



# 2016



***Building a world  
of strong economies***

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# Letter to members

In so many ways, 2016 was a year of surprises. The outcome of events such as the referendum in the UK and the election of a new US President were not only unexpected, they created uncertainty in a world that was starting to experience greater stability 10 years on from the start of the financial crisis. They further undermined trust in institutions and expertise, a legacy from the financial crisis. Add in the rapid acceleration of technological development and we find ourselves facing new sets of challenges, threats and opportunities, all of which will define our profession for the next generation. Against this backdrop, we recognise ICAEW needs to adapt and evolve to be ready for this task and to play our part in rebuilding trust, confidence and greater certainty around the world.



**Hilary Lindsay**  
President



**Michael Izza**  
CEO

## A VERY SUCCESSFUL 2016

Last year was another record year for the number of future ICAEW Chartered Accountants who started training with us, with student numbers up to 25,822 from 24,149 the year before. Our membership has continued to rise, ending the year at 147,538.

We closed the year with an operating surplus of £0.8m. We also received fines and cost recoveries from disciplinary cases brought by the Financial Reporting Council (FRC), previously funded by ICAEW, taking the overall surplus to £11.3m. This will be used to fund investments in member and professional development.

We continued to invest in the redevelopment of Chartered Accountants' Hall in London, our flagship building in the heart of the City of London, with a new Auditorium and improved meeting spaces, which, when completed, will make it one of the best conference and meeting venues in the City.

Our engagement with local and global political figures continues to strengthen. Our work on the implications of Brexit, both pre- and post-referendum, has attracted interest across Europe, including from the new UK government. We met the UK Prime Minister to discuss issues facing business, including corporate governance reform. Our senior staff meet regularly with government ministers and officials, as well as appearing before parliamentary committees, giving insight on topics that are important to our members and the economy at large.

One such area is tax, where we have updated our guidance to members on tax advice – the Professional Conduct in Relation to Tax – in response to ongoing concerns about evasion and aggressive avoidance. We have also sought to influence the development of Making Tax Digital and to help HMRC get this right in a way that works for business and the profession. We have raised concerns about the regulatory burden it could impose, particularly on small businesses, and the timelines for its launch.

We also secured an appropriate outcome, both for the profession and for ICAEW, on the implementation of the Statutory Audit Directive in the UK. This resulted in the FRC becoming the new competent authority for audit regulation, focussing its activities on the largest companies that pose a systemic risk to the UK economy, while ICAEW, alongside the other recognised supervisory bodies (RSBs), continues to regulate the rest of the market.

**BUILDING ON THE LAST DECADE**

2016 was the last year of a very successful 10-year strategy that saw us become an international body, headquartered in the UK.

Over those 10 years, we have grown our membership by 19,000 (15%). We established four international regions and now have offices in nine countries. We grew our student numbers by over 120%, including a seven-fold increase in those students outside the UK. Our annual student intake has increased by over 75%.

We have a global reputation that means governments, regulators and policymakers from across the world want to hear our thoughts on emerging challenges, not just affecting the accountancy profession but across business and the public sector. In December, we were part of a delegation to the US with the UK government and Financial Reporting Council to meet the Securities and Exchange Commission, congressional leaders and other stakeholders and promote the UK as open for business after the EU referendum.

***“We have a global reputation that means governments, regulators and policymakers from across the world want to hear our thoughts on emerging challenges, not just facing the accountancy profession but across business and the public sector”***

**A WORLD OF STRONG ECONOMIES**

We know that the next decade and beyond will require us to pursue a new direction, to embrace and maximise the opportunities this changing and developing world presents, while being prepared and equipped to deal with any threats and challenges.

To do so, we needed to redefine the role ICAEW Chartered Accountants can and do play, not only in their local economies, but also on the global stage. We had already done plenty of groundwork to develop this new strategic approach, and in 2016 we finalised our strategy and our vision of a world of strong economies.

Regardless of how much technology transforms the details of the day-to-day work of chartered accountants, we will always have a role at the heart of the communities in which we live and work. Building trust requires people to be able to trust the numbers. It requires the public to be confident they can believe what a government says about its finances and that the people, systems and processes at the heart of those finances can be trusted. It also requires private companies to be transparent as to the accuracy and reliability of their financial information. This is what chartered accountants do every day. Each member, either directly or as an adviser, plays a part in building strong businesses or working in government to deliver a strong national economy. This helps build system-wide trust and it is this systemic trust that will lead to stronger economies.

