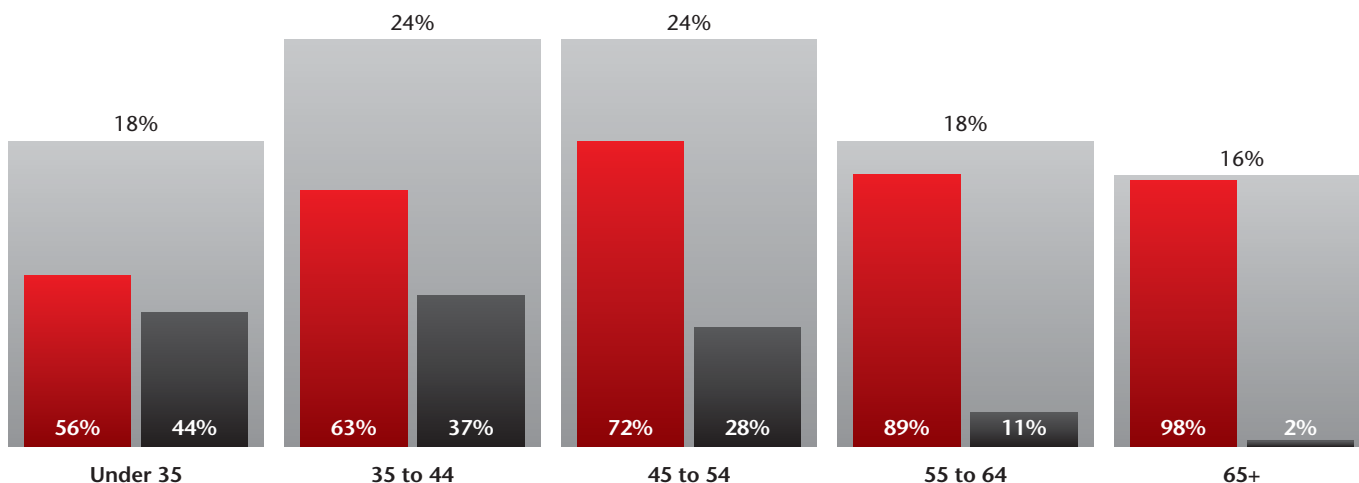


## KEY PERFORMANCE INDICATORS

**7 Sustainable Business: Brand and Membership: grow our membership base, increase awareness of the benefits of membership and evolve our brand.**

Initiative	Results	
<b>Increase membership numbers</b>	<ul style="list-style-type: none"> <li>Increased to over 138,000 from 136,000 a year ago.</li> </ul>	Over 138,000 members
<b>Preference for the ACA, strengthening our brand</b>	<ul style="list-style-type: none"> <li>ICAEW remained a Business Superbrand in 2011. Our stakeholder survey showed awareness of ICAEW continues to grow, while showing some areas need improvement.</li> </ul>	
<b>ICAEW Chartered Accountant campaign</b>	<ul style="list-style-type: none"> <li>Advertising campaign which raised awareness of ICAEW Chartered Accountants in the UK and beyond.</li> </ul>	
<b>Business Games, BASE and ICAEW BOSS</b> <a href="http://icaew.com/base">icaew.com/base</a>	<ul style="list-style-type: none"> <li>We ran our original business game, BASE, which is designed to introduce school students to business and accountancy. We also ran business games in India, Malaysia, Singapore, Cyprus and Romania. BOSS, a new online business game with similar aims to BASE, is being piloted in 2011–12.</li> </ul>	Started pilot for new business game, BOSS
<b>Charity Awards and Everybody Counts awards</b> <a href="http://icaew.com/charity">icaew.com/charity</a>	<ul style="list-style-type: none"> <li>Our Charity Awards and Everybody Counts Awards celebrate the work of our members in the voluntary sector.</li> <li>Many members work full time in charities, and we know members cover at least 30,000 different voluntary roles around the world and are much in demand as volunteers.</li> </ul>	At least 30,000 voluntary roles worldwide
<b>ICAEW Foundation</b> <a href="http://icaew.com/foundation">icaew.com/foundation</a>	<ul style="list-style-type: none"> <li>Our first bursary recipient graduated from the LSE and has obtained a training contract with KPMG in Cyprus.</li> <li>We funded the third year of study for our bursary holder in Nottingham University, who is the first person from her family to go to university.</li> <li>Our funding supported the bursary programme of MANGO (Management Accounting for Non-Governmental Organisations) which enabled local NGO staff in 11 countries in Africa and Asia to attend MANGO training.</li> <li>We continued our president's lunch series which supported fundraising for the Foundation.</li> </ul>	First ICAEW Foundation bursary graduate

All members by Age Group, 31 December 2011








All: 138,464 Men: 103,228 Women: 35,236

Average Age All: 49 Men: 52 Women: 41

Gender Split Men: 75 Women: 25

## KEY PERFORMANCE INDICATORS

### 8 Sustainable Business: demonstrate and promote an active commitment to a sustainable global profession.

Initiative	Results	
<b>Sustainable business</b> <a href="http://icaew.com/sustainablebusiness">icaew.com/sustainablebusiness</a>	<p>We continue to promote sustainable business as the future of business. Our work has included:</p> <ul style="list-style-type: none"> <li>• secondment to HMRC of one member of staff; and another to the Treasury Select Committee; and</li> <li>• the launch of a financial management learning tool called At Home with Money in a pilot social housing project in November 2011. This is a joint project with Grant Thornton and housing association Poplar HARCA. We are on target to engage 3,000 residents with the website, before it is launched nationally in Parliament this year.</li> </ul>	 Financial management project launched in East London
<b>Finance Innovation Lab</b> <a href="http://thefinancelab.ning.com">thefinancelab.ning.com</a>	<p>Our joint project with WWF-UK to re-think the financial system now runs eight groups.</p> <ul style="list-style-type: none"> <li>• One outcome was a Preventable Surprises event, looking at lessons from the BP Gulf of Mexico disaster.</li> <li>• The TEEB for Business Coalition, which is working on how to factor in the true cost of business to society and the environment, won substantial support in 2011, including a £100,000 grant from government to conduct the initial research.</li> </ul>	 Our Finance Innovation Lab is rethinking the financial system
<b>Charity Commission and ICAEW pilot review project</b> <a href="http://icaew.com/reviewproject">icaew.com/reviewproject</a>	<ul style="list-style-type: none"> <li>• We launched a pilot programme to look at financial controls and risk awareness of charities. 25 reviews were carried out by ICAEW volunteer members in 2011.</li> </ul>	
<b>Low Carbon ICAEW</b>	<ul style="list-style-type: none"> <li>• ICAEW gained the Carbon Trust Standard, recognising our policy to create a low-carbon ICAEW through minimising electricity, gas, and travel. We reduced utility consumption by 5.5% and paper consumption by 13.5%, both better than target. The paper recycling scheme introduced this year saved 630 trees.</li> </ul>	 Gained Carbon Trust standard
<b>Corporate Responsibility Programme for members and staff</b>	<ul style="list-style-type: none"> <li>• Members take part in the Use Your Expertise programme which delivers volunteers to schools who help increase the basic financial understanding of young people. We are currently assessing this programme's effectiveness. Over 130 volunteers are currently active.</li> <li>• We launched a sustainability day for staff mid-2011. It gives one paid day a year for staff to do approved CSR activity; initial take up includes the Technical Strategy Department painting a school in Hackney; 97 staff had taken a day by 31 December 2011.</li> <li>• We advertised 166 volunteer roles free on <a href="http://icaewjobs.com">icaewjobs.com</a></li> </ul>	 130 members volunteer in schools through Use Your Expertise   Advertised 166 volunteer roles on <a href="http://icaewjobs.com">icaewjobs.com</a>

#### Voluntary Activities, 2011 Members

Total responses: 33,412



6,642

Board member of charity/NFP



429

Local councillor



251

Magistrate/JP



3,709

School governor



8,875

Treasurer of charity/pension fund



10,387

Treasurer/secretary of local organisation



3,119

Other role

# 7

## FUTURE OUTLOOK



At the start of 2012, the global economic outlook remained challenging, with the World Bank warning of a possible global recession, and the world looking set to experience the slowest growth since 2009. As a whole, the eurozone declined in the final quarter of 2011 and it remains to be seen whether it can avoid recession in the first quarter of 2012; the single currency area is expected to struggle to grow in 2012.

Meanwhile, unrest continues to simmer in parts of the Middle East and political risks have kept oil prices high – with concerns that a conflict could see oil prices soaring once more, choking off the global recovery. However, it is not all bad; growth in the US has been stronger than expected and emerging markets continue to grow at a robust pace. Hence, while growth across the globe will slow, there will still be growth.

A number of other global risks threaten stability, from increasing income inequality to quite staggering rates of youth unemployment (over 40% in Spain). For some countries, the next year is likely to see vociferous debate about the social contract and the future of capitalism.

And there are some specific risks and opportunities for the profession. We hope, for example, to see a satisfactory outcome on the future of audit in the EU, and on issues around legal professional privilege.

We must be especially sensitive to costs to members and make sure, more than ever, that we deliver good value.

Against this uncertain backdrop, ICAEW will aim to:

- deliver quality through learning and development
- meet the needs of business
- extend our impact and our reach
- support members.

# 8

## FINANCIAL REVIEW

ICAEW's financial statements for 2011 include the four charitable trusts associated with ICAEW together with our international subsidiaries. The commentary below relates primarily to the operating activities of ICAEW.

### Results

Total income was £82.4m, £6.0m higher than in 2010. The retained surplus after tax for the year was £4.1m (2010: £1.8m). This is after receipt of £2.4m of one-off fines and recoveries of past costs from the Accountancy and Actuarial Discipline Board (AADB), which remains a significant area of expenditure as outlined below.

The result for the year needs to be viewed in conjunction with our cash flow position, which reflects a number of significant cash flow commitments outside the income statement, including the AADB and pension funding.

Net assets at 31 December 2011 were £25.3m, a reduction of £4.0m over the 2010 net assets of £29.3m. Cash and cash equivalents ended the year at £5.1m, reflecting a net cash outflow of £5.2m in the year. Total cash and investments stood at £35.0m at the end of the year, a reduction of £6.1m on 2010.

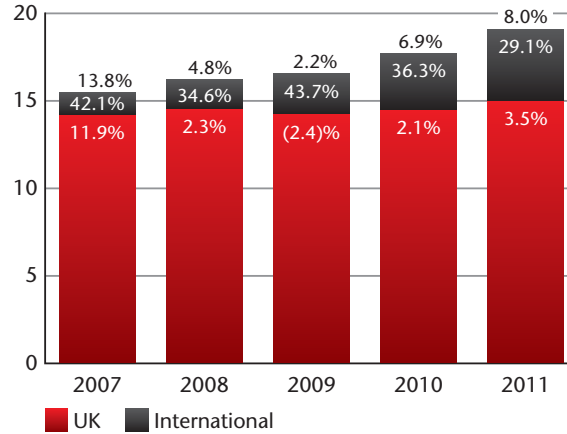
The consolidated outcome for the year, including the results of ICAEW's charitable trusts, was a surplus after tax of £4.5m (2010: £2.0m).

### Student and membership growth

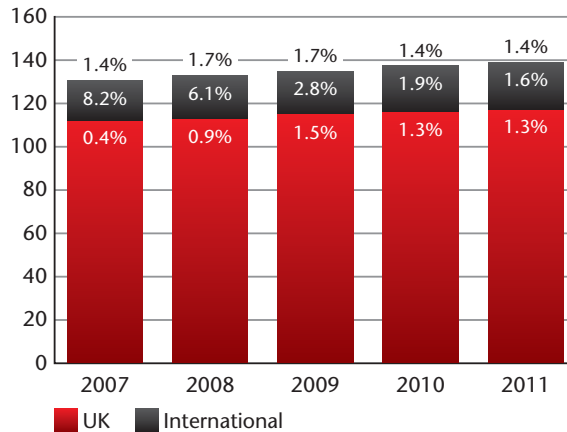
2011 ACA student intake of 5,951 (2010: 5,652) was the highest for 20 years and reflects both increases in our market share in the UK and growth in our number of overseas students. Total ACA student numbers at the end of 2011 stood at 19,073 (2010: 17,653). In addition 814 students signed up for our foundation level Certificate in Finance, Accounting and Business (2010: 625).

Membership grew by 1.4% to 138,464, from admissions of newly-qualified students to membership, together with reciprocal and similar arrangements with members of other institutes.

Student growth ('000s)



Membership growth ('000s)



### Income

Revenue from members' fees and subscriptions rose by 4.7% to £37.7m. Other income, as outlined below, increased by £4.3m to £44.7m in 2011.

Income from students and other qualifications, including ACA, International Financial Reporting Standards (IFRSs), Corporate Finance and the Diploma in Charity Accounting, grew by £0.7m to £12.5m.

Professional standards income, including from practice regulation together with disciplinary-related income, increased by £0.3m to £14.0m.

Revenues from our commercial initiatives increased in the year to £5.4m (2010: £4.6m).

During 2011 the AADB brought two cases to tribunal which resulted in fines of £1.6m being imposed and passed to ICAEW as income. In addition, cost recoveries of £0.8m were returned to ICAEW in respect of these cases.

The AADB carries out independent investigations of the work and conduct of chartered accountants, both in public practice and elsewhere, where this has given rise to public concern.

Investment income from our multi-asset portfolio increased by 28% to £2.3m.

## Expenditure

Operating expenditure increased to £78.3m, a rise of 3.1% excluding the impact of cost recoveries from AADB and JDS. We have continued to exert tight control over our costs, while investing in our strategy.

Professional standards expenditure reduced by £0.8m to £13.4m as a result of restructuring carried out previously, including the impact of the change to our pension arrangements and continued cost control.

Costs of providing member services increased by £1.9m to £12.5m, reflecting investment in new initiatives including leadership programmes and publishing.

Within our regional teams, costs increased to £9.4m from £8.1m in 2010 as we continued to invest in supporting our members and students locally in the UK while continuing to develop our international regional network. This includes the launch of the Business Advice Service and the opening of our Greater China office.

During 2011 we charged costs of £2.7m to the income statement in relation to the AADB, a decrease of £2.4m on 2010. This was partly offset by cost recoveries of £0.8m imposed by AADB tribunals and returned to ICAEW as noted above. Notwithstanding these fines and cost recoveries, we maintain a significant funding deficit in relation to the AADB, as outlined in the financial position section below.

## Tax

The net corporation tax charge for the year was less than £0.1m (2010: £0.1m).

## Pensions

ICAEW's defined benefits pension scheme was closed to further member benefit accrual from 30 June 2010.

As part of the agreement to the closure of the scheme, we have agreed to make deficit funding contributions of £6.0m a year for three years from 1 July 2010, reducing to £3.5m a year thereafter until the deficit is eliminated. A charge remains over Chartered Accountants' Hall and the fund has an interest in up to £10.0m of our investment portfolio, although this is no longer required to be ring-fenced and all investments are therefore unrestricted.

Employees who participated in the scheme were invited to join ICAEW's defined contribution pension arrangements, with transitional enhanced employer contributions payable until June 2013.

The 2010 actuarial valuation showed a deficit of £22.5m at 31 March 2010. The deficit funding arrangements referred to above are intended to eliminate this deficit in around five years and we are working with the trustee to develop an investment strategy intended to make the scheme entirely self-sufficient by 2025.

The scheme deficit has been affected by the turbulence in the financial markets arising from the crisis in the eurozone. This has led to an increased demand for UK gilts which has reduced their yields significantly, increasing scheme liabilities. A desktop valuation of the funding position at 31 December 2011 estimated the scheme deficit at £40.1m, at which level a trigger event is recognised on the covenant agreement. The situation is being monitored to determine whether this represents a temporary event and discussions are continuing with the trustee. This review will not be concluded until after the date of signing of these financial statements. At that date our estimate of the scheme funding was 82.5%, at which level we would expect the trigger event to be deemed to be temporary.

If the red trigger event is not deemed to be temporary and the covenant agreement is enforced, an additional funding contribution of £5.0m to the scheme would be required and the funding plan reviewed as to duration and size of payments; the current covenant agreement would also end. Such a contribution does not have a direct impact on the income statement and no provision has been made within current liabilities owing to the uncertainty of the temporary event.

## Financial position

Net assets at 31 December 2011 were £25.3m – a reduction of £4.0m on the 2010 position. This includes the impact of the underlying increase in ICAEW's share of the pension deficit, which rose to £6.0m in 2011 from £5.4m in 2010 after the input of £6.4m deficit funding contributions. In addition, during 2011 the market value of our long-term investments decreased to £29.9m from £30.8m in 2010.

The value of Chartered Accountants' Hall increased by £0.6m in total, following an increase of £1.2m in 2010. Chartered Accountants' Hall was valued at £9.1m at 31 December 2011.

Trade and other payables were £29.6m (2010: £28.2m). This reflects an increase in 2012 subscription income in advance. Trade and other receivables were £12.4m (2010: £8.7m), the increase arising from disciplinary income due from AADB, new regulatory collections and earlier billing of certain income streams.

We have provided £8.6m (2010: £8.8m) of costs relating to the AADB at 31 December 2011 reflecting their current case load. Case costs are forecast on the basis of the available information on actual or prospective cases. However, the accuracy of the forecast will depend on assumptions made about the progress of individual cases and is subject to a significant degree of uncertainty. We do not take account of any potential future income from fines or cost recoveries from the AADB before a judicial judgement has been made.

## Cash flow

Cash balances at 31 December 2011 were £5.1m. Net cash outflow was £5.2m compared to a £0.3m inflow in 2010. Our cash profile fluctuates on an annual cycle, this year peaking at £43.6m in March and bottoming out at £5.1m in December.

Funding of the AADB saw a cash outflow of £2.9m (2010: JDS and AADB £2.2m).

ICAEW provided £6.4m (2010: £6.2m) of deficit funding to the Staff Pensions Fund, in line with the current agreement.

Capital expenditure was £2.7m (2010: £2.7m). We expect to spend £3.0m of capital expenditure in 2012.

## Report of the auditor

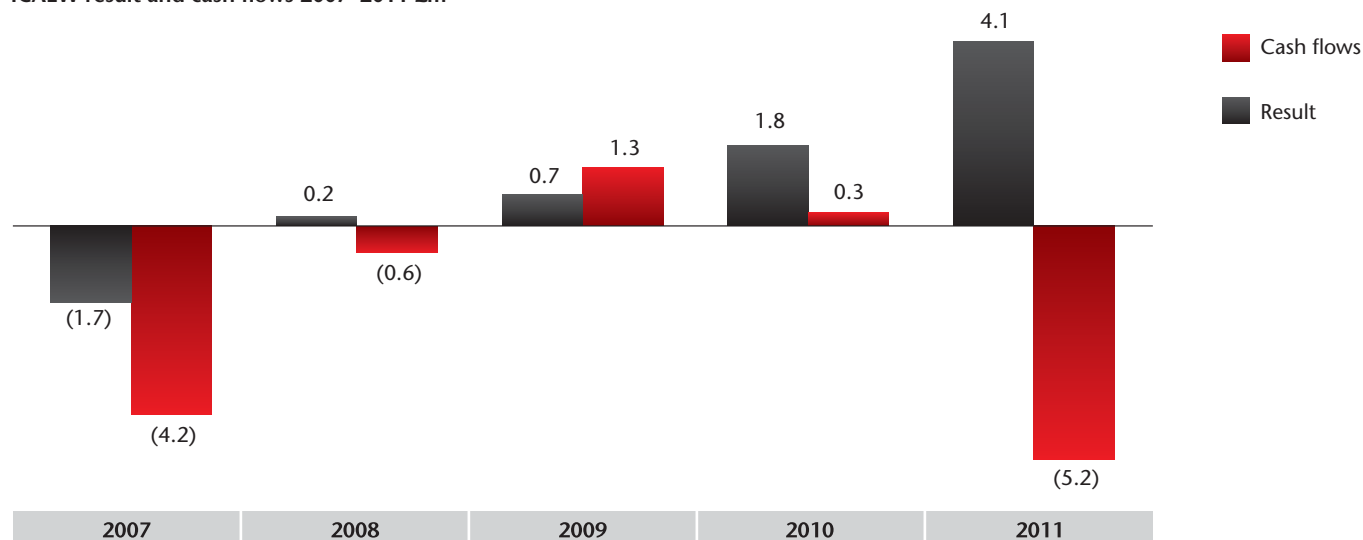
The auditor's report on the full accounts for the year ended 31 December 2011 was unqualified.

