



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).

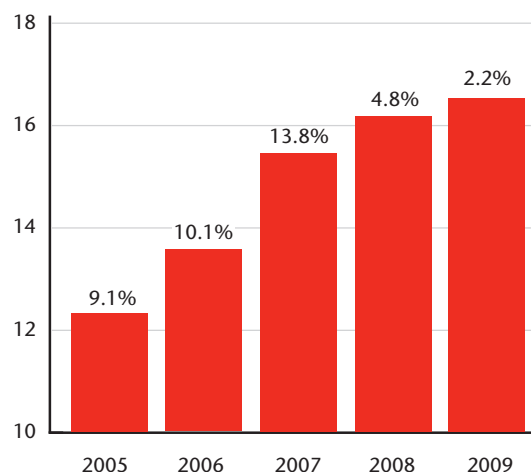
Net assets at 31 December 2009 were £21.4m (2008: £28.8m, 2007: £29.6m). The Staff Pensions Fund liability was £14.2m (2008: £8.6m, 2007: £15.9m). Cash and cash equivalents ended the year at £10.0m (2008: £8.7m, 2007: £9.3m). Including restricted and non-restricted available for sale investments, cash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

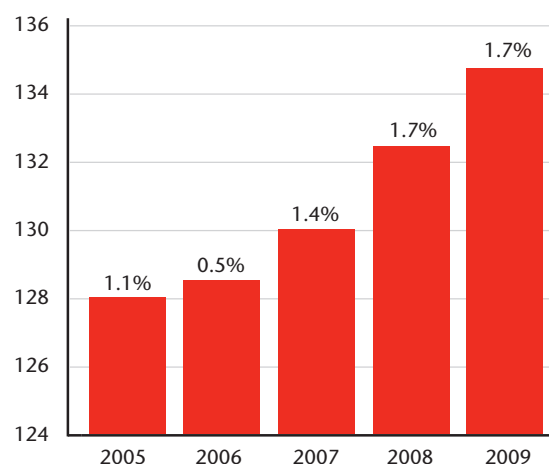
2009 was the first full calendar year of the wider economic downturn which provided a particularly challenging environment for the recruitment of students. Nevertheless, we achieved student intake of 4,854 (2008: 5,104). Of this intake, 22.0% were based internationally (2008: 13.3%). Total student numbers 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
	73.7	73.6

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

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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.

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) during 2009 were:

	Position	Appointed	Retired	Attendance
Volunteer members				
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
Staff members				
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
Income statement					
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)
Result before taxation	0.6	0.2	(1.1)	3.9	2.8
Taxation	0.1	–	(0.5)	(0.2)	–
Net result after taxation	0.7	0.2	(1.6)	3.7	2.8
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)
Net result after Joint Disciplinary Scheme	0.7	0.2	(1.6)	3.7	2.8
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)
Total net assets	21.4	28.8	29.6	22.7	19.7
Member and student numbers					
Members	134,698	132,411	130,243	128,416	127,826
Students	16,517	16,165	15,422	13,551	12,311
	151,215	148,576	145,665	141,967	140,137

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
Subscriptions and other income							
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>
Subscription-based services							
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>
Self-financing activities and charitable trusts							
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>
Funding of external bodies							
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>
Operating result							
	13	<u>72.6</u>	<u>(73.2)</u>	<u>(0.6)</u>	<u>70.8</u>	<u>(74.0)</u>	<u>(3.2)</u>
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>
Result before taxation							
Taxation	15			0.1			–
Analysis of net result after taxation							
Net result before funding of Joint Disciplinary Scheme			1.2			0.3	
Funding of Joint Disciplinary Scheme			(0.1)			(0.1)	
Net result after taxation			<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
Subscriptions and other income							
Subscriptions and fees		34.8	–	34.8	33.1	–	33.1
Licence and data access fees		1.9	–	1.9	1.9	–	1.9
		36.7	–	36.7	35.0	–	35.0
Subscription-based services							
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)
		18.1	(52.1)	(34.0)	18.7	(52.8)	(34.1)
Self-financing activities							
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)
		17.5	(15.6)	1.9	16.4	(16.3)	0.1
Funding of external bodies							
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)
		–	(3.6)	(3.6)	0.5	(3.1)	(2.6)
Gift aid and library funding							
	12	–	(1.8)	(1.8)	–	(1.2)	(1.2)
Operating result							
	13	72.3	(73.1)	(0.8)	70.6	(73.4)	(2.8)
Investment income	14	1.4	–	1.4	3.0	–	3.0
		73.7	(73.1)	0.6	73.6	(73.4)	0.2
Taxation	15			0.1			–
Analysis of net result after taxation							
Net result before funding of Joint Disciplinary Scheme			0.8			0.3	
Funding of Joint Disciplinary Scheme			(0.1)			(0.1)	
Net result after taxation			0.7			0.2	