ICAEW's role is to support each member to be the best professional they can be, connecting them with fellow professionals and other relevant communities and networks, and to be as agile and adaptable an institute as we need to be.

Technology and events will continue to disrupt businesses, industries, professions, organisations and economies. Technological developments as diverse as blockchain, cloud computing, big data, artificial intelligence and automation make it tempting to worry about the world being reduced to algorithms. However, we believe that in such a world there is a clearer need than ever for a trusted adviser and for the human face of the profession. This is a world in which ICAEW Chartered Accountants can and must continue to flourish and we intend to continue to work on your behalf to make that possible.

Finally, we would like to thank our members who give freely of their time and our staff who, together, have enabled us to achieve all that we have in 2016.

# 2016 in numbers

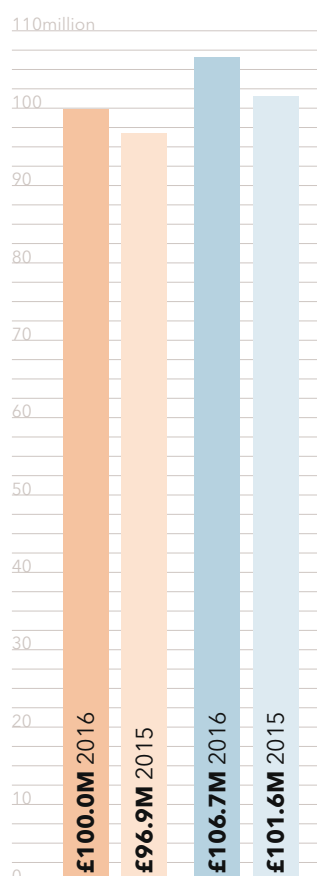
ICAEW enjoyed another busy year, with more services offered to more members and students right across the world

## MEMBERSHIP

Membership grew to **147,538**, from admissions of newly qualified students to membership, together with reciprocal and similar arrangements with members of other institutes.



## REVENUE



Operational income for 2016 was **£100.0M** (an increase of £3.1m on 2015). Including fines and cost recoveries, total income was **£106.7M**, £5.1m higher than 2015.

## EDUCATION



**13,000** school and college students have experienced professional life through the **BASE GAME**.

## GLOBAL REACH



## PUBLIC SECTOR ENGAGEMENT

**1,500**

ICAEW'S PUBLIC SECTOR SPECIAL INTEREST GROUP was re-launched and attracted over 1,500 members

## GLOBAL BUSINESS LEADERS

**98%**

98 of the world's 100 **GLOBAL LEADING BRANDS** employ ICAEW Chartered Accountants

Total ACA student numbers at the end of 2016 stood at **25,822** (2015: 24,149).



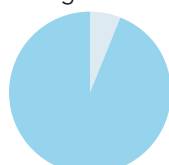
2016 saw another record ACA student intake of **8,319** – an increase of 63 over our previous record.



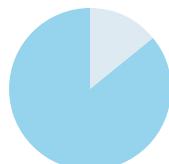
#### ECONOMIA



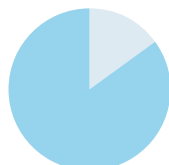
**57 MINUTES** average time members spend reading *economia*



**94%** think it is well written



**86%** agree it offers a good balance of content



**85%** think it reflects well what ICAEW Chartered Accountants do.

#### PROBATE

Making the most of the opportunity – a half day training event for members (in conjunction with SWAT UK) looking at the potential benefits of becoming licenced and approaches for maximising returns.

**95%** of feedback scores rated the event as 'good' or 'excellent'.



Attracted **130** delegates

#### TOMORROW'S PRACTICE EVENTS

Our flagship practice conference, Practice 2016, was key to delivering many of the Tomorrow's Practice objectives.

**87%** of feedback scores rated the event as 'good' or 'excellent'.



Attracted **382** delegates



#### TOUCHDOWN

spaces opened in Bath, Bristol, Birmingham, Cardiff and Cambridge, building on facilities in Edinburgh and the redevelopment of the business centre in London.

#### BUSINESS FINANCE GUIDE

The 2nd edition of *The Business Finance Guide* was published in June 2016, alongside an interactive tool which has had **10,116** hits since launch.

There were also **3,069** PDF downloads of the guide. Over **21,000** hard copies were sent out by the Corporate Finance Faculty or circulated by the British Business Bank at events.