## Further information

You can get full financial statements:

- online at [icaew.com/review](http://icaew.com/review);
- by emailing [fullaccounts@icaew.com](mailto:fullaccounts@icaew.com) or
- by writing to Andrew Fagg, Finance Director.

ICAEW result and cash flows 2007–2011 £m



# SUMMARY FINANCIAL STATEMENTS

## Summary group income statement

For the year ended 31 December 2011

	2011			2010		
	Income	Expenditure	Net	Income	Expenditure	Net
	£m	£m	£m	£m	£m	£m
Subscriptions and fees	37.7	–	37.7	36.0	–	36.0
Learning and professional development	12.5	(15.3)	(2.8)	11.8	(14.8)	(3.0)
Professional standards	14.0	(13.4)	0.6	13.7	(14.2)	(0.5)
Member services	5.4	(12.5)	(7.1)	4.6	(10.6)	(6.0)
Regional services	0.1	(9.4)	(9.3)	0.1	(8.1)	(8.0)
Technical strategy	4.1	(9.5)	(5.4)	3.9	(9.1)	(5.2)
Central activities	0.5	(12.3)	(11.8)	–	(10.9)	(10.9)
Charitable trusts	0.2	(1.1)	(0.9)	0.2	(1.2)	(1.0)
	<u>74.5</u>	<u>(73.5)</u>	<u>1.0</u>	<u>70.3</u>	<u>(68.9)</u>	<u>1.4</u>
Joint Disciplinary Scheme	–	–	–	0.4	2.2	2.6
Accountancy and Actuarial Discipline Board	3.1	(1.9)	1.2	1.4	(5.1)	(3.7)
Other regulatory and professional associations	0.8	(2.8)	(2.0)	0.8	(2.9)	(2.1)
	<u>3.9</u>	<u>(4.7)</u>	<u>(0.8)</u>	<u>2.6</u>	<u>(5.8)</u>	<u>(3.2)</u>
Other income – licence and data access fees	1.9	–	1.9	1.9	–	1.9
<b>Operating result</b>	<b>80.3</b>	<b>(78.2)</b>	<b>2.1</b>	<b>74.8</b>	<b>(74.7)</b>	<b>0.1</b>
Investment income	2.5	–	2.5	2.0	–	2.0
<b>Result before taxation</b>	<b>82.8</b>	<b>(78.2)</b>	<b>4.6</b>	<b>76.8</b>	<b>(74.7)</b>	<b>2.1</b>
Taxation			(0.1)			(0.1)
<b>Net result after taxation for the year</b>			<b>4.5</b>			<b>2.0</b>

## Summary group statement of comprehensive income

	2011	2010
	£m	£m
Net result after taxation recognised in the income statement in the year	4.5	2.0
Gains on revaluation of property, plant and equipment	0.6	1.2
(Losses)/gains on revaluation of available for sale investments	(2.5)	2.7
Actuarial (losses)/gains recognised in the year	(7.7)	4.3
Deferred tax	0.6	(1.0)
Net (losses)/gains not recognised in the income statement in the year	(9.0)	7.2
<b>Total comprehensive (expense)/income in the year</b>	<b>(4.5)</b>	<b>9.2</b>



## Summary ICAEW income statement

For the year ended 31 December 2011

	2011			2010		
	Income	Expenditure	Net	Income	Expenditure	Net
	£m	£m	£m	£m	£m	£m
Subscriptions and fees	37.7	–	37.7	36.0	–	36.0
Learning and professional development	12.5	(15.3)	(2.8)	11.8	(14.8)	(3.0)
Professional standards	14.0	(13.4)	0.6	13.7	(14.2)	(0.5)
Member services	5.4	(12.5)	(7.1)	4.6	(10.6)	(6.0)
Regional services	0.1	(9.4)	(9.3)	0.1	(8.1)	(8.0)
Technical strategy	4.1	(9.5)	(5.4)	3.9	(9.1)	(5.2)
Central activities	0.5	(11.8)	(11.3)	–	(10.3)	(10.3)
	<u>74.3</u>	<u>(71.9)</u>	<u>2.4</u>	<u>70.1</u>	<u>(67.1)</u>	<u>3.0</u>
Joint Disciplinary Scheme	–	–	–	0.4	2.2	2.6
Accountancy and Actuarial Discipline Board	3.1	(1.9)	1.2	1.4	(5.1)	(3.7)
Other regulatory and professional associations	0.8	(2.8)	(2.0)	0.8	(2.9)	(2.1)
	<u>3.9</u>	<u>(4.7)</u>	<u>(0.8)</u>	<u>2.6</u>	<u>(5.8)</u>	<u>(3.2)</u>
Other income – licence and data access fees	1.9	–	1.9	1.9	–	1.9
Gift aid and library funding	–	(1.7)	(1.7)	–	(1.6)	(1.6)
<b>Operating result</b>	<b>80.1</b>	<b>(78.3)</b>	<b>1.8</b>	<b>74.6</b>	<b>(74.5)</b>	<b>0.1</b>
Investment income	2.3	–	2.3	1.8	–	1.8
<b>Result before taxation</b>	<b>82.4</b>	<b>(78.3)</b>	<b>4.1</b>	<b>76.4</b>	<b>(74.5)</b>	<b>1.9</b>
Taxation			–			(0.1)
<b>Net result after taxation for the year</b>			<b>4.1</b>			<b>1.8</b>

## Summary ICAEW statement of comprehensive income

	2011	2010
	£m	£m
Net result after taxation recognised in the income statement in the year	<u>4.1</u>	<u>1.8</u>
Gains on revaluation of property, plant and equipment	0.6	1.2
(Losses)/gains on revaluation of available for sale investments	(1.9)	1.8
Actuarial (losses)/gains recognised in the year	(7.4)	4.1
Deferred tax	<u>0.6</u>	<u>(1.0)</u>
Net (losses)/gains not recognised in the income statement in the year	<u>(8.1)</u>	<u>6.1</u>
<b>Total comprehensive (expense)/income in the year</b>	<b><u>(4.0)</u></b>	<b><u>7.9</u></b>



## Summary statements of financial position as at 31 December 2011

		Group			ICAEW		
		2011	2010	2009	2011	2010	2009
	Note	£m	£m	£m	£m	£m	£m
<b>Assets</b>							
Non-current assets	2	62.5	64.5	60.1	51.9	53.2	49.9
Current assets		19.1	20.3	19.6	18.3	19.8	19.1
<b>Total assets</b>		<b>81.6</b>	<b>84.8</b>	<b>79.7</b>	<b>70.2</b>	<b>73.0</b>	<b>69.0</b>
<b>Liabilities</b>							
Current liabilities		(34.4)	(34.1)	(30.8)	(34.1)	(33.6)	(30.4)
Non-current liabilities		(11.4)	(10.4)	(17.8)	(10.8)	(10.1)	(17.2)
<b>Total liabilities</b>		<b>(45.8)</b>	<b>(44.5)</b>	<b>(48.6)</b>	<b>(44.9)</b>	<b>(43.7)</b>	<b>(47.6)</b>
<b>Total net assets</b>		<b>35.8</b>	<b>40.3</b>	<b>31.1</b>	<b>25.3</b>	<b>29.3</b>	<b>21.4</b>
<b>Reserves</b>							
Revaluation reserve		5.9	5.3	4.2	5.9	5.3	4.2
Investment revaluation reserve		1.3	2.6	1.3	1.3	2.6	1.3
Accumulated fund		14.0	17.5	10.0	13.6	17.3	9.9
Faculties		1.3	1.0	0.5	1.3	1.0	0.5
Practice regulation <sup>1</sup>		–	–	2.5	–	–	2.5
Chartered Accountants' Compensation Scheme		3.2	3.1	3.0	3.2	3.1	3.0
Charitable trusts		10.1	10.8	9.6	–	–	–
	3	<b>35.8</b>	<b>40.3</b>	<b>31.1</b>	<b>25.3</b>	<b>29.3</b>	<b>21.4</b>

Approved on behalf of the council



**Clive Parritt**, President  
20 March 2012



**Michael Izza**, Chief Executive

<sup>1</sup> From 2010 the former practice regulation reserves have been amalgamated into the accumulated fund.

## Summary statements of cash flows

for the year ended 31 December 2011

	Group		ICAEW	
	2011	2010	2011	2010
	£m	£m	£m	£m
Cash generated from operating activities	4.9	9.4	5.0	9.3
Cash outflow on pension liabilities	(6.4)	(6.2)	(6.4)	(6.2)
Cash outflow on AADB (2010: JDS and AADB)	(2.9)	(2.2)	(2.9)	(2.2)
Purchase of property, plant and equipment	(2.0)	(1.6)	(1.9)	(1.6)
Purchase of intangible assets	(0.8)	(1.1)	(0.8)	(1.1)
Deferred consideration received	0.5	1.0	0.5	1.0
Net purchase of available for sale investments	(0.5)	(0.7)	(0.6)	(0.5)
Investment income received	2.1	1.7	1.9	1.6
<b>Net (decrease)/increase in cash and cash equivalents in the year</b>	<b>(5.1)</b>	<b>0.3</b>	<b>(5.2)</b>	<b>0.3</b>
Net cash and cash equivalents at 1 January	10.8	10.5	10.3	10.0
<b>Net cash and cash equivalents at 31 December</b>	<b>5.7</b>	<b>10.8</b>	<b>5.1</b>	<b>10.3</b>

## Notes to the summary financial statements

for the year ended 31 December 2011

### 1 Basis of preparation

The summary financial statements have been extracted from ICAEW's full financial statements for the year ended 31 December 2011, which have been prepared in accordance with International Financial Reporting Standards, and under the historical cost convention as modified by the revaluation of properties and available for sale investments.

### 2 Non-current assets

	2011	2010	Group	2011	2010	ICAEW
	£m	£m	2009	£m	£m	2009
Carrying amounts	£m	£m	£m	£m	£m	£m
Property, plant and equipment	19.2	19.0	17.2	19.2	19.0	17.2
Intangible assets	2.6	2.7	2.4	2.6	2.7	2.4
Investments in associated undertakings	0.1	0.1	0.1	–	–	–
Available for sale investments	40.4	42.0	38.3	29.9	30.8	28.2
Deferred consideration receivable	–	0.5	1.5	–	0.5	1.5
Deferred tax asset	0.2	0.2	0.6	0.2	0.2	0.6
	<b>62.5</b>	<b>64.5</b>	<b>60.1</b>	<b>51.9</b>	<b>53.2</b>	<b>49.9</b>

### 3 Reserves

						Group
	Revaluation reserve	Investment revaluation reserve	Accumulated fund	Self-financing reserves	Charitable trusts	Total
	£m	£m	£m	£m	£m	£m
<b>Reserves at 1 January 2011</b>	<b>5.3</b>	<b>2.6</b>	<b>17.5</b>	<b>4.1</b>	<b>10.8</b>	<b>40.3</b>
Net result after taxation	–	–	3.7	0.6	0.2	4.5
Increase in valuation of property, plant and equipment	0.6	–	–	–	–	0.6
Net change in market value of long-term investments over cost	–	(1.9)	–	–	(0.6)	(2.5)
Actuarial losses recognised in year on defined benefit pension scheme	–	–	(7.2)	(0.2)	(0.3)	(7.7)
Deferred tax attributable to above	–	0.6	–	–	–	0.6
Total comprehensive income/(expense) in the year	0.6	(1.3)	(3.5)	0.4	(0.7)	(4.5)
<b>Reserves at 31 December 2011</b>	<b>5.9</b>	<b>1.3</b>	<b>14.0</b>	<b>4.5</b>	<b>10.1</b>	<b>35.8</b>

						ICAEW
	Revaluation reserve	Investment revaluation reserve	Accumulated fund	Self-financing reserves	Total	
	£m	£m	£m	£m	£m	
<b>Reserves at 1 January 2011</b>	<b>5.3</b>	<b>2.6</b>	<b>17.3</b>	<b>4.1</b>	<b>29.3</b>	
Net result after taxation	–	–	3.5	0.6	4.1	
Increase in valuation of property, plant and equipment	0.6	–	–	–	0.6	
Net change in market value of long-term investments over cost	–	(1.9)	–	–	(1.9)	
Actuarial losses recognised in year on defined benefit pension scheme	–	–	(7.2)	(0.2)	(7.4)	
Deferred tax attributable to above	–	0.6	–	–	0.6	
Total comprehensive income/(expense) in the year	0.6	(1.3)	(3.7)	0.4	(4.0)	
<b>Reserves at 31 December 2011</b>	<b>5.9</b>	<b>1.3</b>	<b>13.6</b>	<b>4.5</b>	<b>25.3</b>	

## Summary corporate governance statement

The council has adopted the provisions of section 1 of the UK Corporate Governance Code (June 2010) prepared by the committee on corporate governance, to the extent appropriate. During the year the council has monitored and assessed key risks in compliance with the guidance *Internal control: guidance for directors on the combined code*. The full corporate governance statement is set out in the financial statements for the year ended 31 December 2011.

## Independent auditor's statement to the members of The Institute of Chartered Accountants in England and Wales

We have examined the summary financial statements of The Institute of Chartered Accountants in England and Wales (ICAEW) for the year ended 31 December 2011, which comprise the summary group income statement, summary ICAEW income statement, summary statements of financial position, summary statements of cash flows and notes to the summary financial statements.

This report is made solely to ICAEW's members, as a body. Our work has been undertaken so that we might state to ICAEW'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 ICAEW and ICAEW's members as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of the council and auditors

The council is responsible for preparing the annual review.

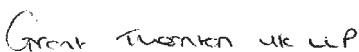
Our responsibility is to report to you our opinion on the consistency of the summary financial statements within the annual review with the full annual report and financial statements.

We also read the other information contained in the annual review and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the summary financial statements.

We conducted our work in accordance with Bulletin 2008/3 *'The Auditors' Statement on the Summary Financial Statement in the United Kingdom'* issued by the Auditing Practices Board. Our report on ICAEW's full annual financial statements describes the basis of our audit opinion on those financial statements.

### Opinion

In our opinion, the summary financial statements are consistent with the full annual financial statements of ICAEW for the year ended 31 December 2011.



### Grant Thornton UK LLP

Statutory Auditor  
Chartered Accountants  
London  
20 March 2012

## LIST OF COUNCIL MEMBERS AS AT 31 DECEMBER 2011

NB: THE ATTENDANCE RECORD AT MEETINGS OF COUNCIL IN 2011 IS SHOWN ALONGSIDE EACH MEMBER (ACTUAL/POSSIBLE).

### President

#### Clive Parritt (6/6)

Chairman, Baronsmead VCT 2 plc; DiGiCo Europe Ltd; BG Consulting Group Ltd; Non-executive Director, London & Associated Properties plc and other companies

### Deputy-President

#### Mark Spofforth (6/6)

Partner, Spofforths

### Vice-President

#### Martyn Jones (6/6)

National Audit Technical Partner, Deloitte LLP

#### Paul Aplin (5/6)

Co-opted, member with liaison link to HMRC  
Tax Partner, A C Mole & Sons

#### Jan Babiak (5/6)

Co-opted, senior member in business and sustainability  
Audit Committee Chair, Logica plc and Non-executive Director

#### Malcolm Bacchus (6/6)

Elected, London

#### Andrew Baigent (5/6)

Elected, London  
Director General, National Audit Office

#### Arthur Bailey (4/6)

Elected, Staffs Salop & Wolverhampton Consultant with Begbies Traynor Group and an independent non-executive director

#### Andrew Batty (4/4) <sup>See Note 1</sup>

Elected, London  
Senior Manager, PwC LLP

#### Carl Bayley (6/6)

Elected, Scotland  
Director, Bayley Miller Ltd

#### Tony Bennewith (6/6)

Elected, South Eastern  
Principal, A J Bennewith and Co

#### Penny Bickerstaff (2/6)

Co-opted, Chairman, Member Services Board  
Independent Management Consultant

#### Richard Bint (0/0) <sup>See Note 5</sup>

Co-opted, a senior partner in a Group A firm.

#### Charles Bowman (4/4) <sup>See Note 1</sup>

Ex officio, Chairman, Audit and Assurance Faculty  
Partner, PwC LLP

#### Evie Bowyer (5/6)

Elected, London  
Director, EVB Training Consultancy Ltd

#### Will Brooks (4/4) <sup>See Note 1</sup>

Elected, London  
Managing Director, Eximus Capital Ltd

#### Ray Burton (3/4) <sup>See Note 1</sup>

Elected, West of England  
Chairman, TwentyFifty Ltd

#### Heather Cheesman (5/6)

Elected, South Eastern  
Manager, Spofforths

#### Ian Cherry (5/6)

Elected, North West  
Director, A I Cherry Ltd

#### David Chitty (3/6)

Elected, Croydon & District  
Partner, Crowe Clark Whitehill LLP

#### Edward Chow (6/6)

Co-opted, HKICPA representative  
Chairman, China Infrastructure Group Holdings plc and Chairman, CIG Yangtze Ports plc

#### Michael Colin (3/6)

Elected, Manchester  
Independent Consultant

#### Dennis Cox (3/6)

Elected, London  
CEO, Risk Reward Ltd

#### Jimmy Daboo (3/6)

Elected, London  
Partner, KPMG LLP

#### Feroze Dada (4/6)

Elected, London  
Managing Partner, Crowe Clark Whitehill (London) Ltd

#### Ashish Dave (4/6)

Co-opted, member in the UAE  
Partner & Chief Financial Officer, ABRAA Capital Limited

#### Ian Davies (6/6)

Elected, Southern  
Chairman, The Independent Director Ltd

#### Graham Durgan (3/4) <sup>See Note 1</sup>

Elected, Thames Valley  
Chairman, Emile Woolf (Holdings) Ltd

#### Carla Edgley (2/2) <sup>See Note 2</sup>

Co-opted, Academic  
Lecturer, Cardiff Business School

#### Frank Edwards (6/6)

Elected, South Wales  
Consultant, CODA Business Management Ltd

#### Susan Field (5/6)

Elected, London  
Sole Practitioner

#### Owen Finn (5/6)

Elected, Humberside & District  
Managing Director, Premier Building & Engineering Services UK Ltd

#### Richard Frost (6/6)

Elected, Sheffield & District  
Audit Partner, Hawsons

#### Graeme Gordon (2/6)

Elected, Thames Valley  
Executive Director/CEO, Praxity

#### Bill Graham (5/6)

Elected, Northern  
Consultant

#### Howard Gross (5/6)

Elected, London  
Chief Executive, Gross Klein

#### Martin Hagen (4/6)

Ex officio, Past President  
Non-executive Director, South West Water and Swallowfield plc; Deputy Chairman, Regulatory Decisions Committee, FSA

#### Barrie Harding (6/6)

Elected, South Essex  
Partner, Marsh Hammond & Partners LLP

#### Richard Harwood (5/6)

Elected, Birmingham & W Midlands  
Principal, Harwoods

#### Michael Hawley (6/6)

Elected, Nottingham, Derby & Lincoln  
Lecturer and Consultant, Beeley Hawley & Co Ltd

#### Ian Hayes (6/6)

Elected, London  
European VAT Advisor, Vataxworld Ltd

#### David Heaton (4/4) <sup>See Note 1</sup>

Ex officio, Chairman, Tax Faculty  
Tax Partner, Baker Tilly Tax & Advisory Services LLP

**John Hilton (1/6)** See Note 3

Elected, West of England  
Practice Director, Thring Townsend  
Solicitors

**Marion Hodgkiss (5/6)**

Elected, Liverpool  
Kaplan Financial Ltd

**Philip Hollins (4/6)**

Elected, London

**Alistair Hollows (4/6)**

Elected, Manchester  
Director, IFA Mentor Ltd

**Constantine Ioannou (5/6)**

Elected, London  
Partner, Ioannou & Co and Director of  
various companies

**Peter Jenkins (4/6)**

Elected, London  
Finance Director, The Prince's Regeneration  
Trust

**Jeremy Jennings (2/6)**

Co-opted, member in EU  
Global Director – Regulatory &  
Government Relations, Ernst & Young