GROUP AND ICAEW STATEMENTS OF COMPREHENSIVE INCOME

for the year ended 31 December 2009

		Group		ICAEW	
	Note	2009 £m	2008 £m	2009 £m	2008 £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)
Total comprehensive expense in the year		(6.1)	(2.5)	(7.4)	(0.8)

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
Reserves as 1 January 2008	11.3	0.8	13.1	4.5	10.0	39.7
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)
Reserves at 1 January 2009	5.9	(0.1)	17.0	6.1	8.3	37.2
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)
Reserves at 31 December 2009	4.2	1.3	10.0	6.0	9.6	31.1


	ICAEW				
	Revaluation reserve £m	Investment revaluation reserve £m	Accumulated fund £m	Self- financing reserves £m	Total £m
Reserves at 1 January 2008	11.3	0.8	13.0	4.5	29.6
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)
Reserves at 1 January 2009	5.9	(0.1)	16.9	6.1	28.8
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)
Reserves at 31 December 2009	4.2	1.3	9.9	6.0	21.4

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
Assets							
Non-current assets							
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
		60.1	58.6	62.3	49.9	49.8	51.4
Current assets							
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
		19.6	18.5	19.0	19.1	18.2	18.9
Non-current asset held for sale	25	–	–	3.0	–	–	3.0
Total assets		79.7	77.1	84.3	69.0	68.0	73.3
Liabilities							
Current liabilities							
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)
		(30.8)	(29.4)	(25.3)	(30.4)	(29.1)	(25.0)
Non-current liabilities							
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)
		(17.8)	(10.5)	(19.3)	(17.2)	(10.1)	(18.7)
Total liabilities		(48.6)	(39.9)	(44.6)	(47.6)	(39.2)	(43.7)
Total net assets		31.1	37.2	39.7	21.4	28.8	29.6
Reserves							
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
		15.5	22.8	25.2	15.4	22.7	25.1
Reserves retained by self-financing activities and charitable trusts							
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	–	–	–
		15.6	14.4	14.5	6.0	6.1	4.5
		31.1	37.2	39.7	21.4	28.8	29.6

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
Cash flows from operating activities					
Result before taxation		1.0	0.2	0.5	0.2
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
Cash flows from operating activities before movements in working capital		5.3	3.1	5.0	3.5
Movements in working capital					
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
Cash generated from operating activities		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 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)
Net cash generated from operating activities		2.6	0.8	2.3	1.2
Cash flows from investing activities					
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
Net cash outflow from investing activities		(1.0)	(1.2)	(1.0)	(1.8)
Net increase/(decrease) in cash and cash equivalents in the year		1.6	(0.4)	1.3	(0.6)
Net cash and cash equivalents at 1 January		8.9	9.3	8.7	9.3
Net cash and cash equivalents at 31 December	24	10.5	8.9	10.0	8.7

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)
	11.8	(16.1)	(4.3)	11.8	(15.8)	(4.0)

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)
	2.1	(4.2)	(2.1)	2.2	(4.7)	(2.5)

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)
	3.9	(10.3)	(6.4)	3.5	(8.5)	(5.0)

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)	–	–	–
	0.1	(5.4)	(5.3)	0.2	(4.7)	(4.5)

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)
	0.1	(5.9)	(5.8)	–	(6.8)	(6.8)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2009 (continued)