#### TRAINING



Over **250,000** accountants have seen **FALSE ASSURANCE**, ICAEW's first film.

#### WEB TRAFFIC

**36m**

page views on **ICAEW.COM**

#### PROFESSIONAL STANDARDS

**3,000**

QAD started over 3,000 reviews in 2016

#### HELPLINES

**34%**

There were more ethical and technical queries. Technical enquiries were up **34%** (largely due to new UK GAAP)

## *Who we are and what we do*

ICAEW is an international professional body, headquartered in London. We have over 147,000 members working across all sectors of the economy including practice, business and the public sector. We support them through our network of offices around the world.



## ORGANISATION STRUCTURE

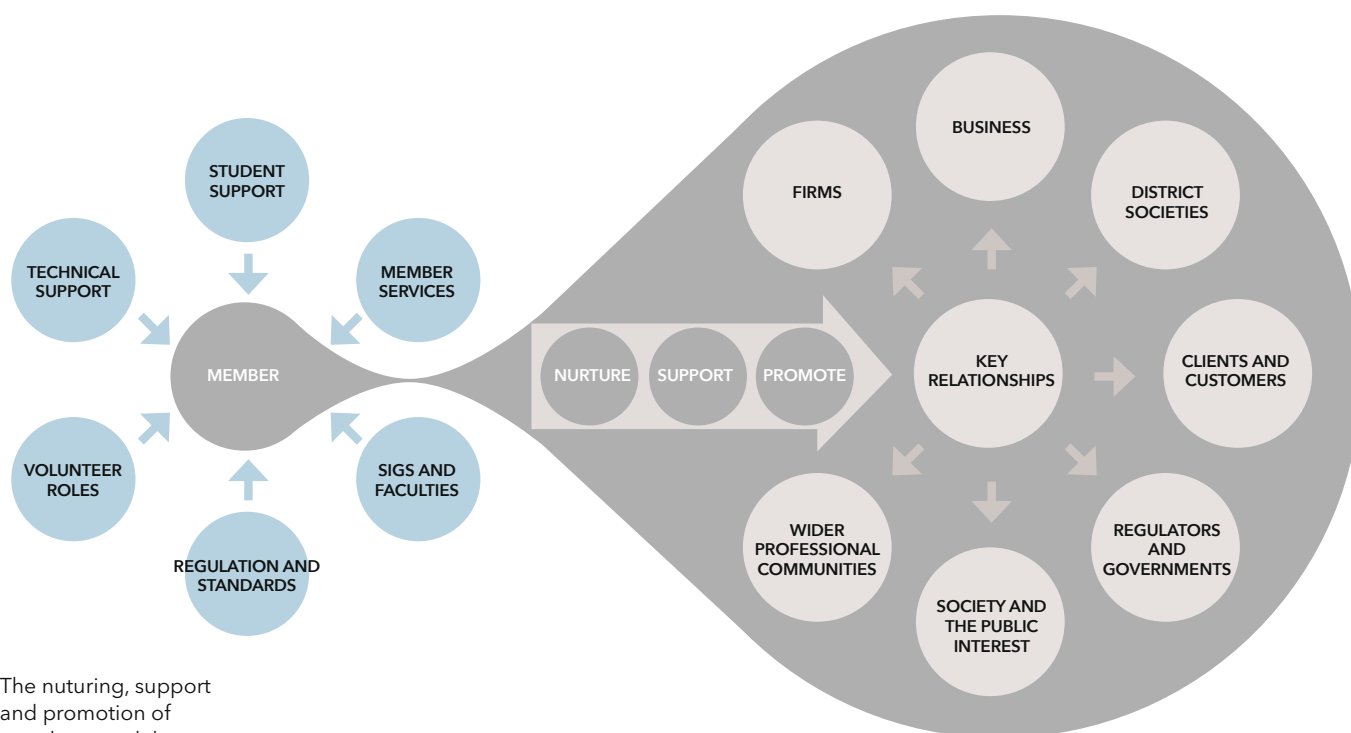
ICAEW is a chartered body and operates in the public interest under the terms of our Royal Charter. It is headed by a chief executive and has five operating departments which:

- Develop and assess ICAEW qualifications and employers training our students (Learning & Professional Development);
- Provide confidence that our members uphold the highest professional and ethical standards, investigating and, if necessary, disciplining those who don't (Professional Standards);
- Research, influence and develop guidance on best practice and policy in the activities in which our members typically work (Technical Strategy);
- Support our members in all stages of their careers and develop our commercial operations (Members, Commercial and Shared Services); and
- Deliver the core functions and activities that support the day-to-day operation of ICAEW, our brand and reputation and our activities (Finance & Operations).