**Suwei Jiang (1/6)**

Co-opted, younger member  
Partner, PwC LLP

**Neeraj Kapur (4/6)**

Co-opted, member in financial institution  
Chief Financial Officer, Secure Trust Bank  
plc

**Jim Keeling (1/4)** See Note 1

Ex officio, Chairman, Corporate Finance  
Faculty  
Joint Chairman, Corbett Keeling Ltd

**George Kourris (6/6)**

Co-opted, member in EU  
Partner, Ernst & Young Cyprus Limited

**Maureen Lamburn (4/4)** See Note 1

Elected, Beds, Bucks & Herts  
Partner, Lamburn & Turner, Chartered  
Accountants

**Robin Liddell (6/6)**

Co-opted, member from Northern Society  
Director, RS Liddell Consulting Ltd

**Hilary Lindsay (6/6)**

Elected, Leics & Northants  
Business School Lecturer and E Learning  
Consultant

**Iain Lowson (3/4)** See Note 1

Co-opted, Chairman, Ethics Standards  
Committee  
Head of Audit, BDO LLP

**Ara Martirosian (4/6)**

Elected, South Eastern  
Managing Director, Red IT Solutions Ltd

**Barry Matthews (6/6)**

Elected, Birmingham & W Midlands  
Director, Bissell & Brown Ltd

**David Matthews (6/6)**

Co-opted, senior partner in a Big Four firm  
Partner, KPMG LLP

**David McBride (4/6)**

Elected, London

**Robert Millea (4/6)**

Elected, East Anglian  
Vice Chairman, West Suffolk College and  
South Essex College

**Peter Mitchell (3/6)**

Elected, Beds, Bucks & Herts  
Senior Partner, Peter Mitchell & Co;  
Chairman, Society of Professional  
Accountants

**Sheilagh Moffat (5/6)**

Elected, Birmingham & W Midlands  
Partner, Moffat Gilbert

**Tom Noble (5/5)** See Note 4

Ex officio, ICAEW Student Council Chair  
Assistant Manager, Deloitte LLP

**Nick Parker (6/6)**

Elected, Southern  
Regional Director of Tax, Tenon

**Philip Pawson (4/6)**

Elected, West Yorkshire  
Barrister and Consultant

**Andrew Ratcliffe (6/6)**

Co-opted, Chairman, Technical Strategy  
Board  
Partner, PwC LLP

**Gerald Russell (5/6)**

Ex officio, Past President  
Consultant, Ernst & Young LLP

**Robert Sheffrin (4/6)**

Elected, Manchester  
Compliance Director, Braemar Securities

**Andy Simmonds (4/6)**

Ex officio, Chairman, Financial Reporting  
Faculty  
Accounting Technical Partner, Deloitte LLP

**Philip Smith (3/6)**

Ex officio, Finance and Management  
Faculty representative  
Turnaround Specialist

**Joe Smoczynski (6/6)**

Co-opted, member in EU  
Partner, Baker Tilly Poland

**Christopher Spokes (5/6)**

Elected, East Anglian  
Partner, Bidwells

**Nathan Steinberg (6/6)**

Elected, London  
Partner, Munslovs; Non-executive  
Director, Ambrian Capital plc and  
Longships plc

**Jonathan Teller (5/6)**

Ex officio, Information Technology Faculty  
representative  
Consultant

**John Tiernay (3/6)**

Elected, Liverpool  
Partner, TiernayFedrick

**Peter Tucker (6/6)**

Elected, Beds, Bucks & Herts  
Tax Partner, Dickinsons Chartered  
Accountants

**Paul Wagstaff (6/6)**

Elected, Thames Valley  
Business Development Partner, Dickinsons

**David Walker (6/6)**

Elected, West Yorkshire  
Finance Director, Assurant Intermediary Ltd

**Jatinder Wasu (4/6)**

Elected, London  
Principal, Sterling Hay Chartered  
Accountants

**Jan Weber (3/6)**

Elected, London  
Finance Director, DIAM International

**Fiona Wilkinson (6/6)**

Elected, South Western  
Principal, Fiona Wilkinson

## Notes

- 1 Elected/appointed with effect from 7 June 2011
- 2 Appointed with effect from 7 July 2011
- 3 Resigned with effect from 7 March 2012
- 4 Elected with effect from 1 April 2011
- 5 Council appointed Richard Bint as a co-opted member at its meeting on 7 December 2011.

## The following were also members of council during the year 2011

Retired with effect from 1 April 2011

### **Richard Hopkins-Burton (0/1)**

Ex officio, ICAEW Student Council Chair  
Executive, Corporate Finance, Deloitte LLP

Retired with effect from 7 June 2011

### **Michael Arnold (0/2)**

Elected, South Eastern  
Consultant

### **John Ball (2/2)**

Elected, Nottingham, Derby and Lincoln  
Director, JB Professional Services Ltd

### **Mark Barnish (2/2)**

Elected, Staffs, Salop and Wolverhampton  
Consultant

### **John Collier (1/2)**

Elected, London  
Director, Clive & Stokes International  
Executive Search

### **Nick Cudmore (2/2)**

Elected, Humberside & District  
Partner, Duncan & Toplis

### **Christopher Heaton (0/2)**

Elected, Sheffield & District  
Managing Director, OSL Automotive Ltd  
and CHCT Ltd

### **Nigel Hughes (2/2)**

Elected, Beds Bucks and Herts  
Managing Director, Totteridge Associates  
Ltd

### **Chris Humphrey (2/2)**

Co-opted, academic  
Professor of Accounting (MAFG)  
Manchester Business School

### **Stephen Huyton (1/2)**

Co-opted, member in the EU  
Financial Director, Thermopatch bv

### **Alan Livesey (2/2)**

Elected, Scotland  
Managing Director, D.A.T.A. Services Ltd

### **Andrew Lovelady (1/2)**

Elected, Liverpool  
Group Finance Director, Ethel Austin  
Property Group

### **Cameron Maxwell (1/2)**

Elected, South Essex  
Consultant, Avesco Group plc

### **Roger Merchant (2/2)**

Elected, Leics and Northants  
Partner, PKF (UK) LLP

### **Alfred Morris CBE (1/2)**

Elected, West of England  
Vice-Chancellor, London Metropolitan  
University

### **Gerry Murphy (1/2)**

Ex officio, Chairman, Audit & Assurance  
Faculty

### **Michael Pavia (1/2)**

Co-opted, senior member in business  
Non-executive Director, British Nuclear  
Fuels plc, Thames Water plc, Telecomm  
Plus plc, Salamander Energy plc, ACA and  
Elizabeth Finn Care

### **Chris Sanger (0/2)**

Ex officio, Chairman, Tax Faculty  
Tax Partner, Ernst & Young LLP

### **Ann Shaw (0/2)**

Elected, North West  
Managing Director, Parkfoot Holiday  
Homes Ltd

### **Elizabeth Stanton (0/2)**

Elected, London  
Partner, Ernst & Young LLP

### **Mike Sturgess (2/2)**

Elected, South Western  
Managing Director, Swat UK Ltd

### **Eric Wiles (2/2)**

Elected, Birmingham & W Midlands  
Director, Corporate Finance, Eversholt Rail  
(UK) Ltd

### **Alan Wintersgill (1/2)**

Elected, West Yorkshire  
Senior Partner, Naylor Wintersgill

Retired with effect from 8 June 2011

### **Caroline Al-Beyerty (3/3)**

Observer member as CIPFA's representative  
Head of Audit Practice, Audit Commission

Resigned with effect from 5 October 2011

### **David Evans (0/5)**

Co-opted, a senior partner of an  
international Group A firm  
UK Senior Partner, Mazars LLP

ICAEW is a professional membership organisation, supporting over 138,000 chartered accountants around the world. Through our technical knowledge, skills and expertise, we provide insight and leadership to the global accountancy and finance profession.




Our members provide financial knowledge and guidance based on the highest professional, technical and ethical standards. We develop and support individuals, organisations and communities to help them achieve long-term, sustainable economic value.

**Because of us, people can do business with confidence.**

ICAEW

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# FINANCIAL STATEMENTS 2011



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The role of ICAEW Chartered Accountants in the world's economies has never been more important. People making financial decisions need knowledge and guidance based on the highest technical and ethical standards.

Our members provide this better than anyone. They challenge people and organisations to think and act differently, to provide clarity and rigour, and so help create and sustain prosperity.

As their institute, we create the environment in which those skills are constantly developed, recognised and valued. We shape opinion, understanding and delivery, to ensure the highest standards in business and in the public interest.

**Because of us, people can do business with confidence.**

**These financial statements should be read in conjunction with ICAEW's *Annual Review 2011***

# FINANCIAL REVIEW 2011

ICAEW's financial statements for 2011 include the four charitable trusts associated with ICAEW together with our international subsidiaries. The commentary below relates primarily to the operating activities of ICAEW.

## Results

Total income was £82.4m, £6.0m higher than in 2010. The retained surplus after tax for the year was £4.1m (2010: £1.8m). This is after receipt of £2.4m of one-off fines and recoveries of past costs from the Accountancy and Actuarial Discipline Board (AADB), which remains a significant area of expenditure as outlined below. The result for the year needs to be viewed in conjunction with our cash flow position, which reflects a number of significant cash flow commitments outside the income statement, including the AADB and pension funding.

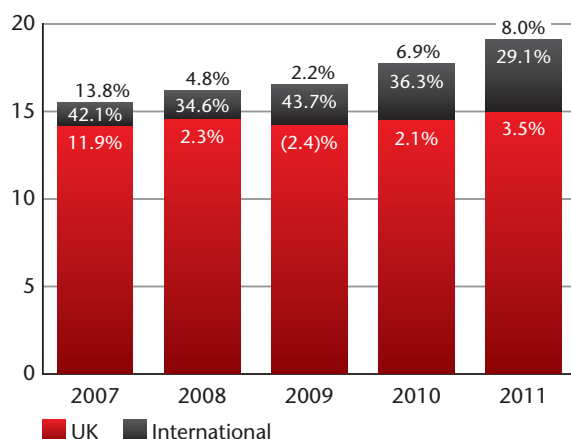
Net assets at 31 December 2011 were £25.3m, a reduction of £4.0m over the 2010 net assets of £29.3m. Cash and cash equivalents ended the year at £5.1m, reflecting a net cash outflow of £5.2m in the year. Total cash and investments stood at £35.0m at the end of the year, a reduction of £6.1m on 2010.

The consolidated outcome for the year, including the results of ICAEW's charitable trusts, was a surplus after tax of £4.5m (2010: £2.0m).

## Student and membership growth

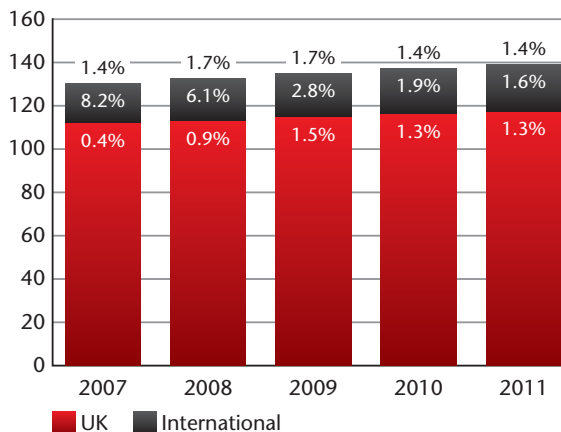
2011 ACA student intake of 5,951 (2010: 5,652) was the highest for 20 years and reflects both increases in our market share in the UK and growth in our number of overseas students. Total ACA student numbers at the end of 2011 stood at 19,073 (2010: 17,653). In addition 814 students signed up for our foundation level Certificate in Finance, Accounting and Business (2010: 625).

### Student growth ('000s)



Membership grew by 1.4% to 138,464, from admissions of newly-qualified students to membership, together with reciprocal and similar arrangements with members of other institutes.

### Membership growth ('000s)



## Income

Revenue from members' fees and subscriptions rose by 4.7% to £37.7m. Other income, as outlined below, increased by £4.3m to £44.7m in 2011.

Income from students and other qualifications, including ACA, International Financial Reporting Standards (IFRSs), Corporate Finance and the Diploma in Charity Accounting grew by £0.7m to £12.5m.

Professional standards income, including from practice regulation and disciplinary-related income, increased by £0.3m to £14.0m.

Revenues from our commercial initiatives increased in the year to £5.4m (2010: £4.6m).

During 2011 the AADB brought two cases to tribunal which resulted in fines of £1.6m being imposed and passed to ICAEW as income. In addition, cost recoveries of £0.8m were returned to ICAEW in respect of these cases.

The AADB carries out independent investigations of the work and conduct of chartered accountants, both in public practice and elsewhere, where this has given rise to public concern.

Investment income from our multi-asset portfolio increased by 28% to £2.3m.

## Expenditure

Operating expenditure increased to £78.3m, a rise of 3.1% excluding the impact of cost recoveries from AADB and JDS. We have continued to exert tight control over our costs, while investing in our strategy.

Professional standards expenditure reduced by £0.8m to £13.4m as a result of restructuring carried out previously, including the impact of the change to our pension arrangements and continued cost control.

Costs of providing member services increased by £1.9m to £12.5m, reflecting investment in new initiatives including leadership programmes and publishing.

Within our regional teams, costs increased to £9.4m from £8.1m in 2010 as we continued to invest in supporting our members and students locally in the UK while continuing to develop our international regional network. This includes

# FINANCIAL REVIEW 2011

(continued)

the launch of the Business Advice Service and the opening of our Greater China office.

During 2011 we charged costs of £2.7m to the income statement in relation to the AADB, a decrease of £2.4m on 2010. This was partly offset by cost recoveries of £0.8m imposed by AADB tribunals and returned to ICAEW, as noted above. Notwithstanding these fines and cost recoveries, we maintain a significant funding deficit in relation to the AADB, as outlined in the financial position section below.

## Tax

The net corporation tax charge for the year was less than £0.1m (2010: £0.1m).

## Pensions

ICAEW's defined benefits pension scheme was closed to further member benefit accrual from 30 June 2010.

As part of the agreement to the closure of the scheme, we have agreed to make deficit funding contributions of £6.0m a year for three years from 1 July 2010, reducing to £3.5m a year thereafter until the deficit is eliminated. A charge remains over Chartered Accountants' Hall and the fund has an interest in up to £10.0m of our investment portfolio, although this is no longer required to be ring-fenced and all investments are therefore unrestricted.

Employees who participated in the scheme were invited to join ICAEW's defined contribution pension arrangements, with transitional enhanced employer contributions payable until June 2013.

The 2010 actuarial valuation showed a deficit of £22.5m at 31 March 2010. The deficit funding arrangements referred to above are intended to eliminate this deficit in around five years and we are working with the trustee to develop an investment strategy intended to make the scheme entirely self-sufficient by 2025.

The scheme deficit has been affected by the turbulence in the financial markets arising from the crisis in the eurozone. This has led to an increased demand for UK gilts which has reduced their yields significantly, increasing scheme liabilities. A desktop valuation of the funding position at 31 December 2011 estimated the scheme deficit at £40.1m, at which level a trigger event is recognised on the covenant agreement. The situation is being monitored to determine whether this represents a temporary event and discussions are continuing with the trustee. This review will not be concluded until after the date of signing of these financial statements. At that date our estimate of the scheme funding was 82.5%, at which level we would expect the trigger event to be deemed temporary.

If the trigger event is not deemed to be temporary and the covenant agreement is enforced, an additional funding contribution of £5.0m to the scheme would be required and the funding plan reviewed as to duration and size of payments; the current covenant agreement would also end. Such a contribution does not have a direct impact on the income statement and no provision has been made within current liabilities owing to the uncertainty of the temporary event.

Further details are given in note 27 to the financial statements.

## Financial position

Net assets at 31 December 2011 were £25.3m – a reduction of £4.0m on the 2010 position. This includes the impact of the underlying increase in ICAEW's share of the pension deficit, which rose to £6.0m in 2011 from £5.4m in 2010 after the input of £6.4m deficit funding contributions. In addition, during 2011 the market value of our long-term investments decreased to £29.9m from £30.8m in 2010.

The value of Chartered Accountants' Hall increased by £0.6m in total, following an increase of £1.2m in 2010. Chartered Accountants' Hall was valued at £9.1m at 31 December 2011.

Trade and other payables were £29.6m (2010: £28.2m). This reflects an increase in 2012 subscription income in advance. Trade and other receivables were £12.4m (2010: £8.7m), the increase arising from disciplinary income due from AADB, new regulatory collections and earlier billing of certain income streams.

We have provided £8.6m (2010: £8.8m) of costs relating to the AADB at 31 December 2011, reflecting their current case load. Case costs are forecast on the basis of the available information on actual or prospective cases. However, the accuracy of the forecast will depend on assumptions made about the progress of individual cases and is subject to a significant degree of uncertainty. We do not take account of any potential future income from fines or cost recoveries from the AADB before a judicial judgement has been made.

## Cash flow

Cash balances at 31 December 2011 were £5.1m. Net cash outflow was £5.2m compared to a £0.3m inflow in 2010. Our cash profile fluctuates on an annual cycle, this year peaking at £43.6m in March and bottoming out at £5.1m in December.

Funding of the AADB saw a cash outflow of £2.9m (2010: JDS and AADB £2.2m).

ICAEW provided £6.4m (2010: £6.2m) of deficit funding to the Staff Pensions Fund, in line with the current agreement.

Capital expenditure was £2.7m (2010: £2.7m). We expect to incur £3.0m of capital expenditure in 2012.

## Reserves policies

Our agreed reserves policies ensure that reserves are set at a level sufficient to cover both short-term requirements and longer term investment needs:

- reserves should be set at a level equivalent to between three and six months of expenditure through the income statement; and
- cash and investment balances should be at least sufficient to cover between three and six months of annual budgeted/forecast gross cash expenditure.

Our strategic priorities are summarised in our *Annual Review 2011*.

# FINANCIAL REVIEW 2011

(continued)

## Charitable trusts

The difference between the result of ICAEW and that of the group is mainly a result of donations received by ICAEW Foundation in the year together with investment income received by the trusts during the year.

During the year we made donations under gift aid to our charitable trusts amounting to £1.7m (2010: £1.6m). ICAEW's charitable trusts continued to run the Library and Information Service and also approved grants in the year of £0.1m (2010: £0.2m).

## Creditor payment policy

It is our policy to agree and communicate clearly the terms of payment as part of the commercial arrangements negotiated with suppliers. We then pay according to those terms based upon the timely receipt of an accurate invoice. Trade creditor days at 31 December 2011 were 20 days (2010: 23 days).

## Our sustainability commitment

As a professional membership organisation, we represent a common voice for our members and the profession. We believe that the successful business of the future will be a sustainable business. As a profession we support economic development and prosperity, and as an organisation our vision is to have a net positive impact on the economy, society and environment.

There are three main ways in which we implement this.

- Economy – the provision of accurate, trusted information is central to the success of an economic system. We bring people together to share their views, are involved in research, and produce guidance for the wider business community on sustainability. This work helps us to support business to deliver long-term sustainable economic value and people to do business with confidence.
- Society – we recognise the impact we make on society. We believe that financial capability, social mobility and fundraising are essential to long-term economic success. We engage in various activities and programmes which support staff, individuals, organisations and communities around the world.
- Environment – we recognise that business has a significant impact on the environment, and although ICAEW does not operate in a business sector which causes significant pollution, we aim to promote and follow environmental practices, and reduce the negative impacts of our activities. In 2011 we gained the Carbon Trust standard. On an international scale, we convene the debate on climate change policy in government forums and financial institutions.

You can find more information about our commitment to corporate responsibility in our *Annual Review 2011*.

## Going concern

The financial statements have been prepared on a going concern basis. The council has a reasonable expectation that ICAEW has adequate resources to continue in operational existence for the foreseeable future. The council receives and approves a three-year operational plan each year, which comprises forecast income statements, cash flow summaries, statements of financial position and key non-financial indicators. These are the basis of the monthly management accounts which are reviewed by the board.