6 Central activities

	Group			Group restated		
	2009 Income £m	2009 Expenditure £m	2009 Net £m	2008 Income £m	2008 Expenditure £m	2008 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 Income £m	2009 Expenditure £m	2009 Net £m	2008 Income £m	2008 Expenditure £m	2008 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 Income £m	2009 Expenditure £m	2009 Net £m	2008 Income £m	2008 Expenditure £m	2008 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 Income £m	2009 Expenditure £m	2009 Net £m	2008 Income £m	2008 Expenditure £m	2008 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	–	(1.2)	–	(1.2)	(1.2)	–	(1.1)	(1.1)
Consultative Committee of Accountancy Bodies	–	(0.4)	–	(0.4)	(0.4)	–	(0.4)	(0.4)
International Federation of Accountants	–	(0.7)	–	(0.7)	(0.7)	–	(0.4)	(0.4)
Accountancy and Actuarial Discipline Board	–	(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 £m	2008 £m
Current tax		
On income for the year	–	(0.2)
Adjustment for previous periods	0.1	0.3
	0.1	0.1
Deferred tax		
Origination and reversal of temporary differences	–	(0.1)
Tax credit on operating result	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, 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 £m	restated 2008 £m	2009 £m	restated 2008 £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
	0.1	–	0.1	–

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
Cost or valuation					
At 1 January 2007	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)
At 1 January 2008	12.2	1.4	4.0	7.1	24.7
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)
At 1 January 2009	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)
At December 2009	8.5	2.4	3.8	9.2	23.9
Accumulated depreciation					
At 1 January 2007	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)
At 1 January 2008	0.5	0.3	–	5.5	6.3
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)
At 1 January 2009	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)
At 31 December 2009	0.8	0.3	–	5.6	6.7
Carrying amount					
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
At 31 December 2009	7.7	2.1	3.8	3.6	17.2
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
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 2009 (continued)

17 Intangible assets

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

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.

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

							Group		
	Interest-bearing investments	Equities and unit trusts	Total	Interest-bearing investments	Equities and unit trusts	Total	Interest-bearing investments	Equities and unit trusts	Total
	2009	2009	2009	2008	2008	2008	2007	2007	2007
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Fair value									
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
At 31 December	8.2	30.1	38.3	24.7	10.1	34.8	24.1	12.8	36.9
Held as									
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
	8.2	30.1	38.3	24.7	10.1	34.8	24.1	12.8	36.9

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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							ICAEW		
	Interest-bearing investments	Equities and unit trusts	Total	Interest-bearing investments	Equities and unit trusts	Total	Interest-bearing investments	Equities and unit trusts	Total
	2009	2009	2009	2008	2008	2008	2007	2007	2007
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Fair value									
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)
At 31 December	5.0	23.2	28.2	21.6	4.5	26.1	20.2	5.9	26.1
Held as									
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
	5.0	23.2	28.2	21.6	4.5	26.1	20.2	5.9	26.1

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
	£m	£m
Deferred consideration receivable	1.5	2.5

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

Movements in the net deferred tax asset/(liability) 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 benefit £m	Net £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)
(Liability)/asset at 31 December 2009	(0.4)	(0.2)	–	0.6	–

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 £m	2008 £m	2007 £m	2009 £m	2008 £m	2007 £m
Cash at bank	10.5	8.9	4.8	10.0	8.7	4.8
Short-term investments	–	–	4.5	–	–	4.5
	10.5	8.9	9.3	10.0	8.7	9.3

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 £m	2008 £m	2007 £m	2009 £m	2008 £m	2007 £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
	27.2	24.3	21.3	26.8	24.0	21.0

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 £m	2008 £m	2007 £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	0.7	1.8	1.4

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

28 Accountancy and Actuarial Discipline Board provision	Group and ICAEW		
	2009	2008	2007
	£m	£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	5.3	4.5	4.0
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
	5.3	4.5	4.0

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

29 Other non-current liabilities	2009 £m	2008 £m	Group 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 £m	2008 £m	Group 2007 £m	2009 £m	2008 £m	ICAEW 2007 £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 £m	2008 £m	2007 £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 £m	2008 £m	2007 £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:

	2009 £m	2008 £m	Group 2007 £m	2009 £m	2008 £m	ICAEW 2007 £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:

	2009 £m	2008 £m	Group 2007 £m	2009 £m	2008 £m	ICAEW 2007 £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 £m	2008 £m	2007 £m	2006 £m	2005 £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	Plant and machinery	Land and buildings	Plant and machinery
	2009	2009	2008	2008
	£m	£m	£m	£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	–
	8.0	0.2	8.2	0.3

	ICAEW		ICAEW	
	Land and buildings	Plant and machinery	Land and buildings	Plant and machinery
	2009	2009	2008	2008
	£m	£m	£m	£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	–
	7.9	0.2	8.2	0.3

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	2008	2009	2008
	£m	£m	£m	£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
	35.4	34.7	34.5	33.8

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
	1,035	233	158	1,426	1,143	232	1,375

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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