## OUR BUSINESS MODEL

What we offer:

- We are a professional body with members in 154 countries.
- We ensure our members maintain the highest standards of professional and ethical conduct.
- We operate examinations that attract students to a globally recognised premium qualification.
- We support our members throughout their careers.
- We have a regulatory role in the UK for our members and member firms.
- We are a voice for the profession with governments, regulators, decision-makers and other key stakeholders.



The nurturing, support and promotion of members, and the profession, sit at the centre of how ICAEW creates value





## THE SILICON VALLEY CFO

# Rahoul Seth

Rahoul Seth is CFO of Change.org, the online petition website founded in 2007 by Stanford University graduate Ben Rattray to empower social change. Seth describes it as “a mission-driven company with a social conscience that meets community oriented, socially conscious goals and delivers shareholder value.”

Seth joined as CFO in 2014 after numerous start-up CFO roles over 30 years. He describes Change.org as having the vision of a non-profit with the flexibility of a start-up.

After studying economics at Delhi University, Seth joined London firm Casson Beckman Rutley & Co in 1972. Opting for a career in business after qualifying, he relocated to Newcastle to manage consolidations for US glass manufacturer Corning, where he was asked to update the company's systems. He managed the design and installation of updated financial systems throughout Europe, then moved to New York to do it globally. After an MBA at Harvard Business School, he was lured to the Silicon Valley tech scene.

He says nowhere comes close to matching it. “Everyone here is an entrepreneur: the accountants are entrepreneurs. They give you deals for your audit and advisory services at low prices because they expect you to grow from an acorn to an oak tree.”

He says scaling up is simple. “You have to be in an industry where there is a wave to ride. You're going to make mistakes and you want the wave to mask some. You don't have the resources to compete, so you have to be laser-focused on doing one thing right, faster and better than larger companies do.

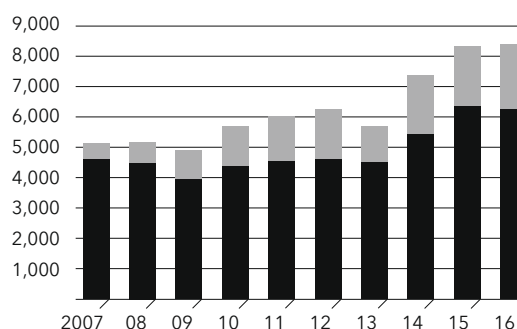
“A good CFO has to be able to read the numbers and be dry-eyed about the message because you are the one responsible for risk mitigation and reduction. There are times when you have to let things play out. As CFO you have to be the voice of moderation, but you also have to understand the dynamics of the business. The board have to trust you: often what you say is not what they want to hear so you have to get respect so your voice matters.”

## HOW WE CREATE VALUE

- We generate income from membership fees, regulatory fees, student and examination fees and commercial operations.
- We attract a growing pipeline of students to our qualification.
- We set high standards for these students who, when qualified, are then eligible for membership.
- Once admitted we have very high retention rates and members remain in membership for over 40 years on average.
- We make use of our intellectual, reputational and physical assets to generate commercial income:
- We run a series of courses through our Academy and leadership programmes to prepare the next generation of business leaders.
- We hold events which attract a wide range of members and other parties.
- We work with partners where there is mutual benefit in engaging with our high-quality membership.