ICAEW's business activities, together with the factors likely to affect its future development, performance and position are set out above, as well as in our *Annual Review 2011*. The financial position of ICAEW, its cash flows and liquidity position are described in the financial review above. In addition the accounting policies include ICAEW's objectives, policies and processes for managing its reserves, its financial risk management objectives, details of its hedging activities and its exposure to liquidity risk.

ICAEW has considerable financial resources. Consequently, the council believes that ICAEW is well placed to manage its business risks successfully despite the current economic outlook, and market conditions which may affect pension scheme funding.

## Internal control

The council is responsible for ICAEW's system of internal control and for reviewing its effectiveness. The audit committee, on behalf of the council, reviews the effectiveness of the system and reports to council thereon. This is done on the basis of information and regular reports provided by management, internal audit and the external auditors. The system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives. It can only provide reasonable, but not absolute, assurance against material misstatement or loss. It includes all controls including financial, operational, compliance and risk management.

The key elements of the system of internal control are listed below.

## Risk management

The council, through the board, chief executive and executive directors, has an established and continuous process for identifying, evaluating and managing the significant risks faced by ICAEW. This process has been in place for the whole of 2011 and has continued up to the date on which this document was approved.

Each department identifies and reviews the risks faced by ICAEW, assessing both the controls in place and key actions required to manage the significant risks. These assessments are reported regularly to the audit committee, board and the council. Directors also report regularly to the board on any changes in risks and key risk highlights.

The assessment of risk is linked with the evolving ICAEW strategy in compliance with the guidance *Internal Control: Guidance for Directors on the Combined Code* (October 2005).

# FINANCIAL REVIEW 2011

(continued)

Annually in March, the council undertakes a review to consider:

- the application of the risk management processes;
- reports on risk and internal control from the board;
- reports on internal control from the audit committee; and
- how the risks have changed over the period under review and any significant issues.

The board reviews the risks twice a year and management puts in place the appropriate mitigation strategies.

In reviewing the risks, the board considers whether management has appropriately assessed the risk by challenging the risk rating, whether the action taken to address and mitigate the risk is effective, and whether the timescales are appropriate. The board also considers whether there are other risks that should be reviewed and advises management accordingly. Over the year the board has considered a diverse range of risks and mitigation strategies, including the following principal risks:

- proposed EU reforms to the audit market and regulation by professional bodies resulting in the loss by ICAEW of key functions and activities – we manage a communications and representations programme at all levels, exploring alternative models and proposals with the regulators and with our member firms, and commissioning independent research with audit committee chairmen;
- ICAEW does not adjust quickly to changes in powers or influence exercised by UK regulatory bodies – we promote the contribution ICAEW makes to the public interest, before the member interest, and engage regularly with law-makers, standard-setters and regulators;
- limitations on resources which arise through unexpected events, such as AADB funding demands and/or market conditions affecting the pension scheme, impacting delivery of our strategy – we maintain robust budget and forecast processes, monitor developments regularly with key stakeholders and amend activity as necessary; and
- disruption to operations and reputational damage arising from failure of physical or data security systems – we run regular audits of access and penetration tests together with careful selection of third parties for sensitive work.

## Delegation

We have a clear organisational structure, detailing lines of authority and control responsibilities. There are defined revenue and capital spend authorisation limits in place.

## Business plans and budgets

Staff prepare detailed business plans and budgets for the board and the council to approve. We have agreed key performance targets and monitor achievement against these on a monthly basis. Actual results are compared to approved budgets or latest forecasts on a monthly basis and reported to each meeting of the board and the council. We also prepare revised annual forecasts and report on these three times a year. We post a summary of the monthly results and forecast reviews to the council.

## Internal audit

Internal audit provides assurance that risk management processes are addressing the significant risks faced by ICAEW and assesses the controls in place. It ensures that management takes appropriate remedial action if control weaknesses are identified. Internal audit reports formally to the audit committee and has direct access to the chairman of the committee. The committee also receives reports from the staff and the external auditors on important control matters.

## Review

The council, through the reports it receives from the board and through the audit committee, has reviewed the effectiveness of ICAEW's system of internal control in operation during 2011. Where control weaknesses have been identified, remedial action was, or is being taken. None of these weaknesses resulted in any material losses, contingencies or uncertainties that would require disclosure in the annual review.



# CORPORATE GOVERNANCE STATEMENT

## Our approach to governance

ICAEW is a chartered corporation, domiciled in England, and operates under the terms of its Royal Charter, bye-laws and regulations. Nonetheless, we choose to measure our governance against the UK Corporate Governance Code (June 2010). We believe that we comply with all relevant provisions of the Code, recognising that parts of the Code do not relate exactly to the governance of a professional and membership body. The underlying principle is that our governance must support the delivery of our strategy.

## ICAEW meetings

The Charter and bye-laws reserve certain matters to ICAEW members in general meeting. This includes consideration of the annual review and the financial statements with the report of the auditor.

## ICAEW council

Council considers, reviews and approves strategy, operational plans and budgets proposed by the board. It represents and articulates the views of members on all these matters and otherwise delegates the powers and authorities conferred on it by the Charter and bye-laws to the board, the departmental boards and to the chief executive within an overall framework of financial approval limits. Council receives reports from the chief executive at all its meetings and key speakers are invited to give an external perspective on matters of significance.

In 2011, council met six times. As at 31 December 2011, it comprised 83 members. The majority (54) of council members are directly elected by ICAEW members, with the remainder co-opted (17) and ex officio members (12). Council elects its chairman annually from among its members. You will find brief details of each council member, including their status and record of attendance at council meetings in 2011, in the *Annual Review 2011*.

Council members do not receive remuneration other than reimbursement of travel and subsistence costs incurred on ICAEW business. They may receive other payments from ICAEW on a normal commercial basis, particularly in connection with lecturing and writing.

## The office-holders and chief executive

The ICAEW office-holders (President: Gerald Russell (to 8 June), Clive Parritt (from 8 June); Deputy-President: Mark Spofforth; Vice-President: Martyn Jones) have no formal personal powers other than the procedural matters specified in the principal bye-laws. They have an ambassadorial role, meeting members and stakeholders and promoting ICAEW. They represent the views of the council and the wider membership within ICAEW and ensure that these are taken into account in the development of ICAEW strategy and policies. They counsel and advise the chief executive. The president chairs the annual and special meetings of members and the ICAEW board.

The chief executive (Michael Izza) operates within the framework of delegations approved by council. He is responsible for the overall management of ICAEW, for the development and implementation of strategy, and for ensuring that ICAEW operates economically, efficiently and effectively. He also has a representational role, building effective relationships with members and with governments, regulators, other public bodies, and the media.

## The board

The board is responsible for monitoring the development and implementation of ICAEW strategy, including reviews of key risks. The chief executive and executive directors report to each board meeting on performance against operational plans and financial performance. The board reports on its activities to each council meeting.

The board comprises non-executives, principally council members ex officio, and senior executives. Council elects two of its members directly to the board for a two-year term. The elected members fulfil the role of 'senior independent director'. In 2011, the board met 10 times.

Following an external review in 2010, the board undertook a review of its own effectiveness in the autumn of 2011. This showed that, overall, the board works well. The review raised a limited number of detailed issues about the operation of the board which it is addressing, prominent among which is the diversity of its membership.

# CORPORATE GOVERNANCE STATEMENT

(continued)

The members of the board (for whom you can find brief biographical details in the ICAEW – governance and structure section of our website at [icaew.com](http://icaew.com)) during 2011 were:

Volunteer members	Position	Appointed	Retired	Attendance
Andrew Baigent	chairman, learning and professional development board from 8 June director general, National Audit Office	8 June		6/6
Arthur Bailey	elected by the council consultant, Begbies Traynor Group and non-executive director			8/10
Penny Bickerstaff	chairman, member services board independent management consultant			9/10
Ian Cherry	elected by the council chief executive, A I Cherry Ltd		8 June	3/4
Ian Davies	elected by the council chairman, The Independent Director Ltd	20 June		4/6
Richard Harwood	chairman, professional standards board principal, Harwoods			8/10
Jeremy Jennings	co-opted member global director, regulatory and government relations, Ernst & Young LLP, Brussels			8/10
Martyn Jones	vice-president from 8 June partner, Deloitte LLP	8 June		6/6
Caroline Mawhood	appointed as a non-voting member under reciprocal arrangements with CIPFA		8 June	3/4
Clive Parritt	deputy-president to 8 June; president and chairman from 8 June chairman, Baronsmead VCT 2 plc; DiGiCo Europe Ltd; BG Consulting Group Ltd and non-executive director, London & Associated Properties plc and other companies			9/10
Andrew Ratcliffe	chairman, technical strategy board partner, PricewaterhouseCoopers LLP			8/10
Gerald Russell	president and chairman to 8 June consultant		8 June	4/4
Mark Spofforth	vice-president to 8 June; deputy-president from 8 June partner, Spofforths			9/10
Jan Weber	chairman, learning and professional development board to 8 June finance director, DIAM International		8 June	3/4
<b>Staff members</b>				
Robin Fieth	executive director, finance and operations			10/10
Robert Hodgkinson	executive director, technical strategy			10/10
Michael Izza	chief executive			9/10
Mark Protherough	executive director, learning and professional development			9/10
Vernon Soare	executive director, professional standards			10/10

Sharon Gunn joined the board as executive director, commercial with effect from 1 January 2012. Robin Fieth became executive director, members & operations from 1 January 2012.



# CORPORATE GOVERNANCE STATEMENT

(continued)

## Audit committee

The audit committee is responsible, on behalf of the council, for: ensuring that all significant activities of ICAEW are subject to independent review and audit; monitoring ICAEW's relationship with its auditors; reviewing internal controls; and assessing risk. The audit committee met four times in 2011. Both the internal and external auditors attend its meetings and have direct access to its chairman. The external auditors attend at least one meeting (or part of a meeting) each year without ICAEW management present.

The members of the audit committee during 2011 were:

	Position	Appointed	Retired	Attendance
Brian Boswell	charity trustee & financial adviser to Property Management Co			4/4
John Cain	audit partner, KPMG LLP			3/4
Ian Cherry*	chairman from 8 June 2011 chief executive, A I Cherry Ltd			4/4
David Chitty*	partner, Crowe Clark Whitehill LLP			3/4
Mary Hardy	head of risk assurance, London Organising Committee for the Olympic and Paralympic Games			2/4
Neeraj Kapur*	chief financial officer, Secure Trust Bank PLC			2/4
Michael Pavia*	chairman to 8 June 2011 non-executive director, Thames Water and other companies		8 June	1/1
Stuart Bridges	chief financial officer, Hiscox Limited	8 June		2/3
Andrew Ratcliffe*	partner, PricewaterhouseCoopers LLP	1 September		2/2

\* council member

The chairman of the audit committee reports annually to council. The audit committee makes the minutes of its meetings available to the board.

As recommended by the audit committee, Grant Thornton UK LLP is proposed for re-appointment at the annual meeting. The firm was first appointed in 2006, and re-appointed in 2010 for the year ended 31 December 2011 following a full tender process. The current lead partner has been responsible for the audit for six years. Partner rotation will take place for the audit for the year ended 31 December 2012.

The audit committee annually reviews and considers the quality, effectiveness and independence of the auditors. This includes a review of safeguards in place in relation to non-audit services, and a review of the partners and directors of the audit firm who sit on ICAEW committees. The committee agrees with the audit firm staff rotation policies in relation to ICAEW's audit. To ensure appropriate levels of independence, a firm cannot be ICAEW's auditor if any partner or employee of the firm is a member of council during the period of tenure. ICAEW also has a policy regarding non-audit work by the audit firm. The general principle is that the audit firm should not be asked to carry out non-audit services where it may, in the future, lead to a situation where it is required to give an audit opinion on that work.

During the year the audit committee has:

- reviewed the financial statements, having received a report from the external auditors on their review and audit;
- considered the output of the procedures used to manage risk within ICAEW including management of

AADB provisions and exposure to the pension fund deficit and the implications for the financial statements;

- reviewed the effectiveness of ICAEW's internal controls;
- considered the management letter from the external auditors on their review of the effectiveness of internal controls;
- agreed the fees and terms of appointment of the external auditors, including their quality and effectiveness;
- performed an externally facilitated effectiveness review of the committee; and
- agreed the work plan of internal audit and reviewed the resulting output from that plan.

The committee has helped the board and council to assess the adequacy of the internal audit plan. The committee has received reports on the work carried out by internal audit and the results of their investigations including management responses, their adequacy and timeliness. The audit committee had an externally facilitated performance evaluation during the year. It reported that the audit committee was well-run, efficient and effective. As a result of its work during the year, the committee has concluded that it has acted in accordance with its terms of reference and has ensured (as far as possible) the independence of the external auditors.

# CORPORATE GOVERNANCE STATEMENT

(continued)

## Nominating committee

The nominating committee is responsible for making recommendations to the council for co-options, for the appointment of committee chairmen and for honorary membership of ICAEW. It also has direct responsibility for all other appointments. The committee makes recommendations and appointments on the basis of the best person for the job and against agreed profiles whilst seeking to represent broadly within the membership of council, boards and committees the diversity, including gender, of ICAEW as a whole. The committee deals with much of its business by correspondence and meets only as required.

The members of the nominating committee during 2011 were:

	Position	Appointed	Retired	Attendance
Susan Field	elected by the council sole practitioner			5/5
David Furst	past president chairman, Crowe Clark Whitehill LLP		8 June	3/3
Martin Hagen	past president non-executive director, South West Water and Swallowfield plc, and deputy chairman, Regulatory Decisions Committee, Financial Services Authority			4/5
Martyn Jones	vice-president from 8 June partner, Deloitte LLP	8 June		2/2
Sheilagh Moffat	elected by the council partner, Moffat Gilbert			5/5
Clive Parritt	deputy-president to 8 June; president and chairman from 8 June chairman Baronsmead VCT 2 plc; DiGiCo Europe Ltd; BG Consulting Group Ltd and non-executive director, London & Associated Properties plc and other companies			4/5
Gerald Russell	president and chairman to 8 June; past president from 8 June consultant			5/5
Mark Spofforth	vice-president to 8 June; deputy-president from 8 June partner, Spofforths			5/5

# CORPORATE GOVERNANCE STATEMENT

(continued)

## Remuneration committee

The remuneration committee keeps under review, on behalf of the board, the elements of the remuneration package provided for ICAEW staff, including the chief executive and executive directors. Staff are remunerated with reference to their annual performance rating and benchmark market salaries. The committee also monitors office-holder expenses.

The members of the remuneration committee during 2011 were:

	Position	Appointed	Retired	Attendance
Arthur Bailey*	consultant Begbies Traynor Group and non-executive director			2/4
John Collier*	director, Clive & Stokes International, Executive Search		8 June	2/2
Ian Davies*	chairman, The Independent Director Ltd	8 June		1/2
Peter Jenkins*	chairman finance director, The Prince's Regeneration Trust			4/4
Sean O'Hare	partner, PwC Human Resources Services			4/4
Clive Parritt*	deputy-president to 8 June; president from 8 June chairman Baronsmead VCT 2 plc; DiGiCo Europe Ltd; BG Consulting Group Ltd and non-executive director, London & Associated Properties plc and other companies		8 June	2/2
Mark Spofforth*	vice-president to 8 June; deputy-president from 8 June partner, Spofforths			4/4

\* council member

The chairman of the remuneration committee reports at least annually to the board.

# CORPORATE GOVERNANCE STATEMENT

(continued)

## Senior staff appointments committee

The senior staff appointments committee is responsible for all matters relating to the recruitment and appointment of the chief executive and executive directors. The committee met in October 2011. It appointed Sharron Gunn as executive director, commercial with effect from 1 January 2012.

## Departmental boards

Four departmental boards steered the development of policy for ICAEW's key activities in 2011: learning and professional development; member services; professional conduct; and technical strategy. These boards also exercise a general oversight of the work programmes of the departments. Following an organisational review, ICAEW established a commercial board and a members board with effect from 1 January 2012 to replace the former member services board.

The terms of reference for the key ICAEW committees can be found in the about us – governance and structure section of ICAEW's website at [icaew.com](http://icaew.com).

## Employees

ICAEW aims to create a working environment that is based on a number of key principles including fairness, equality of opportunity, respect and dignity, flexibility, transparency and work-life balance. We believe that these key principles enable staff to enjoy work, develop as individuals and provide the best possible service to members, clients and the public, which contributes to the continued success of the organisation.

ICAEW is committed to the core values of acting responsibly, integrity, effective partnerships and the highest standards. It is our policy to treat all staff fairly and equally regardless of race, sex, sexual orientation, gender re-assignment, marital status or disability. Should existing staff suffer a disability, we will do all we can to accommodate this and to help the member of staff to continue their career in their existing role where possible, or in an alternative position in the organisation.

ICAEW regularly conducts staff surveys and staff focus groups to get insight into changes in staff perception, attitudes, behaviours and engagement. The recent staff focus groups indicated clearly that we are moving in the right direction with regard to our people, work/life balance, interesting work, the prestige of organisation, leadership, modernising ICAEW and raising our external profile. We have achieved incremental progress on collaborative working and knowledge sharing.

ICAEW has a well-established performance management process and training and development policy. Staff can discuss their development needs at 'one-to-ones' with their manager or as part of the annual performance management process.

We hold regular strategy updates for all staff and have dedicated communications channels, including an intranet and weekly email updates. The 'Working at ICAEW Group', which has representatives from all departments, gives staff the opportunity to raise issues, share best practice and encourage cross-departmental working.

## Financial responsibilities of the council

Bye-law 12(a) requires the council to prepare financial statements for each financial year which give a true and fair view of the state of affairs of ICAEW and of the result for ICAEW for that year.

The council has delegated these responsibilities to the board. In preparing these financial statements on behalf of the council, the board has:

- prepared the financial statements in accordance with applicable law and IFRSs as adopted for use in the EU;
- selected suitable accounting policies and applied them consistently;
- made judgements and estimates that are reasonable and prudent;
- followed applicable accounting standards; and
- prepared the financial statements on a going concern basis.

The council is responsible for ensuring that adequate accounting records are kept which disclose with reasonable accuracy the financial position of ICAEW. It is also responsible for safeguarding the assets of ICAEW and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## Directors' confirmation

As far as each of the directors is aware:

- there is no relevant audit information of which ICAEW's auditors are unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that ICAEW's auditors are aware of that information.

For the purposes of this declaration, all members of the board are deemed directors.

# ICAEW FIVE-YEAR SUMMARY

	2011	2010	2009	2008	2007
	£m	£m	£m	£m	£m
<b>Income statement</b>					
Operating income	82.4	76.4	73.7	73.6	69.1
ICAEW services	(71.9)	(67.1)	(66.0)	(67.6)	(62.3)
Funding of regulatory and other professional associations	(4.7)	(5.8)	(5.3)	(4.6)	(7.2)
Gift aid and library funding	(1.7)	(1.6)	(1.8)	(1.2)	(0.8)
<b>Result before taxation</b>	<b>4.1</b>	<b>1.9</b>	<b>0.6</b>	<b>0.2</b>	<b>(1.2)</b>
Taxation	–	(0.1)	0.1	–	(0.5)
<b>Net result after taxation</b>	<b>4.1</b>	<b>1.8</b>	<b>0.7</b>	<b>0.2</b>	<b>(1.7)</b>
<b>Net assets</b>					
Non-current assets	51.9	53.2	49.9	49.8	54.4
Current assets	18.3	19.8	19.1	18.2	18.9
Current liabilities	(34.1)	(33.6)	(30.4)	(29.1)	(25.0)
Non-current liabilities excluding staff pensions fund liability	(4.8)	(4.7)	(3.0)	(1.5)	(2.8)
Non-current liabilities – staff pensions fund liability	(6.0)	(5.4)	(14.2)	(8.6)	(15.9)
<b>Total net assets</b>	<b>25.3</b>	<b>29.3</b>	<b>21.4</b>	<b>28.8</b>	<b>29.6</b>
<b>Members and student numbers</b>					
Members	138,464	136,615	134,698	132,411	130,243
Students	19,073	17,653	16,517	16,165	15,422
	<b>157,537</b>	<b>154,268</b>	<b>151,215</b>	<b>148,576</b>	<b>145,665</b>

# REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES FOR THE YEAR ENDED 31 DECEMBER 2011

We have audited the financial statements of The Institute of Chartered Accountants in England and Wales (ICAEW) for the year ended 31 December 2011. These comprise the group and ICAEW income statements, the group and ICAEW statements of comprehensive income, the group and ICAEW statements of changes to reserves, the group and ICAEW statements of financial position, the group and ICAEW statements of cash flow and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to ICAEW's members, as a body. Our audit work has been undertaken so that we might state to ICAEW'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 ICAEW and ICAEW's members as a body, for our audit work, for this report, or for the opinions we have formed.

## Respective responsibilities of the council and auditor

As explained more fully in the corporate governance statement set out on page 12, the council is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

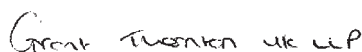
## Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm).

## Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of ICAEW's affairs as at 31 December 2011 and of the group's and ICAEW's result for the year then ended; and
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union.



Grant Thornton UK LLP  
Statutory Auditor  
Chartered Accountants

London  
20 March 2012

# GROUP INCOME STATEMENT

## FOR THE YEAR ENDED 31 DECEMBER 2011

		2011			2010		2010
	Note	Income £m	Expenditure £m	Net £m	Income £m	Expenditure £m	Net £m
Subscriptions and fees		37.7	–	37.7	36.0	–	36.0
Learning and professional development	1	12.5	(15.3)	(2.8)	11.8	(14.8)	(3.0)
Professional standards	2	14.0	(13.4)	0.6	13.7	(14.2)	(0.5)
Member services	3	5.4	(12.5)	(7.1)	4.6	(10.6)	(6.0)
Regional services	4	0.1	(9.4)	(9.3)	0.1	(8.1)	(8.0)
Technical strategy	5	4.1	(9.5)	(5.4)	3.9	(9.1)	(5.2)
Central activities	6	0.5	(12.3)	(11.8)	–	(10.9)	(10.9)
Charitable trusts	7	0.2	(1.1)	(0.9)	0.2	(1.2)	(1.0)
		<u>74.5</u>	<u>(73.5)</u>	<u>1.0</u>	<u>70.3</u>	<u>(68.9)</u>	<u>1.4</u>
Joint Disciplinary Scheme	8	–	–	–	0.4	2.2	2.6
Accountancy and Actuarial Discipline Board	9	3.1	(1.9)	1.2	1.4	(5.1)	(3.7)
Other regulatory and professional associations	10	0.8	(2.8)	(2.0)	0.8	(2.9)	(2.1)
		<u>3.9</u>	<u>(4.7)</u>	<u>(0.8)</u>	<u>2.6</u>	<u>(5.8)</u>	<u>(3.2)</u>
Other income – licence and data access fees		<u>1.9</u>	<u>–</u>	<u>1.9</u>	<u>1.9</u>	<u>–</u>	<u>1.9</u>
<b>Operating result</b>	12	<b>80.3</b>	<b>(78.2)</b>	<b>2.1</b>	<b>74.8</b>	<b>(74.7)</b>	<b>0.1</b>
Investment income	13	<u>2.5</u>	<u>–</u>	<u>2.5</u>	<u>2.0</u>	<u>–</u>	<u>2.0</u>
<b>Result before taxation</b>		<b>82.8</b>	<b>(78.2)</b>	<b>4.6</b>	<b>76.8</b>	<b>(74.7)</b>	<b>2.1</b>
Taxation	14			<u>(0.1)</u>			<u>(0.1)</u>
<b>Net result after taxation for the year</b>				<b>4.5</b>			<b>2.0</b>

# ICAEW INCOME STATEMENT

## FOR THE YEAR ENDED 31 DECEMBER 2011

		2011			2010		
	Note	Income £m	Expenditure £m	Net £m	Income £m	Expenditure £m	Net £m
Subscriptions and fees		37.7	–	37.7	36.0	–	36.0
Learning and professional development	1	12.5	(15.3)	(2.8)	11.8	(14.8)	(3.0)
Professional standards	2	14.0	(13.4)	0.6	13.7	(14.2)	(0.5)
Member services	3	5.4	(12.5)	(7.1)	4.6	(10.6)	(6.0)
Regional services	4	0.1	(9.4)	(9.3)	0.1	(8.1)	(8.0)
Technical strategy	5	4.1	(9.5)	(5.4)	3.9	(9.1)	(5.2)
Central activities	6	0.5	(11.8)	(11.3)	–	(10.3)	(10.3)
		<u>74.3</u>	<u>(71.9)</u>	<u>2.4</u>	<u>70.1</u>	<u>(67.1)</u>	<u>3.0</u>
Joint Disciplinary Scheme	8	–	–	–	0.4	2.2	2.6
Accountancy and Actuarial Discipline Board	9	3.1	(1.9)	1.2	1.4	(5.1)	(3.7)
Other regulatory and professional associations	10	0.8	(2.8)	(2.0)	0.8	(2.9)	(2.1)
		<u>3.9</u>	<u>(4.7)</u>	<u>(0.8)</u>	<u>2.6</u>	<u>(5.8)</u>	<u>(3.2)</u>
Other income – licence and data access fees		<u>1.9</u>	<u>–</u>	<u>1.9</u>	<u>1.9</u>	<u>–</u>	<u>1.9</u>
Gift aid and library funding	11	<u>–</u>	<u>(1.7)</u>	<u>(1.7)</u>	<u>–</u>	<u>(1.6)</u>	<u>(1.6)</u>
<b>Operating result</b>	12	<b>80.1</b>	<b>(78.3)</b>	<b>1.8</b>	<b>74.6</b>	<b>(74.5)</b>	<b>0.1</b>
Investment income	13	<u>2.3</u>	<u>–</u>	<u>2.3</u>	<u>1.8</u>	<u>–</u>	<u>1.8</u>
<b>Result before taxation</b>		<b>82.4</b>	<b>(78.3)</b>	<b>4.1</b>	<b>76.4</b>	<b>(74.5)</b>	<b>1.9</b>
Taxation	14			<u>–</u>			<u>(0.1)</u>
<b>Net result after taxation for the year</b>				<b>4.1</b>			<b>1.8</b>



## GROUP AND ICAEW STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2011

		<b>Group</b>		<b>ICAEW</b>	
	Note	2011	2010	2011	2010
		£m	£m	£m	£m
Net result after taxation recognised in the income statement in the year		4.5	2.0	4.1	1.8
Gains on revaluation of property, plant and equipment	15	0.6	1.2	0.6	1.2
(Losses)/gains on revaluation of available for sale investments	18	(2.5)	2.7	(1.9)	1.8
Actuarial (losses)/gains recognised in the year	27	(7.7)	4.3	(7.4)	4.1
Deferred tax	20	0.6	(1.0)	0.6	(1.0)
Net (losses)/gains not recognised in the income statement in the year		(9.0)	7.2	(8.1)	6.1
<b>Total comprehensive (expense)/income in the year</b>		<b>(4.5)</b>	<b>9.2</b>	<b>(4.0)</b>	<b>7.9</b>

# GROUP STATEMENT OF CHANGES TO RESERVES

## FOR THE YEAR ENDED 31 DECEMBER 2011

						Group
	Revaluation reserve	Investment revaluation reserve	Accumulated fund	Self-financing reserves	Charitable trusts	Total
	£m	£m	£m	£m	£m	£m
<b>Reserves at 1 January 2010</b>	<b>4.2</b>	<b>1.3</b>	<b>10.0</b>	<b>6.0</b>	<b>9.6</b>	<b>31.1</b>
Net result after taxation	–	–	1.4	0.5	0.1	2.0
Re-classification of practice regulation reserves to accumulated fund <sup>1</sup>	–	–	2.5	(2.5)	–	–
Increase in valuation of property, plant and equipment	1.2	–	–	–	–	1.2
Net change in market value of long-term investments over cost	–	1.8	–	–	0.9	2.7
Actuarial gains recognised in year on defined benefit pension scheme	–	–	4.0	0.1	0.2	4.3
Deferred tax attributable to above	(0.1)	(0.5)	(0.4)	–	–	(1.0)
Total comprehensive income/(expense) in the year	1.1	1.3	7.5	(1.9)	1.2	9.2
<b>Reserves at 1 January 2011</b>	<b>5.3</b>	<b>2.6</b>	<b>17.5</b>	<b>4.1</b>	<b>10.8</b>	<b>40.3</b>
Net result after taxation	–	–	3.7	0.6	0.2	4.5
Increase in valuation of property, plant and equipment	0.6	–	–	–	–	0.6
Net change in market value of long-term investments over cost	–	(1.9)	–	–	(0.6)	(2.5)
Actuarial losses recognised in year on defined benefit pension scheme	–	–	(7.2)	(0.2)	(0.3)	(7.7)
Deferred tax attributable to above	–	0.6	–	–	–	0.6
Total comprehensive income/(expense) in the year	0.6	(1.3)	(3.5)	0.4	(0.7)	(4.5)
<b>Reserves at 31 December 2011</b>	<b>5.9</b>	<b>1.3</b>	<b>14.0</b>	<b>4.5</b>	<b>10.1</b>	<b>35.8</b>

<sup>1</sup> From 2010 the former practice regulation reserves have been amalgamated into the accumulated fund.

# ICAEW STATEMENT OF CHANGES TO RESERVES

## FOR THE YEAR ENDED 31 DECEMBER 2011

	ICAEW				
	Revaluation reserve	Investment revaluation reserve	Accumulated fund	Self-financing reserves	Total
	£m	£m	£m	£m	£m
<b>Reserves at 1 January 2010</b>	<b>4.2</b>	<b>1.3</b>	<b>9.9</b>	<b>6.0</b>	<b>21.4</b>
Net result after taxation	–	–	1.3	0.5	1.8
Re-classification of practice regulation reserves to accumulated fund <sup>2</sup>	–	–	2.5	(2.5)	–
Increase in valuation of property, plant and equipment	1.2	–	–	–	1.2
Net change in market value of long-term investments over cost	–	1.8	–	–	1.8
Actuarial gains recognised in year on defined benefit pension scheme	–	–	4.0	0.1	4.1
Deferred tax attributable to above	(0.1)	(0.5)	(0.4)	–	(1.0)
Total comprehensive income/(expense) in the year	1.1	1.3	7.4	(1.9)	7.9
<b>Reserves at 1 January 2011</b>	<b>5.3</b>	<b>2.6</b>	<b>17.3</b>	<b>4.1</b>	<b>29.3</b>
Net result after taxation	–	–	3.5	0.6	4.1
Increase in valuation of property, plant and equipment	0.6	–	–	–	0.6
Net change in market value of long-term investments over cost	–	(1.9)	–	–	(1.9)
Actuarial losses recognised in year on defined benefit pension scheme	–	–	(7.2)	(0.2)	(7.4)
Deferred tax attributable to above	–	0.6	–	–	0.6
Total comprehensive income/(expense) in the year	0.6	(1.3)	(3.7)	0.4	(4.0)
<b>Reserves at 31 December 2011</b>	<b>5.9</b>	<b>1.3</b>	<b>13.6</b>	<b>4.5</b>	<b>25.3</b>

<sup>2</sup> From 2010 the former practice regulation reserves have been amalgamated into the accumulated fund.

# GROUP AND ICAEW STATEMENTS OF FINANCIAL POSITION

## FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	2011 £m	2010 £m	Group 2009 £m	2011 £m	2010 £m	ICAEW 2009 £m
<b>Assets</b>							
<b>Non-current assets</b>							
Property, plant and equipment	15	19.2	19.0	17.2	19.2	19.0	17.2
Intangible assets	16	2.6	2.7	2.4	2.6	2.7	2.4
Investments in subsidiaries and associates	17	0.1	0.1	0.1	–	–	–
Financial assets:							
Restricted available for sale investments	18	–	5.0	5.0	–	5.0	5.0
Available for sale investments	18	40.4	37.0	33.3	29.9	25.8	23.2
Other receivables	19	–	0.5	1.5	–	0.5	1.5
Deferred tax asset	20	0.2	0.2	0.6	0.2	0.2	0.6
		<b>62.5</b>	<b>64.5</b>	<b>60.1</b>	<b>51.9</b>	<b>53.2</b>	<b>49.9</b>
<b>Current assets</b>							
Inventories	21	0.8	0.8	0.8	0.8	0.8	0.8
Trade and other receivables	22	12.6	8.7	8.3	12.4	8.7	8.3
Cash and cash equivalents	23	5.7	10.8	10.5	5.1	10.3	10.0
		<b>19.1</b>	<b>20.3</b>	<b>19.6</b>	<b>18.3</b>	<b>19.8</b>	<b>19.1</b>
<b>Total assets</b>		<b>81.6</b>	<b>84.8</b>	<b>79.7</b>	<b>70.2</b>	<b>73.0</b>	<b>69.0</b>
<b>Liabilities</b>							
<b>Current liabilities</b>							
Trade and other payables	24	(29.9)	(28.7)	(27.2)	(29.6)	(28.2)	(26.8)
Current tax liabilities		(0.1)	(0.1)	–	(0.1)	(0.1)	–
Joint Disciplinary Scheme provision	25	–	–	(0.7)	–	–	(0.7)
Accountancy and Actuarial Discipline Board provision	26	(4.4)	(5.3)	(2.9)	(4.4)	(5.3)	(2.9)
		<b>(34.4)</b>	<b>(34.1)</b>	<b>(30.8)</b>	<b>(34.1)</b>	<b>(33.6)</b>	<b>(30.4)</b>
<b>Non-current liabilities</b>							
Pension liabilities	27	(6.6)	(5.7)	(14.8)	(6.0)	(5.4)	(14.2)
Accountancy and Actuarial Discipline Board provision	26	(4.2)	(3.5)	(2.4)	(4.2)	(3.5)	(2.4)
Deferred tax liability	20	(0.6)	(1.2)	(0.6)	(0.6)	(1.2)	(0.6)
		<b>(11.4)</b>	<b>(10.4)</b>	<b>(17.8)</b>	<b>(10.8)</b>	<b>(10.1)</b>	<b>(17.2)</b>
<b>Total liabilities</b>		<b>(45.8)</b>	<b>(44.5)</b>	<b>(48.6)</b>	<b>(44.9)</b>	<b>(43.7)</b>	<b>(47.6)</b>
<b>Total net assets</b>		<b>35.8</b>	<b>40.3</b>	<b>31.1</b>	<b>25.3</b>	<b>29.3</b>	<b>21.4</b>
<b>Reserves</b>							
Revaluation reserve		5.9	5.3	4.2	5.9	5.3	4.2
Investment revaluation reserve		1.3	2.6	1.3	1.3	2.6	1.3
Accumulated fund		14.0	17.5	10.0	13.6	17.3	9.9
Faculties		1.3	1.0	0.5	1.3	1.0	0.5
Practice regulation <sup>3</sup>		–	–	2.5	–	–	2.5
Chartered Accountants' Compensation Scheme		3.2	3.1	3.0	3.2	3.1	3.0
Charitable trust endowment funds		7.9	8.3	7.3	–	–	–
Charitable trust unrestricted funds		2.2	2.5	2.3	–	–	–
		<b>35.8</b>	<b>40.3</b>	<b>31.1</b>	<b>25.3</b>	<b>29.3</b>	<b>21.4</b>

Approved on behalf of the council



Clive Parritt, President  
20 March 2012



Michael Izza, Chief Executive

<sup>3</sup> From 2010 the former practice regulation reserves have been amalgamated into the accumulated fund.

# GROUP AND ICAEW STATEMENTS OF CASH FLOWS

## FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	2011 £m	Group 2010 £m	2011 £m	ICAEW 2010 £m
<b>Cash flows from operating activities<sup>4</sup></b>					
<b>Result before taxation</b>		<b>4.6</b>	<b>2.2</b>	<b>4.1</b>	<b>1.9</b>
Adjustments for:					
Depreciation and amortisation		2.9	2.5	2.9	2.5
Investment income	13	(2.5)	(2.0)	(2.3)	(1.8)
Non-cash movement in provisions		2.4	6.3	2.5	6.3
<b>Cash flows from operating activities before movements in working capital</b>		<b>7.4</b>	<b>9.0</b>	<b>7.2</b>	<b>8.9</b>
<b>Movements in working capital</b>					
Increase in trade and other receivables		(3.8)	(0.5)	(3.9)	(0.4)
Increase in trade and other payables		1.3	0.9	1.7	0.8
<b>Cash generated from operating activities after movements in working capital</b>		<b>4.9</b>	<b>9.4</b>	<b>5.0</b>	<b>9.3</b>
<b>Cash flows on provisions</b>					
Cash outflow on pension liabilities		(6.4)	(6.2)	(6.4)	(6.2)
Cash outflow on Joint Disciplinary Scheme		–	(0.6)	–	(0.6)
Cash outflow on Accountancy and Actuarial Discipline Board		(2.9)	(1.6)	(2.9)	(1.6)
<b>Net cash (used by)/generated from operating activities</b>		<b>(4.4)</b>	<b>1.0</b>	<b>(4.3)</b>	<b>0.9</b>
<b>Cash flows from investing activities</b>					
Purchase of property, plant and equipment		(2.0)	(1.6)	(1.9)	(1.6)
Purchase of intangible assets		(0.8)	(1.1)	(0.8)	(1.1)
Deferred consideration received		0.5	1.0	0.5	1.0
Purchase of available for sale investments		(23.8)	(22.6)	(15.1)	(12.1)
Disposal of available for sale investments		23.3	21.9	14.5	11.6
Investment income received		2.1	1.7	1.9	1.6
<b>Net cash outflow from investing activities</b>		<b>(0.7)</b>	<b>(0.7)</b>	<b>(0.9)</b>	<b>(0.6)</b>
<b>Net (decrease)/increase in cash and cash equivalents in the year</b>		<b>(5.1)</b>	<b>0.3</b>	<b>(5.2)</b>	<b>0.3</b>
Net cash and cash equivalents at 1 January		10.8	10.5	10.3	10.0
<b>Net cash and cash equivalents at 31 December</b>	23	<b>5.7</b>	<b>10.8</b>	<b>5.1</b>	<b>10.3</b>

<sup>4</sup> Fines and cost recoveries from disciplinary cases including the AADB are included within operational cash flows and included in the result before taxation above. Amounts levied on firms as contributions towards AADB costs are similarly included in operational income. Payments to AADB from amounts previously provided are included separately in the cash movement on provisions above.

# ACCOUNTING POLICIES

## I Basis of preparation

ICAEW is a body incorporated by Royal Charter. The financial statements have been prepared in accordance with IFRSs as adopted for use in the EU, and under the historical cost convention as modified by the revaluation of properties and available for sale investments. Consolidated financial statements have been prepared which comprise ICAEW and all its subsidiary undertakings.

Subsidiaries are all entities over which the group has the power to control the financial and operating policies. All subsidiaries have a reporting date of 31 December. All transactions and balances between group entities are eliminated on consolidation.

Investments in associates are accounted for using the equity method. ICAEW's interest in the net assets of associates is included in investment in associates in the consolidated statement of financial position, and its interest in their results, in the income statement below operating result. Associates are those entities over which ICAEW has significant influence to participate in, but not control over, the financial and operating policies of the companies.

ICAEW has adopted all relevant standards effective for accounting periods beginning on or after 1 January 2011. The first-time application of these standards has not resulted in any prior period adjustments of cash flows, net income or statement of financial position line items.

At the date of authorisation of these financial statements, the following standards and interpretations were in issue, but not yet effective:

Standard or interpretation	Effective from years commencing:
Amendment to IFRS 1 Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters	1 July 2011 – not yet EU-adopted
Amendment to IFRS 7 Financial Instruments: Disclosures – transfers of financial assets	1 July 2011
IFRS 9 Financial Instruments	1 January 2013
Amendment to IAS 12 Income Taxes – recovery of underlying assets	1 January 2012 – not yet EU-adopted

## II Critical accounting judgements and key sources of estimation

To be able to prepare financial statements according to generally accepted accounting principles, the board must make estimates and assumptions that affect the recorded asset and liability items as well as other information, such as that provided on AADB provisions and pensions (notes 26-27). These estimates are based on historical experience and various other assumptions that the board believes are reasonable under the circumstances. The results of these form the basis for making judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. Further details in relation to specific areas are included in the accounting policies below, or in the notes to the financial statements.

## III Income

Income from fees and subscriptions is recognised in the accounting period to which the services covered by those subscriptions relate, and is stated net of VAT where applicable. Fees and subscriptions received in advance are included within trade and other payables. Income as presented in the income statements is revenue as defined under IAS 18 Revenue.

Income associated with professional conduct (disciplinary fines) is recognised on receipt. Income in association with AADB is recognised when receivable ie, when the judicial judgement has been made and there is considered no likelihood of reversal through appeal. Other income, including licence fees, exam fees and income from consulting services is recognised in the period in which the services are provided, with reference to the stage of completion at the reporting date or date of exam.

# ACCOUNTING POLICIES

(continued)

## IV Professional Conduct and Accountancy and Actuarial Discipline Board

Provision is made for the estimated future external costs of disciplinary cases relating to events which occurred before the year end. Case costs are forecast on the basis of the available information on actual or prospective cases. However, the accuracy of the forecast will depend on assumptions made about the progress of cases and is subject to a significant degree of uncertainty. No account is taken of any potential fines or cost recoveries due to ICAEW before a judicial judgement has been made.

## V Property, plant and equipment, and depreciation

### Freehold properties

Freehold properties are revalued annually at open market value and are included in the statements of financial position at their revalued amounts. Surpluses on revaluations are transferred to the revaluation reserve. Deficits on revaluations are charged against the revaluation reserve to the extent that there are available surpluses relating to the same asset and are otherwise charged to the income statement.

Certain major items of fixed plant and equipment are identified separately and are depreciated over their individual estimated useful economic lives.

Depreciation is not charged on freehold land. Depreciation is charged on the revalued amount of freehold buildings at 2% per annum.

### Leasehold improvements

Improvements to leasehold properties are capitalised at cost and are depreciated on a straight line basis over the shorter of their estimated useful economic lives and the remaining lease term.

### Historic collections

ICAEW's collections of silver, rare books, period furniture, pictures and sculptures are revalued annually and are stated at estimated open market values. In view of the nature of these assets, the estimated residual value is equal to the carrying amount and no depreciation is provided. Surpluses on revaluation, including surpluses arising from donations of items to the collections, are transferred to the revaluation reserve. Deficits on revaluations are charged against the revaluation reserve to the extent that there are available surpluses relating to the same asset and are otherwise charged to the income statement.

### Other plant and equipment

Other plant and equipment is capitalised at cost. Depreciation is charged on a straight line basis over the estimated useful economic lives of the assets ranging from three to ten years.

The impairment of property, plant and equipment is considered annually or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, and provisions are made where necessary.

## VI Intangible assets

Intangible assets comprise computer software and are stated at cost. Amortisation is charged on a straight line basis over the estimated useful economic life of the software (from two to five years). The impairment of intangible assets is considered whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, and provisions are made where necessary.

## VII Investments

Interest-bearing investments, equities and unit trusts held for the purposes of generating long-term investment income are treated as non-current available for sale investments and are included at bid price market value at the year-end date. Gains and losses on re-measurement are taken to the investment revaluation reserve initially and are recognised in the statement of comprehensive income. On disposal, the cumulative gain or loss previously recognised in reserves is reclassified to profit or loss as a reconciliation adjustment.

At each year-end date, an assessment is made as to whether there is objective evidence that an available for sale equity instrument is impaired. A significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the asset is impaired. Judgement is used in determining what a significant or prolonged decline is. Impairment charges are recognised in the income statement.

## VIII Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, balances with banks and investments in money market instruments representing short-term, highly liquid investments that are readily convertible to known amounts of cash, which are subject to an insignificant risk of changes in value.

## IX Inventories

Inventories are stated at the lower of cost, using the first in first out basis, and net realisable value. Using information available at the year-end date, ICAEW makes judgements based on experience on the level of provision required to account for potential unsaleable inventories.

## X Trade and other receivables

Trade and other receivables are stated at cost less allowances made for doubtful receivables after initial recognition, which approximates fair value. Using information available at the year-end date, provision against trade receivables is made when there is objective evidence that ICAEW will not be able to collect all amounts due to it in accordance with the original terms of those receivables. The amount of the write-down is determined as the difference between the carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate.

# ACCOUNTING POLICIES

(continued)

## XI Leases

Costs of operating leases are charged to the income statement on a straight line basis over the period of the relevant agreement. For property leases, where a rent-free period is agreed, this is spread over the life of the lease.

## XII Grants

Revenue grants receivable are recognised in the relevant period to match with the related costs which they are intended to compensate.

## XIII Pensions

### Defined benefit scheme

Retirement benefits are accounted for under IAS 19 Employee Benefits. Scheme assets are measured at fair value. Scheme liabilities are measured by qualified actuaries on an actuarial basis using the projected unit credit method, and are discounted at appropriate high-quality corporate bond rates that have terms to maturity which approximate to the terms of the related liability. Past service cost is recognised as an expense on a straight line basis over the average period until benefits become vested. Expected return on scheme assets and interest on scheme liabilities are recognised in the income statement. Actuarial gains and losses are recognised in full in the statement of comprehensive income as they arise.

The scheme closed to future accrual with effect from 30 June 2010. The quantification of the pension deficit is based on actuarial assumptions made by the board, in conjunction with the scheme's actuary, relating to discount rate, expected return on the plan's assets, inflation and future price increases. These assumptions, the details of which for the current financial year are included in note 27, are reviewed in the context of the economic climate.

- The plan assets are principally in equities and government bonds and the expected return on these assets is based on the long-term expectation for each asset class at the beginning of the period.
- The discount rate is determined with reference to the market rate of over 15 year AA rated bonds at the year-end date, allowing for the anticipated maturity of the scheme's projected benefit cash flow profile.
- The assumption for long-term inflation is based on market expectation of long-term future inflation at the year end, as measured by the difference between yields on fixed interest and index-linked government bonds.
- The assumptions relating to the mortality of current and future pensioners are based on the 92 series mortality tables, with allowance for future mortality improvements in line with the 'long cohort' projections. This is consistent with the assumption used in the most recent actuarial valuation.

Because of changing market and economic conditions, the expenses and liabilities actually arising under the scheme in the future may differ materially from the estimates made on the basis of these actuarial assumptions. The effects of any change to these assumptions are accounted for in the next financial year as other comprehensive income. The calculation of any charge relating to retirement benefits is clearly dependent on the assumptions used, which reflects the exercise of judgement.

### Defined contribution schemes

Contributions under defined contribution schemes are charged to the income statement as they become due and payable.

## XIV Taxation

### Current tax

Current tax is the tax currently payable based on taxable profit for the year and is recognised as a component of tax expense in the income statement.

### Deferred tax

Deferred tax is recognised on all taxable temporary differences. However, deferred tax is not provided on initial recognition of an asset or liability unless the related transaction affects tax or accounting profit. In addition, a deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be used. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates and laws that have been enacted, or substantially enacted by the end of the reporting period. Measurement is also based on the tax consequences of recovering or settling the carrying amount of assets and liabilities. Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the income statement, except where they relate to items that are recognised in other comprehensive income, in which case the related deferred tax is also recognised in other comprehensive income.

## XV Financial risk management

Senior management directly controls day-to-day policies and operations. Financial risk management issues are covered by ICAEW's risk management process as set out in the financial review section. Board and council members are regularly updated on any significant issues relating to financial risk management. Financial risks to which ICAEW is exposed are summarised below.

### Currency risk

The majority of ICAEW's transactions are carried out in sterling. In addition, ICAEW holds accounts in US dollars and euros. To the extent possible, ICAEW uses the income received from services provided in these currencies to hedge any exposures on payments made. In other cases forward purchases are used where possible to hedge against currency movements on known foreign exchange requirements.

### Credit risk

Working capital and longer term funds are held in interest-bearing investments and in listed equity securities for investment purposes through independent custodians.

The credit risk for cash and cash equivalents is monitored regularly. In the current economic climate, extra attention has been given to the agreed limited list of counterparties, which are all reputable banks with a high-quality external credit rating of at least AA- or which have been judged to have systemic importance.

In respect of trade and other receivables, ICAEW is not exposed to any significant credit risk to any single



# ACCOUNTING POLICIES

(continued)

counterparty or group of counterparties. The majority of ICAEW's counterparties are members or member firms which are not considered to be a credit risk to ICAEW. ICAEW continuously monitors defaults of counterparties and incorporates this information into its credit risk controls relating to non-member customers.

The maximum exposure to credit risk at the year-end date is represented by the carrying value of financial instruments and management considers that all the financial assets not impaired or past due are of good credit quality.

## **Liquidity and interest rate risk**

ICAEW policy is to maintain a strong statement of financial position with cash or cash equivalent balances and therefore it does not have significant exposure to liquidity risk. ICAEW manages its liquidity risk by monitoring its net cash and cash equivalent flows. Liquidity needs are monitored on a day-to-day and monthly basis for short-term needs. Excess funds are invested as appropriate, depending on the forecast working capital cash flow needs, on short-term interest-bearing accounts or certificates of deposit. As a result of its holding of certificates of deposit with financial institutions, ICAEW does have exposure to interest rate fluctuations. These investments are invested by our agents in high-quality, liquid deposits, with a range of counterparties in such a way as to avoid an excessive concentration of our investment with any specific counterparty, and are monitored on a regular basis.

## **Going concern**

The financial statements have been prepared on a going concern basis; the conclusions of council's going concern review are set out in the financial review section.

## **XVI Reserves**

Reserves are set at a level equivalent to between three and six months of expenditure through the income statement and for cash and investment balances to be at least sufficient to cover between three and six months of annual budgeted/forecast gross cash expenditure.

Reserves comprise the following:

### **Revaluation reserve**

Represents the excess of the open market valuation over the depreciated historical cost of ICAEW's historic collections and properties, net of deferred taxation.

### **Investment revaluation reserve**

Represents unrealised gains and losses arising from the revaluation of available for sale investments over their historical cost.

### **Accumulated fund and other reserves**

Represents the retained result of ICAEW and ICAEW group activities and comprises the accumulated fund, faculties, practice regulation, Chartered Accountants' compensation Scheme and Charitable trust reserve funds. In calculating the result to be taken to self-financing reserves, account has been taken of a share of central activities costs and other indirect costs and an allocation of investment income where appropriate.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2011

### 1 Learning and professional development

	Group and ICAEW			Group and ICAEW		
	2011	2011	2011	2010	2010	2010
	Income	Expenditure	Net	Income	Expenditure	Net
	£m	£m	£m	£m	£m	£m
Qualifications	12.5	(9.4)	3.1	11.7	(9.0)	2.7
Business development	–	(5.0)	(5.0)	0.1	(5.0)	(4.9)
Executive, policy and strategy	–	(0.9)	(0.9)	–	(0.8)	(0.8)
	12.5	(15.3)	(2.8)	11.8	(14.8)	(3.0)

### 2 Professional standards

	Group and ICAEW			Group and ICAEW		
	2011	2011	2011	2010	2010	2010
	Income	Expenditure	Net	Income	Expenditure	Net
	£m	£m	£m	£m	£m	£m
Disciplinary	0.5	(2.9)	(2.4)	0.6	(3.5)	(2.9)
Authorisation of investment business	1.6	(1.5)	0.1	1.6	(1.5)	0.1
Practice regulation and assurance	11.0	(8.2)	2.8	10.9	(8.5)	2.4
Commercial consultancy	0.9	(0.8)	0.1	0.6	(0.7)	(0.1)
	14.0	(13.4)	0.6	13.7	(14.2)	(0.5)

### 3 Member services

	Group and ICAEW			Group and ICAEW		
	2011	2011	2011	2010	2010	2010
	Income	Expenditure	Net	Income	Expenditure	Net
	£m	£m	£m	£m	£m	£m
Commercial	4.0	(5.2)	(1.2)	3.3	(4.6)	(1.3)
Member services	1.4	(6.0)	(4.6)	1.3	(4.8)	(3.5)
Administration	–	(1.3)	(1.3)	–	(1.2)	(1.2)
	5.4	(12.5)	(7.1)	4.6	(10.6)	(6.0)

### 4 Regional services

	Group and ICAEW			Group and ICAEW		
	2011	2011	2011	2010	2010	2010
	Income	Expenditure	Net	Income	Expenditure	Net
	£m	£m	£m	£m	£m	£m
UK regions	–	(4.6)	(4.6)	0.1	(4.6)	(4.5)
International regions	0.1	(4.8)	(4.7)	–	(3.5)	(3.5)
	0.1	(9.4)	(9.3)	0.1	(8.1)	(8.0)

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

(continued)

## 5 Technical strategy

	Group and ICAEW			Group and ICAEW		
	2011	2011	2011	2010	2010	2010
	Income £m	Expenditure £m	Net £m	Income £m	Expenditure £m	Net £m
ICAEW-funded faculty activities	–	(2.7)	(2.7)	–	(2.6)	(2.6)
Technical departments	0.1	(3.1)	(3.0)	0.1	(2.8)	(2.7)
Audit and Assurance Faculty	0.9	(0.6)	0.3	0.9	(0.6)	0.3
Corporate Finance Faculty	0.5	(0.5)	–	0.5	(0.5)	–
Finance and Management Faculty	0.7	(0.5)	0.2	0.7	(0.5)	0.2
Financial Reporting Faculty	0.3	(0.4)	(0.1)	0.2	(0.3)	(0.1)
Financial Services Faculty	0.3	(0.4)	(0.1)	0.3	(0.4)	(0.1)
Information Technology Faculty	0.5	(0.4)	0.1	0.5	(0.4)	0.1
Tax Faculty	0.8	(0.6)	0.2	0.7	(0.7)	–
Administration	–	(0.3)	(0.3)	–	(0.3)	(0.3)
	<b>4.1</b>	<b>(9.5)</b>	<b>(5.4)</b>	<b>3.9</b>	<b>(9.1)</b>	<b>(5.2)</b>

## 6 Central activities

	Group			Group		
	2011	2011	2011	2010	2010	2010
	Income £m	Expenditure £m	Net £m	Income £m	Expenditure £m	Net £m
Infrastructure	0.4	(9.9)	(9.5)	–	(9.7)	(9.7)
Marketing and communications	0.1	(9.8)	(9.7)	–	(8.6)	(8.6)
Finance and administration	–	(6.0)	(6.0)	–	(6.2)	(6.2)
	<b>0.5</b>	<b>(25.7)</b>	<b>(25.2)</b>	<b>–</b>	<b>(24.5)</b>	<b>(24.5)</b>
Less: allocated to other activities or recovered from outside bodies (including notional rent of £1.1m (2010: £1.1m))	–	13.4	13.4	–	13.6	13.6
	<b>0.5</b>	<b>(12.3)</b>	<b>(11.8)</b>	<b>–</b>	<b>(10.9)</b>	<b>(10.9)</b>

	ICAEW			ICAEW		
	2011	2011	2011	2010	2010	2010
	Income £m	Expenditure £m	Net £m	Income £m	Expenditure £m	Net £m
Infrastructure	0.4	(9.9)	(9.5)	–	(9.7)	(9.7)
Marketing and communications	0.1	(9.8)	(9.7)	–	(8.6)	(8.6)
Finance and administration	–	(6.0)	(6.0)	–	(6.2)	(6.2)
	<b>0.5</b>	<b>(25.7)</b>	<b>(25.2)</b>	<b>–</b>	<b>(24.5)</b>	<b>(24.5)</b>
Less: allocated to other activities or recovered from outside bodies (including notional rent of £1.1m (2010: £1.1m))	–	13.9	13.9	–	14.2	14.2
	<b>0.5</b>	<b>(11.8)</b>	<b>(11.3)</b>	<b>–</b>	<b>(10.3)</b>	<b>(10.3)</b>

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

(continued)

## 7 Charitable trusts

	Group			Group		
	2011	2011	2011	2010	2010	2010
	Income	Expenditure	Net	Income	Expenditure	Net
	£m	£m	£m	£m	£m	£m
External research grants	–	(0.1)	(0.1)	–	(0.2)	(0.2)
Library income and expenditure	–	(1.0)	(1.0)	–	(1.0)	(1.0)
Other income and expenditure	0.2	–	0.2	0.2	–	0.2
	0.2	(1.1)	(0.9)	0.2	(1.2)	(1.0)

## 8 Joint Disciplinary Scheme

	Group and ICAEW			Group and ICAEW		
	2011	2011	2011	2010	2010	2010
	Income	Expenditure	Net	Income	Expenditure	Net
	£m	£m	£m	£m	£m	£m
Cost recoveries	–	–	–	–	2.2	2.2
Fines	–	–	–	0.4	–	0.4
	–	–	–	0.4	2.2	2.6

The Joint Disciplinary Scheme was closed during 2010.

## 9 Accountancy and Actuarial Discipline Board

	Group and ICAEW			Group and ICAEW		
	2011	2011	2011	2010	2010	2010
	Income	Expenditure	Net	Income	Expenditure	Net
	£m	£m	£m	£m	£m	£m
Fines	1.6	–	1.6	–	–	–
Other income	1.5	–	1.5	1.4	–	1.4
Cost recoveries	–	0.8	0.8	–	–	–
Costs	–	(2.7)	(2.7)	–	(5.1)	(5.1)
	3.1	(1.9)	1.2	1.4	(5.1)	(3.7)

Total ICAEW cash receipts from fines and cost recoveries were £2.4m (2010: £nil). Of this, £1.6m relates to fines and is reflected as income. Other income relates to a direct levy on regulated firms.

## 10 Other regulatory bodies and professional associations

	Group and ICAEW			Group and ICAEW		
	2011	2011	2011	2010	2010	2010
	Income	Expenditure	Net	Income	Expenditure	Net
	£m	£m	£m	£m	£m	£m
Financial Reporting Council	0.8	(1.8)	(1.0)	0.8	(1.8)	(1.0)
Consultative Committee of Accountancy Bodies	–	(0.4)	(0.4)	–	(0.5)	(0.5)
International Federation of Accountants	–	(0.6)	(0.6)	–	(0.6)	(0.6)
	0.8	(2.8)	(2.0)	0.8	(2.9)	(2.1)

Income relates to a direct levy on regulated firms.

## 11 Gift aid and library funding

ICAEW made payments of £1.7m (2010: £1.6m) in the year under gift aid to the Chartered Accountants' Trust for Education and Research (CATER), which funds the ICAEW library and education in the field of accountancy and related subjects.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

(continued)

## 12 Operating result

The group and ICAEW operating result is stated after charging:

	Group		ICAEW	
	2011	2010	2011	2010
	£m	£m	£m	£m
Staff costs	36.3	36.0	35.5	35.2
Depreciation on owned property, plant and equipment	1.9	1.6	1.9	1.6
Amortisation of intangible assets	1.1	0.9	1.1	0.9
Cost of inventories recognised as an expense	0.8	0.9	0.8	0.9
Amounts payable under operating leases:				
Plant and machinery	0.2	0.2	0.2	0.2
Other	0.8	0.8	0.6	0.7
Fees payable to ICAEW's auditor for the audit of the financial statements	0.1	0.1	0.1	0.1

The group and ICAEW operating results include reimbursement of members' expenses on ICAEW activities and payments on a normal commercial basis to members and member firms for services, particularly in connection with lecturing and writing. In 2011 these payments in aggregate amounted to £1.7m (2010: £1.7m). Of this, £51,000 (2010: £18,000) was paid for services to member firms which have a partner or employee who is a member of the council. The amounts paid to individual council members for services was £10,000 (2010: £52,000) in total.

Fees payable to ICAEW's auditor for taxation services were £nil (2010: £8,000) and for consultancy work £22,000 (2010: £17,000). Fees were also payable to the auditor for the audit of the Staff Pensions Fund of £6,000 (2010: £6,000). Fees payable to associates of ICAEW's auditor for the local audits of the international subsidiaries were £25,000 (2010: £14,000).

## 13 Net investment income

	Group		ICAEW	
	2011	2010	2011	2010
	£m	£m	£m	£m
Bank interest receivable	0.1	0.1	0.1	0.1
Interest receivable from investment deposits	0.3	0.3	0.1	0.1
Other financial income	0.9	0.7	0.9	0.7
Returns on multi-asset portfolio	0.8	0.7	0.8	0.7
Realised gains from equities	0.4	0.2	0.4	0.2
	2.5	2.0	2.3	1.8

Other financial income relates in the main to indexation on the licence fees and deferred consideration from Wolters Kluwer NV.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

(continued)

## 14 Taxation

	Group		ICAEW	
	2011	2010	2011	2010
	£m	£m	£m	£m
<b>Current tax</b>				
Current period	(0.1)	–	–	–
Adjustment for previous periods	–	(0.1)	–	(0.1)
	<u>(0.1)</u>	<u>(0.1)</u>	<u>–</u>	<u>(0.1)</u>
<b>Deferred tax</b>				
Origination and reversal of temporary differences	–	–	–	–
Tax charge on operating result	(0.1)	(0.1)	–	(0.1)

ICAEW is chargeable to corporation tax on investment income and gains and on net surpluses arising from certain services to the extent that they relate to transactions with non-members. The liability has been reduced by payments made under gift aid to CATER. The charitable trusts fall outside the scope of corporation tax and accordingly there is no liability for their activities. The subsidiary companies pay local tax based on their country of operation and this has been included in the current tax calculations. The ICAEW net corporation tax charge for the year was £45,000 (2010: £100,000).

Factors affecting the tax charge for the year:

	Group		ICAEW	
	2011	2010	2011	2010
	£m	£m	£m	£m
Net result before taxation	4.6	2.1	4.1	1.9
Add back: result on transactions with members	(2.4)	(1.1)	(2.2)	(0.9)
Net result before taxation on transactions with non-members	<u>2.2</u>	<u>1.0</u>	<u>1.9</u>	<u>1.0</u>
Net result above at the standard rate of corporation tax in the UK of 26.5%/28%	(0.6)	(0.2)	(0.5)	(0.2)
Effects of:				
Items not chargeable/deductible for tax purposes	0.6	0.4	0.6	0.4
Unutilised tax losses	(0.1)	(0.2)	(0.1)	(0.2)
Adjustments in respect of prior years	–	(0.1)	–	(0.1)
	<u>(0.1)</u>	<u>(0.1)</u>	<u>–</u>	<u>(0.1)</u>

ICAEW anticipates that tax charges in future years may be affected by continued donations under gift aid to CATER.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

(continued)

## 15 Property, plant and equipment

The freehold property, Chartered Accountants' Hall, London, was revalued by CB Richard Ellis Ltd, independent chartered surveyors, at 31 December 2011 at open market value, in accordance with the appraisal and valuation manual of the Royal Institution of Chartered Surveyors.

The historical cost of ICAEW's silver collection and antiques represents only the cost of items bought by ICAEW. The valuations of these collections also include substantial donations and bequests. ICAEW's historic collections were revalued at open market value at 31 December 2011 by William Walter Antiques Limited (the Benney silver collection and other silver); John Drury Rare Books (rare books) and Ritchie Associates (period furniture, pictures and sculptures).

The revaluations during the year ended 31 December 2011 resulted in a valuation increase of £0.6m (2010: increase of £1.2m). Depreciation is provided on the plant and equipment elements within the freehold property. At 31 December 2011 there were no contracts for capital expenditure not provided for in these financial statements (2010: £nil).

There is a charge over Chartered Accountants' Hall in favour of the trustee of ICAEW's defined benefit pension scheme (see note 27).

	Group and ICAEW				
	Freehold property	Short leasehold property	Silver collection and antiques	Furniture, computer hardware and equipment	Total
	£m	£m	£m	£m	£m
<b>Cost or valuation</b>					
<b>At 1 January 2009</b>	9.5	2.3	3.8	8.7	24.3
Additions	1.0	0.1	–	1.2	2.3
Disposals at cost or valuation	(0.1)	–	–	(0.7)	(0.8)
Deficit on revaluation	(1.9)	–	–	–	(1.9)
<b>At 1 January 2010</b>	8.5	2.4	3.8	9.2	23.9
Additions	0.9	–	–	1.3	2.2
Disposals at cost or valuation	–	–	–	(2.0)	(2.0)
Surplus on revaluation	0.6	–	0.5	–	1.1
<b>At 1 January 2011</b>	10.0	2.4	4.3	8.5	25.2
Additions	0.1	–	–	1.4	1.5
Disposals at cost or valuation	–	–	–	(0.4)	(0.4)
Surplus on revaluation	0.5	–	–	–	0.5
<b>At 31 December 2011</b>	10.6	2.4	4.3	9.5	26.8
<b>Accumulated depreciation</b>					
<b>At 1 January 2009</b>	0.6	0.1	–	5.4	6.1
Depreciation for the year	0.4	0.2	–	0.8	1.4
Depreciation on disposals	(0.1)	–	–	(0.6)	(0.7)
Adjustment on revaluation	(0.1)	–	–	–	(0.1)
<b>At 1 January 2010</b>	0.8	0.3	–	5.6	6.7
Depreciation for the year	0.4	0.2	–	1.0	1.6
Depreciation on disposals	–	–	–	(2.0)	(2.0)
Adjustment on revaluation	(0.1)	–	–	–	(0.1)
<b>At 1 January 2011</b>	1.1	0.5	–	4.6	6.2
Depreciation for the year	0.5	0.2	–	1.2	1.9
Depreciation on disposals	–	–	–	(0.4)	(0.4)
Adjustment on revaluation	(0.1)	–	–	–	(0.1)
<b>At 31 December 2011</b>	1.5	0.7	–	5.4	7.6
<b>Carrying amount</b>					
At 31 December 2009	7.7	2.1	3.8	3.6	17.2
At 31 December 2010	8.9	1.9	4.3	3.9	19.0
<b>At 31 December 2011</b>	9.1	1.7	4.3	4.1	19.2

On an historical cost basis the comparable amounts of property, plant and equipment are:

Cost	12.3	2.4	0.2	9.4	24.3
Accumulated depreciation	5.5	0.7	–	5.4	11.6
Net historical cost at 31 December 2011	6.8	1.7	0.2	4.0	12.7
Net historical cost at 31 December 2010	7.3	1.9	0.2	3.9	13.3
Net historical cost at 31 December 2009	6.9	2.1	0.2	3.6	12.8

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

(continued)

## 16 Intangible assets

	Group and ICAEW Computer software		
	2011	2010	2009
Cost	£m	£m	£m
At 1 January	7.2	7.7	6.9
Additions at cost	1.0	1.2	0.8
Disposals at cost	–	(1.7)	–
<b>At 31 December</b>	<b>8.2</b>	<b>7.2</b>	<b>7.7</b>
<b>Accumulated amortisation</b>			
At 1 January	4.5	5.3	4.3
Amortisation for the year	1.1	0.9	1.0
Amortisation on disposals	–	(1.7)	–
<b>At 31 December</b>	<b>5.6</b>	<b>4.5</b>	<b>5.3</b>
<b>Carrying amount at 31 December</b>	<b>2.6</b>	<b>2.7</b>	<b>2.4</b>

Amortisation charges are allocated to departments on the basis of use of ICAEW's systems.

## 17 Investments in subsidiaries and associates

The following entities, all registered in England, have been treated as subsidiaries on the basis that ICAEW, through its nominating committee, controls the appointment of trustee directors:

	Activity
ICAEW Foundation	Makes charitable donations of particular interest to ICAEW
PD Leake Trust	Provides grants for accountancy research, conferences and publications
Chartered Accountants' Permanent Education Trust	Provides examination prizes
Chartered Accountants' Trust for Education and Research	Owns and operates the ICAEW library. Provides grants for accounting research, conferences and publications
Chartered Accountants' Library Limited	Trading subsidiary of Chartered Accountants' Trust for Education and Research
Chartered Accountants' Charitable Investment Pool	Common investment fund managing the investments of the other charitable trusts

There is an agreement between the above trusts and ICAEW to provide administrative services to the trusts. The total value of the transactions amounted to £0.6m (2010: £0.6m). At the year end, the trusts owed ICAEW £nil (2010: £0.1m).

The following entities, all registered in England, have been treated as subsidiaries on the basis that ICAEW holds all the shares in each entity:

	Shareholding %	2011 cost £m	2010 cost £m	2009 cost £m	Activity
ICAEW Malaysia Limited	100	–	–	–	Representative office for ICAEW in Malaysia
ICAEW China Limited	100	–	–	–	Representative office for ICAEW in China
ICAEW Middle East Limited	100	–	–	–	Representative office for ICAEW in the Middle East
ICAEW SEA Limited	100	–	–	–	Representative office for ICAEW in South East Asia
ICAEW Europe Limited	100	–	–	–	Representative office for ICAEW in Europe
ICAEW CIS Limited	100	–	–	–	Dormant company
ICAEW Ltd	100	–	–	–	Holding company for the above companies
Dormant companies	100	–	–	–	Dormant

The above companies provide marketing services for ICAEW. The value of these services during 2011 was £3.1m (2010: £2.2m). At the year end £0.4m (2010: £0.2m) was owed to ICAEW.



# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

(continued)

## 17 Investments in subsidiaries and associates (continued)

The following related companies, all with their principal place of business in the UK, have been treated as associates. In each case, and notwithstanding the majority ownership of CCAB Limited and the Chartered Accountants' Compensation Scheme Limited, ICAEW has significant influence to participate in, but not govern, the financial and operating policies of the companies.

	Shareholding (ordinary shares) %	2011 cost £m	2010 cost £m	2009 cost £m	Activity
The Joint Insolvency Examination Board (a company limited by guarantee)	–	–	–	–	Conducts examinations in insolvency practice to meet the education requirements of the Insolvency Act 1986. ICAEW is one of seven subscribers, each of whom has guaranteed £1 in the event of the company being wound up.
Fraud Advisory Panel (a company limited by guarantee)	–	–	–	–	Registered charity which carries out research into, and education in, all aspects of fraud prevention, detection, prosecution and deterrence. ICAEW has the right to appoint up to one third of the directors of the company.
CCAB Limited	60.5%	–	–	–	During the year CCAB Limited was dissolved at the behest of one of the shareholders and a new company set up which took the same name on a same-day name change. CCAB Limited undertakes activities of mutual interest to five major accountancy bodies in the British Isles. ICAEW is the majority shareholder. It does not have the majority of voting shares on the board and therefore does not control the company.
Chartered Accountants' Compensation Scheme Limited	80.0%	–	–	–	Evaluates and administers claims for compensation arising from the obligations of ICAEW, the Institute of Chartered Accountants of Scotland and the Institute of Chartered Accountants in Ireland as recognised professional bodies under the Financial Services Act 1986 and as designated professional bodies under the Financial Services and Markets Act 2000. The company is not treated as a subsidiary as a result of the rights of the other shareholders to nominate directors such that no party has a majority of the board.

The companies all operate on a not-for-profit basis. There is a full list of subsidiaries and associates at [icaew.com/review](http://icaew.com/review).

Financial information relating to the associates is summarised below:

	The Joint Insolvency Examination Board 2011 £m	Fraud Advisory Panel 2011 £m	CCAB Limited 2011 £m	CCAB Limited (dissolved) 2011 £m	Chartered Accountants' Compensation Scheme Limited 2011 £m	Total 2011 £m	Total 2010 £m	Total 2009 £m
Assets	0.3	0.2	1.0	–	0.1	1.6	1.9	1.9
Liabilities	(0.2)	(0.1)	(1.0)	–	(0.1)	(1.4)	(1.6)	(1.6)
Net assets	0.1	0.1	–	–	–	0.2	0.3	0.3
Revenue	0.2	0.1	0.7	4.7	–	5.7	6.1	6.2
Net result	–	–	–	–	–	–	–	–
Balances due from associates as at 31 December	–	–	–	–	0.1	0.1	0.1	0.1
Balances due to associates as at 31 December	–	–	(0.5)	–	–	(0.5)	(1.2)	(1.0)
Group share of net assets as at 31 December	–	0.1	–	–	–	0.1	0.1	0.1

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

(continued)

## 18 Financial assets: available for sale investments

	Interest-bearing investments	Equities and unit trusts	Total	Interest-bearing investments	Equities and unit trusts	Total	Interest-bearing investments	Equities and unit trusts	Group Total
	2011	2011	2011	2010	2010	2010	2009	2009	2009
	£m	£m	£m	£m	£m	£m	£m	£m	£m
<b>Fair value</b>									
At 1 January	8.2	33.8	42.0	8.2	30.1	38.3	24.7	10.1	34.8
Additions	14.5	9.3	23.8	13.6	9.0	22.6	46.9	18.8	65.7
Disposals	(14.7)	(8.6)	(23.3)	(13.6)	(8.3)	(21.9)	(63.7)	(1.9)	(65.6)
Reclassification adjustment gains/(losses) on disposal	–	0.4	0.4	–	0.3	0.3	0.4	(0.2)	0.2
Change in market value of investments: Recognised as other comprehensive (expense)/income	–	(2.5)	(2.5)	–	2.7	2.7	(0.1)	3.3	3.2
<b>At 31 December</b>	<b>8.0</b>	<b>32.4</b>	<b>40.4</b>	<b>8.2</b>	<b>33.8</b>	<b>42.0</b>	<b>8.2</b>	<b>30.1</b>	<b>38.3</b>
<b>Held as</b>									
Restricted	–	–	–	5.0	–	5.0	5.0	–	5.0
Unrestricted	8.0	32.4	40.4	3.2	33.8	37.0	3.2	30.1	33.3
	<b>8.0</b>	<b>32.4</b>	<b>40.4</b>	<b>8.2</b>	<b>33.8</b>	<b>42.0</b>	<b>8.2</b>	<b>30.1</b>	<b>38.3</b>

On an historical cost basis the comparable amounts of investments are:

At 31 December	8.1	30.8	38.9	8.2	29.6	37.8	8.3	28.4	36.7
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	Interest-bearing investments	Equities and unit trusts	Total	Interest-bearing investments	Equities and unit trusts	Total	Interest-bearing investments	Equities and unit trusts	ICAEW Total
	2011	2011	2011	2010	2010	2010	2009	2009	2009
	£m	£m	£m	£m	£m	£m	£m	£m	£m
<b>Fair value</b>									
At 1 January	5.0	25.8	30.8	5.0	23.2	28.2	21.6	4.5	26.1
Additions	6.0	9.1	15.1	3.3	8.9	12.2	37.4	18.7	56.1
Disposals	(6.0)	(8.5)	(14.5)	(3.3)	(8.3)	(11.6)	(54.3)	(1.9)	(56.2)
Reclassification adjustment gains/(losses) on disposal	–	0.4	0.4	–	0.2	0.2	0.4	(0.2)	0.2
Change in market value of investments: Recognised as other comprehensive (expense)/income	–	(1.9)	(1.9)	–	1.8	1.8	(0.1)	2.1	2.0
<b>At 31 December</b>	<b>5.0</b>	<b>24.9</b>	<b>29.9</b>	<b>5.0</b>	<b>25.8</b>	<b>30.8</b>	<b>5.0</b>	<b>23.2</b>	<b>28.2</b>
<b>Held as</b>									
Restricted	–	–	–	5.0	–	5.0	5.0	–	5.0
Unrestricted	5.0	24.9	29.9	–	25.8	25.8	–	23.2	23.2
	<b>5.0</b>	<b>24.9</b>	<b>29.9</b>	<b>5.0</b>	<b>25.8</b>	<b>30.8</b>	<b>5.0</b>	<b>23.2</b>	<b>28.2</b>

On an historical cost basis the comparable amounts of investments are:

At 31 December	5.0	23.1	28.1	5.0	22.2	27.2	5.0	21.1	26.1
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Within group investments are charitable funds of £10.6m (2010: £11.1m) which are maintained independently of ICAEW, and for which the trustee sets investment policies and monitors performance. ICAEW investments include cash balances of £6.1m (2010: £4.5m).

All the investments are denominated in sterling and are publicly traded in the UK. Fair values have been determined by reference to their quoted bid prices at the reporting date. The methods and valuation techniques used to measure fair value are unchanged compared to the previous year.

Following the finalisation of the 2010 actuarial valuation and revised covenant agreements agreed in July 2011, all funds are now unrestricted with none ring-fenced for the staff pension fund.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

(continued)

## 19 Non-current financial assets: other receivables

	Group and ICAEW		
	2011	2010	2009
	£m	£m	£m
Deferred consideration receivable	–	0.5	1.5

Deferred consideration following the sale of the business of ABG Professional Information in 2002 is receivable as follows:

	Group and ICAEW		
	2011	2010	2009
	£m	£m	£m
Within one year (included within current assets)	0.5	1.0	1.0
Within two to five years	–	0.5	1.5
	0.5	1.5	2.5

Non-current financial assets: other receivables are categorised as loans and receivables as required by IAS 39. All deferred consideration was paid after the end of the financial year.

## 20 Deferred taxation

	Group and ICAEW		
	2011	2010	2009
	£m	£m	£m
The provision for deferred taxation comprises:			
Revaluation of available for sale investments	(0.3)	(0.9)	(0.4)
Revaluation of properties and historic collections	(0.3)	(0.3)	(0.2)
Deferred tax liability	(0.6)	(1.2)	(0.6)
Defined benefit pension scheme deficit	0.2	0.2	0.6
Deferred tax asset	0.2	0.2	0.6
<b>Net deferred tax liability</b>	<b>(0.4)</b>	<b>(1.0)</b>	<b>–</b>

Movements in the net deferred tax liability are summarised as follows:

	Group and ICAEW			
	Revaluation of available for sale investments	Revaluation of properties and historic collections	Defined benefit pension scheme deficit	Net
	£m	£m	£m	£m
Asset/(liability) at 1 January 2009	0.2	(0.3)	0.4	0.3
Movement in year:				
Recognised as other comprehensive income	(0.6)	0.1	0.2	(0.3)
(Liability)/asset at 1 January 2010	(0.4)	(0.2)	0.6	–
Movement in year:				
Recognised as other comprehensive income	(0.5)	(0.1)	(0.4)	(1.0)
(Liability)/asset at 1 January 2011	(0.9)	(0.3)	0.2	(1.0)
Movement in year:				
Recognised as other comprehensive income	0.6	–	–	0.6
<b>(Liability)/asset at 31 December 2011</b>	<b>(0.3)</b>	<b>(0.3)</b>	<b>0.2</b>	<b>(0.4)</b>

## 21 Inventories

	Group and ICAEW		
	2011	2010	2009
	£m	£m	£m
Learning materials	0.8	0.8	0.8

There was no provision against learning materials at the year end (2010: £nil, 2009: £nil).

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

(continued)

## 22 Trade and other receivables – current

	Group			ICAEW		
	2011	2010	2009	2011	2010	2009
	£m	£m	£m	£m	£m	£m
Trade receivables and other receivables	6.8	5.0	4.6	6.1	4.7	4.5
Amounts owed by subsidiaries	–	–	–	0.5	0.3	0.1
Amounts owed by associates	0.1	0.1	0.1	0.1	0.1	0.1
Deferred consideration receivable	0.5	1.0	1.0	0.5	1.0	1.0
Prepayments	2.3	1.8	1.7	2.3	1.8	1.7
Accrued income	3.3	1.4	1.6	3.3	1.4	1.6
	13.0	9.3	9.0	12.8	9.3	9.0
Less: provision for impairment of trade and other receivables	(0.4)	(0.6)	(0.7)	(0.4)	(0.6)	(0.7)
	12.6	8.7	8.3	12.4	8.7	8.3

Trade receivables and other receivables are categorised as loans and receivables as required by IAS 39. The principal component of trade and other receivables is amounts due from ICAEW's members and member firms, and in the case of disciplinary fines and costs, certain former members, and are short term. The carrying value of trade receivables is considered a reasonable approximation of fair value. It is considered that all the above financial assets which are not impaired or past due are of good credit quality.

All receivables have been reviewed for indicators of impairment. Certain trade receivables, principally in relation to disciplinary fines and costs from members, member firms and former members, were found to be impaired, and a provision of £0.4m (2010: £0.6m, 2009: £0.7m) has been made. The movement in the provision for trade and other receivables can be reconciled as follows:

	Group			ICAEW		
	2011	2010	2009	2011	2010	2009
	£m	£m	£m	£m	£m	£m
Balance at 1 January	0.6	0.7	0.6	0.6	0.7	0.6
Amounts written off (uncollectable)	(0.2)	–	(0.1)	(0.2)	–	(0.1)
Impairment losses	0.1	0.1	0.4	0.1	0.1	0.4
Impairment losses reversed	(0.1)	(0.2)	(0.2)	(0.1)	(0.2)	(0.2)
	0.4	0.6	0.7	0.4	0.6	0.7

In addition, some of the unimpaired trade receivables are past due as at the reporting date. The age of financial assets past due but not impaired is as follows:

	Group			ICAEW		
	2011	2010	2009	2011	2010	2009
	£m	£m	£m	£m	£m	£m
More than one month but not more than three months	0.3	0.5	0.8	0.3	0.5	0.8
More than three months	0.7	0.3	0.2	0.7	0.3	0.2
	1.0	0.8	1.0	1.0	0.8	1.0

## 23 Cash and cash equivalents

Cash and cash equivalents are categorised as loans and receivables as required by IAS 39. Cash and cash equivalents consist of current balances with banks and money market deposits. They do not include interest-bearing investments held for the long term.

Forward contracts are used to cover known foreign currency exposures. No forward contracts were in place at the year end (2010: £nil, 2009: £nil).

The effect of a 0.25% change in the average market interest rate on current cash and equivalents, and cash balances within the available for sale portfolio, held at the reporting date that are sensitive to changes in interest rates, would be £28,000 (2010: £37,000, 2009: £42,000). All other variables are held constant.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

(continued)

## 24 Trade and other payables

	Group			ICAEW		
	2011	2010	2009	2011	2010	2009
	£m	£m	£m	£m	£m	£m
Subscriptions and admission fees in advance	11.2	10.5	10.9	11.2	10.5	10.9
Amounts owed to associates	0.5	1.2	1.0	0.5	1.2	1.0
Other income in advance	5.9	5.7	3.9	5.9	5.7	3.9
Trade payables	3.6	3.5	3.3	3.6	3.5	3.3
Other payables	1.6	1.1	1.1	1.3	0.6	0.8
Income tax and social security payables	1.1	1.0	0.9	1.1	1.0	0.9
Accruals	6.0	5.7	6.1	6.0	5.7	6.0
	<u>29.9</u>	<u>28.7</u>	<u>27.2</u>	<u>29.6</u>	<u>28.2</u>	<u>26.8</u>

Trade payables and other payables are categorised as current financial liabilities measured at amortised cost as required by IAS 39. All the above trade payables and other payables are short term and are payable within one month. Subscriptions, admission fees and other income in advance relate to income received during 2011 but relating to 2012 annual subscriptions and fees. The carrying values are considered to be a reasonable approximation of fair value.

## 25 Joint Disciplinary Scheme provision

	Group and ICAEW		
	2011	2010	2009
	£m	£m	£m
Balance at 1 January	–	0.7	1.8
(Credit)/charge to income statement	–	(0.1)	0.1
Amounts paid	–	(0.6)	(1.2)
Balance at 31 December	<u>–</u>	<u>–</u>	<u>0.7</u>

The JDS was closed during 2010 following completion of its one remaining case.

## 26 Accountancy and Actuarial Discipline Board provision

	Group and ICAEW		
	2011	2010	2009
	£m	£m	£m
Balance at 1 January	8.8	5.3	4.5
Charge to income statement	2.7	5.1	2.1
Amounts paid	(2.9)	(1.6)	(1.3)
Balance at 31 December	<u>8.6</u>	<u>8.8</u>	<u>5.3</u>
Provision expected to be used within one year	4.4	5.3	2.9
Provision expected to be used after more than one year	4.2	3.5	2.4
	<u>8.6</u>	<u>8.8</u>	<u>5.3</u>

The AADB is part of the Financial Reporting Council and is responsible for operating and administering an independent disciplinary scheme (the Accountancy Scheme) covering members of ICAEW and the following participating institutes: the Association of Chartered Certified Accountants, the Chartered Institute of Management Accountants, the Chartered Institute of Public Finance and Accountancy, the Institute of Chartered Accountants in Ireland and the Institute of Chartered Accountants of Scotland. The AADB also operates and administers a separate independent disciplinary scheme (the Actuarial Scheme) covering members of the Institute and Faculty of Actuaries.

The amount provided is based on the estimated present obligation to ICAEW of investigations by the AADB for cases arising from past events up to 31 December 2011. The provision is expected to be used over the next five years. ICAEW reviews the adequacy of the AADB provision through a review of past case cost estimates and discussions of current cases with relevant individuals. However, the accuracy of both the provision and the forecast of the period over which it will be used will depend on assumptions made about the progress of individual cases and is subject to a significant degree of uncertainty.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

(continued)

## 27 Pension liabilities

### Defined benefit scheme

Until 30 June 2010, ICAEW operated a defined benefit staff pension scheme (the scheme) which provided participating members of staff with retirement benefits based on their final pensionable salary. Following consultation during 2009, the scheme was closed to future accrual of member benefits from 30 June 2010. The assets of the scheme continue to be held by a separate trustee-administered fund.

The most recent completed valuation of the scheme was carried out by Hymans Robertson LLP as at 31 March 2010 on the projected unit credit method taking into account the closure of the scheme to future accrual from 30 June 2010. At that valuation date, the market value of the assets of the scheme was £113.0m, which represented 83% of the value of the benefits that had accrued to members, after allowing for expected future increases in inflation.

As part of the agreement for the closure of the scheme to future accrual, ICAEW has undertaken to make monthly payments of £0.5m (£6.0m a year) for three years from 1 July 2010 towards funding the estimated deficit on past service costs, reducing to £3.5m a year thereafter until the deficit is eliminated, together with additional payments for enhanced early retirements on a pay-as-you-go basis. Total payments by ICAEW to the scheme during 2011 for past service costs amounted to £6.4m (2010: £5.8m, 2009: £3.6m).

ICAEW also agreed to make additional employer contributions during the period to 2010 for back-dated benefits awarded to participating employees attaining 10 years' service with ICAEW during that period (2010: £0.4m, 2009: £0.3m).

In conjunction with the 2010 valuation of the scheme, the trustee reviewed the strength of ICAEW's financial covenant. The resulting agreement set a number of trigger points in relation to the key financial ratios. An amber trigger event requires ICAEW and the trustee to meet to determine whether the recovery period should be shortened. A red trigger event requires an additional contribution of £5.0m or £10.0m, depending on the result of the trigger, by ICAEW to the scheme and the recovery period shortened. ICAEW agreed to a charge being made over Chartered Accountants' Hall and the trustee having an interest noted in up to £10.0m of the investment portfolio of ICAEW.

The actuary has provided a desktop update on the scheme's financial position as at 31 December 2011. This review estimated that the deficit, based on assumptions consistent with the 2010 triennial valuation, was £40.1m (2010: £19.9m). At the year end one of the key financial covenant triggers was red (2010: green). This is a result of the increase in the present value of liabilities arising from the reduction in gilt yields driven by the eurozone crisis. ICAEW and the trustees are monitoring the valuation and the market conditions to determine whether this represents a temporary event under the terms of the covenant agreement.

Under the terms of the covenant agreement a red trigger event at 31 December 2011 may be deemed a temporary event if it can be shown that there was no red event:

- for a period of one month during the three calendar months prior to 31 December 2011, and
- for a period of one month during the three calendar months after 31 December 2011, and
- on 31 March 2012.

The review period for this monitoring continues after the date of signing of these financial statements. At that date our estimate of scheme funding was 82.5%, at which level we would expect the trigger event to be deemed temporary.

If, however, the covenant agreement is enforced then an additional contribution of £5.0m will be required during 2012 and the deficit funding plan reviewed, as well as bringing the current covenant agreement to an end. Such a contribution would not have a direct effect on the income statement. No provision has been made within current liabilities owing to the inherent uncertainty over the outcome of the temporary event monitoring.

Contributions to the scheme in 2012 are estimated at £6.0m, plus any additional funding which may arise from the covenant breach described above, and additional payments for enhanced early retirements on a pay-as-you-go basis.

The following table summarises the key assumptions used in preparing the desktop actuarial valuation:

	2011	2010	2009
Pre-retirement discount rate	4.20%	5.42%	6.50%
Inflation	3.10%	3.62%	3.80%
Future salary increases	–	–	1.50%
Life expectancy	Long cohort	Medium cohort	Medium cohort

The main reason for the difference between this desktop actuarial valuation and the IAS19 valuation relates to the post-retirement discount rates applied.

The sensitivities of the liabilities in the above desktop actuarial valuation to changes in these assumptions are summarised below:

	Change in assumption	Effect on value of liabilities	
		%	£m
Discount rate	Increase/(decrease) by 0.5% pa	(Decrease)/increase by 10.0%	16.7
Rate of inflation	Increase/(decrease) by 0.25% pa	Increase/(decrease) by 4.5%	7.6
Longevity	Increase by 1 year	Increase by 3.7%	6.2

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

(continued)

## 27 Pension liabilities (continued)

### IAS 19 valuation

The scheme's actuary provides a separate report for IAS 19 Employee Benefits purposes at each year end. The assumptions made at 31 December 2011 by the board on the advice of the scheme's actuary were:

	2011	2010	2009
Discount rate	4.70%	5.40%	5.68%
Expected return on scheme assets	4.25%	5.78%	5.92%
Future salary increases	2.85%	3.35%	3.55%
Future increases in pensionable earnings	2.85%	3.35%	3.55%
Rate of inflation	2.85%	3.35%	3.55%

IAS 19 states that the discount rate used should have regard to returns on high quality corporate bonds of a suitable term. The iBoxx over 15 year AA bond index is typically used for this purpose, but the average term of the constituents of this index are somewhat shorter than appropriate for the ICAEW scheme. Accordingly an appropriate discount rate has been derived, in consultation with independent actuaries, with regard to the yields available on the government bonds (where longer maturity yields are available) plus a suitable increment to reflect the typical credit spreads between AA rated corporate bonds and similarly dated government bonds.

The expected return on assets has been based on the long-term expectation for each asset class at the beginning of the year. The return on equities has been taken as 2.75% per annum in excess of the yield on government bonds at the year end.

The mortality tables used to calculate the pension liabilities imply an expected future life expectancy of current pensioners at age 65 of 22.5 years (men) and 24.5 years (women); and for current non-pensioners of 24.5 years (men) and 26.3 years (women). These assumptions are in line with the actuarial valuation as at 31 March 2010.

The scheme actuary has confirmed that the assumptions adopted are within their acceptable range for the purposes of the IAS 19 valuation, and have calculated the sensitivity of the liabilities as at 31 December 2011 to certain key assumptions as follows:

	Change in assumption	Effect on value of liabilities	
		%	£m
Discount rate	Increase/(decrease) by 0.5% pa	(Decrease)/increase by 7.0%	9.0
Rate of inflation	Increase/(decrease) by 0.25% pa	Increase/(decrease) by 3.0%	4.0
Longevity	Increase by 1 year	Increase by 3.0%	4.0

The following table summarises the results of the IAS 19 valuation of the fund:

	Group			ICAEW		
	2011	2010	2009	2011	2010	2009
	£m	£m	£m	£m	£m	£m
Present value of funded obligations	(134.1)	(125.0)	(120.4)	(134.1)	(125.0)	(120.4)
Fair value of plan assets	127.5	119.3	105.6	127.5	119.3	105.6
Whole scheme deficit	(6.6)	(5.7)	(14.8)	(6.6)	(5.7)	(14.8)
Less: relating to other employers/group companies	–	–	–	0.6	0.3	0.6
Scheme deficit	(6.6)	(5.7)	(14.8)	(6.0)	(5.4)	(14.2)

Until February 2009, the scheme was a multi-employer scheme comprising ICAEW group and the Chartered Accountants' Benevolent Association (CABA). CABA ceased to participate in the scheme in February 2009.

### Reconciliation of defined benefit obligation – whole scheme

	2011	2010	2009
	£m	£m	£m
Opening defined benefit obligation	125.0	120.4	99.9
Current service cost	–	0.9	1.9
Past service cost	–	0.9	–
Interest on obligation	6.5	6.7	6.3
Contributions by plan participants	–	0.3	0.7
Actuarial loss in the year	7.2	2.3	16.2
Benefits paid	(4.6)	(6.5)	(4.6)
Closing defined benefit obligation	134.1	125.0	120.4

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

(continued)

## 27 Pension liabilities (continued)

### Reconciliation of fair value of plan assets – whole scheme

	2011 £m	2010 £m	2009 £m
Opening fair value of plan assets	119.3	105.6	90.8
Expected return on assets	6.9	6.3	5.0
Contributions by plan participants	–	0.3	0.7
Contributions by the employer	6.4	7.0	5.8
Actuarial (loss)/gain in the year	(0.5)	6.6	7.9
Benefits paid	(4.6)	(6.5)	(4.6)
Closing fair value of plan assets	127.5	119.3	105.6
Actual return on assets	6.4	12.8	13.0

The major categories of plan assets as a percentage of total plan assets are as follows:

	2011	2010	2009
Equities	44%	58%	57%
Government bonds	44%	33%	34%
Cash	4%	3%	4%
Corporate bonds	8%	6%	5%
	100%	100%	100%

Amounts recognised in the income statement within staff costs are as follows:

	2011 £m	2010 £m	Group 2009 £m	2011 £m	2010 £m	ICAEW 2009 £m
Current service cost	–	(0.9)	(1.9)	–	(0.9)	(1.9)
Past service cost	–	(0.9)	–	–	(0.9)	–
Expected return on pension scheme assets	6.9	6.3	5.0	6.9	6.3	5.0
Interest on pension scheme liabilities	(6.6)	(6.7)	(6.3)	(6.6)	(6.7)	(6.3)
	0.3	(2.2)	(3.2)	0.3	(2.2)	(3.2)
Less: relating to other employers within the scheme	–	–	–	–	0.1	0.1
	0.3	(2.2)	(3.2)	0.3	(2.1)	(3.1)

Amounts recognised as other comprehensive income:

	2011 £m	2010 £m	Group 2009 £m	2011 £m	2010 £m	ICAEW 2009 £m
Actuarial (loss)/gain on plan assets	(0.5)	6.6	7.9	(0.5)	6.6	7.9
Actuarial (loss)/gain on obligation	(7.2)	(2.3)	(16.2)	(7.2)	(2.3)	(16.2)
Actuarial (loss)/gain – whole scheme	(7.7)	4.3	(8.3)	(7.7)	4.3	(8.3)
Less: relating to other employers/group companies within the scheme	–	–	–	0.3	(0.2)	0.3
	(7.7)	4.3	(8.3)	(7.4)	4.1	(8.0)

The cumulative amount of actuarial losses recognised in other comprehensive income since the date of transition to IFRS is £3.9m (2010: £3.8m gain).



# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

(continued)

## 27 Pension liabilities (continued)

Amounts for the current and previous periods are as follows:

	2011 £m	2010 £m	2009 £m	2008 £m	2007 £m
Defined benefit obligation	(134.1)	(125.0)	(120.4)	(99.9)	(115.4)
Plan assets	127.5	119.3	105.6	90.8	98.9
Whole scheme deficit	(6.6)	(5.7)	(14.8)	(9.1)	(16.5)
Actuarial (loss)/gain on plan assets	(0.5)	6.6	7.9	(16.7)	5.8
Actuarial (loss)/gain on obligation	(7.2)	(2.3)	(16.2)	20.9	3.1
Experience (losses)/gains on obligation	–	(0.7)	–	–	0.2

### Defined contribution scheme

ICAEW also operates a defined contribution scheme for employees. This provides benefits based upon contributions made and investment returns achieved. The assets of the scheme are held in a separate trustee fund. ICAEW contributes 9% of pensionable earnings for participating employees. Employees contribute a minimum of 4%. Transitional arrangements over three years, including enhanced ICAEW contributions, are in place for participating employees transferring from the defined benefit scheme.

The amount charged to the income statement during the year for these schemes was £2.3m (2010: £1.8m). There were no contributions payable to the scheme at the year-end date (2010: £nil).

## 28 Reserves

Included within reserves is £3.2m relating to the Chartered Accountants' Compensation Scheme. In accordance with investment business regulations ICAEW is required to maintain a compensation scheme, funded by levies on firms authorised for investment business. This compensation scheme exists to deal with claims received in respect of work carried out by authorised firms under both the Recognised Professional Body (RPB pre 2001) and Designated Professional Body (DPB post 2001) regimes. ICAEW maintains a reserve to meet anticipated future claims. A levy was made in 2011 on licensed firms under the DPB regime. ICAEW has reserved the right to make further levies on firms authorised under the RPB regime before 1 December 2001 should additional funds be required.

## 29 Leasing commitments – operating leases

At 31 December the group and ICAEW had the following total future minimum lease payments under non-cancellable operating leases:

	Group		Group	
	Land and buildings	Plant and machinery	Land and buildings	Plant and machinery
	2011	2011	2010	2010
	£m	£m	£m	£m
Minimum lease payments due:				
Within one year	0.1	–	0.1	–
In two to five years inclusive	0.4	0.3	0.2	0.2
After five years	6.6	–	7.0	–
	7.1	0.3	7.3	0.2
		ICAEW		ICAEW
	Land and buildings	Plant and machinery	Land and buildings	Plant and machinery
	2011	2011	2010	2010
	£m	£m	£m	£m
Minimum lease payments due:				
In two to five years inclusive	–	0.3	0.2	0.2
After five years	6.6	–	7.0	–
	6.6	0.3	7.2	0.2

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

(continued)

## 30 Staff costs

### Average number of staff employed during the year

	Group		ICAEW	
	2011	2010	2011	2010
Total employees	713	664	693	646
Full-time equivalents	675	635	657	619

### Employment costs

	Group		ICAEW	
	2011 £m	2010 £m	2011 £m	2010 £m
Wages and salaries	31.1	29.1	30.5	28.5
Employer's social security costs	3.2	2.9	3.1	2.9
Employer's pension costs	2.0	4.0	1.9	3.8
	36.3	36.0	35.5	35.2

The figures above do not include two members of staff whose employment costs are borne by the Fraud Advisory Panel (2010: two). The charitable trust employees' employment costs are borne by CATER although they have contracts of employment with ICAEW.

## 31 Key management compensation – executive directors

	Group and ICAEW			Group and ICAEW		
	Salary 2011	Deferred variable pay 2011	Total 2011	Salary 2010	Deferred variable pay 2010	Total 2010
	£'000	£'000	£'000	£'000	£'000	£'000
Robin Fieth	190	40	230	182	41	223
Robert Hodgkinson	243	54	297	232	50	282
Michael Izza	372	105	477	351	99	450
Mark Protherough	190	40	230	170	37	207
Vernon Soare	190	44	234	183	33	216
	1,185	283	1,468	1,118	260	1,378

The executive directors are remunerated on a total-package basis. This means that they may elect to take all of their remuneration in the form of salary or they may opt to commute a portion of their salary towards ICAEW benefits such as pension scheme membership, health insurance or a car. Deferred variable pay is payable to executive directors on the basis of performance and is agreed by the remuneration committee. Mark Protherough was appointed as executive director, learning and professional development from 2 February 2010. Sharron Gunn was appointed as executive director commercial from 1 January 2012. In addition to the above salaries, employer's national insurance contributions totalled £166,000 (2010: £163,000).

## 32 Contingent liabilities and guarantees

ICAEW has undertakings to Chartered Accountants' Compensation Scheme Limited for its agreed proportion of claims for compensation and administration costs, of amounts up to but not exceeding £10.0m in any one year. Payments for individual claims are limited to a maximum of £50,000. ICAEW's share of the costs of the scheme is recovered from those firms licensed by ICAEW under the Financial Services and Markets Act 2000 and those firms previously authorised by ICAEW under the Financial Services Act 1986 as appropriate.

During the year ended 31 December 2001 ABG Professional Information assigned the residue of a property lease to a third party. ICAEW signed an authorised guarantee agreement in respect of rents due under the remainder of the lease. The current annual rental is £0.1m and the lease is due to expire in 2013.



ICAEW is a professional membership organisation, supporting over 138,000 chartered accountants around the world. Through our technical knowledge, skills and expertise, we provide insight and leadership to the global accountancy and finance profession.




Our members provide financial knowledge and guidance based on the highest professional, technical and ethical standards. We develop and support individuals, organisations and communities to help them achieve long-term, sustainable economic value.

**Because of us, people can do business with confidence.**

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