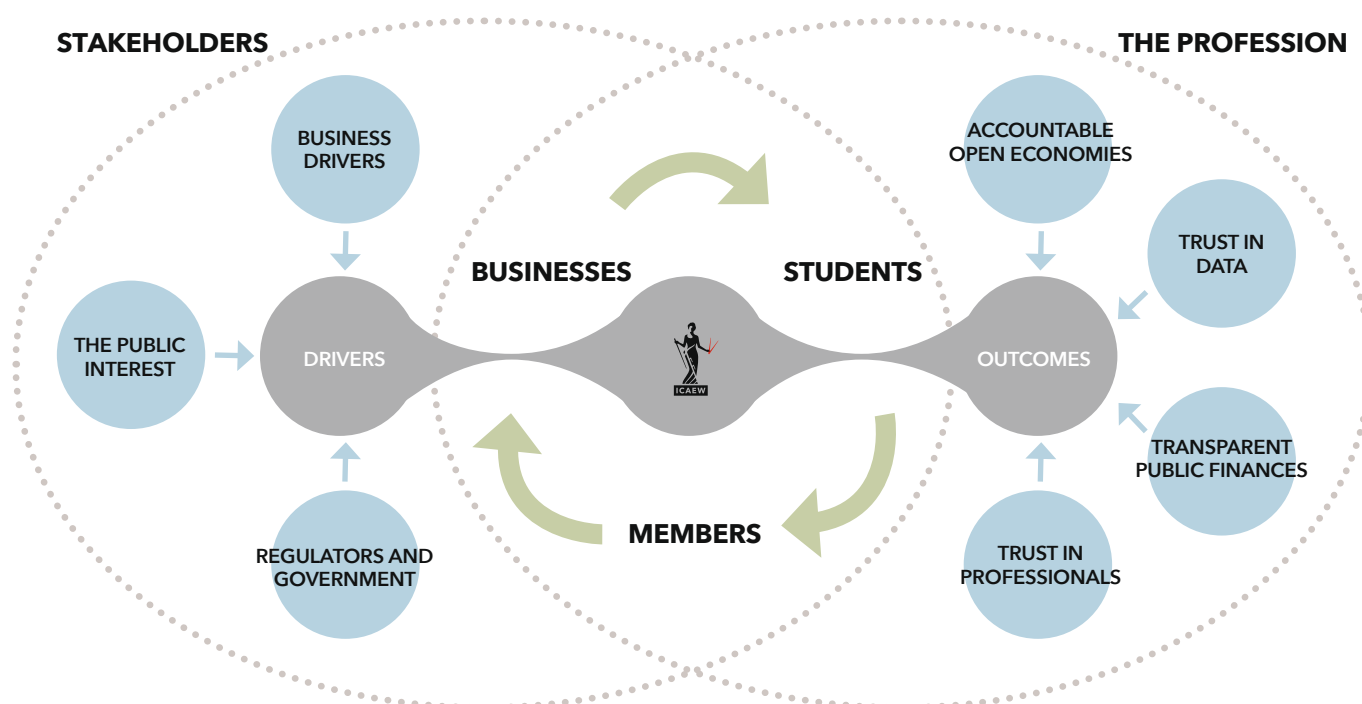
We use our historic headquarters, Chartered Accountants' Hall, for a huge variety of events and functions all year round.

### STUDENT INTAKE



We create value for our members and their firms through:

- Our regulatory role and our engagement with regulators;
- Our work with government and key stakeholders to promote the profile of ICAEW members in delivering economic growth; and
- Our technical and standard-setting work which drives the highest standards for our members, and acts as a differentiator in the market.



ICAEW sits at the centre of a complex ecosystem of stakeholders



#### THE NGO DIRECTOR

## Getachew Engida

Getachew Engida is deputy director general of UNESCO. He says his personal story is just another indication that given an opportunity, many can make the impossible possible. "I grew up in the poorest part of Addis Ababa, Ethiopia. My mother was illiterate and my father was a semi-literate decorated soldier. My parents instilled in me the value of education from early on."

Following the 1974 military coup in Ethiopia, Engida ended up as a political refugee in the UK. "I was accepted as an undergraduate at the University of Manchester to study economics with a scholarship from the World University Service (UK). I assumed the political situation at home would change and I could go back to pursue my career in agricultural economics. In the end, I signed up as an articled clerk at Arthur Young in London."

Engida ended up at the World Bank-funded International Livestock Research Institute, but decided to leave in mid-2003. "I responded to a vacancy at UNESCO, an organisation I admired and whose objectives I share."

Within six years he had modernised enterprise risk management and internal controls, moved financial reporting to the International Public Sector Accounting Standard and secured a clean audit opinion consistently. He became deputy director general in 2010.

"The fruits of UNESCO's efforts are not easy to measure," he says. "It's difficult to attribute impact and to easily demonstrate value for money. Also, the funding is short-term and therefore unpredictable and the pressures to show quick results as a result are enormous."

He has noble ambitions for his organisation, stating he wants to help build a better world for the generations to come. "I want to see every child everywhere getting the same, if not better, opportunity to go to school as I did and to learn to live together. This is not a pipe dream. It is doable and within reach."

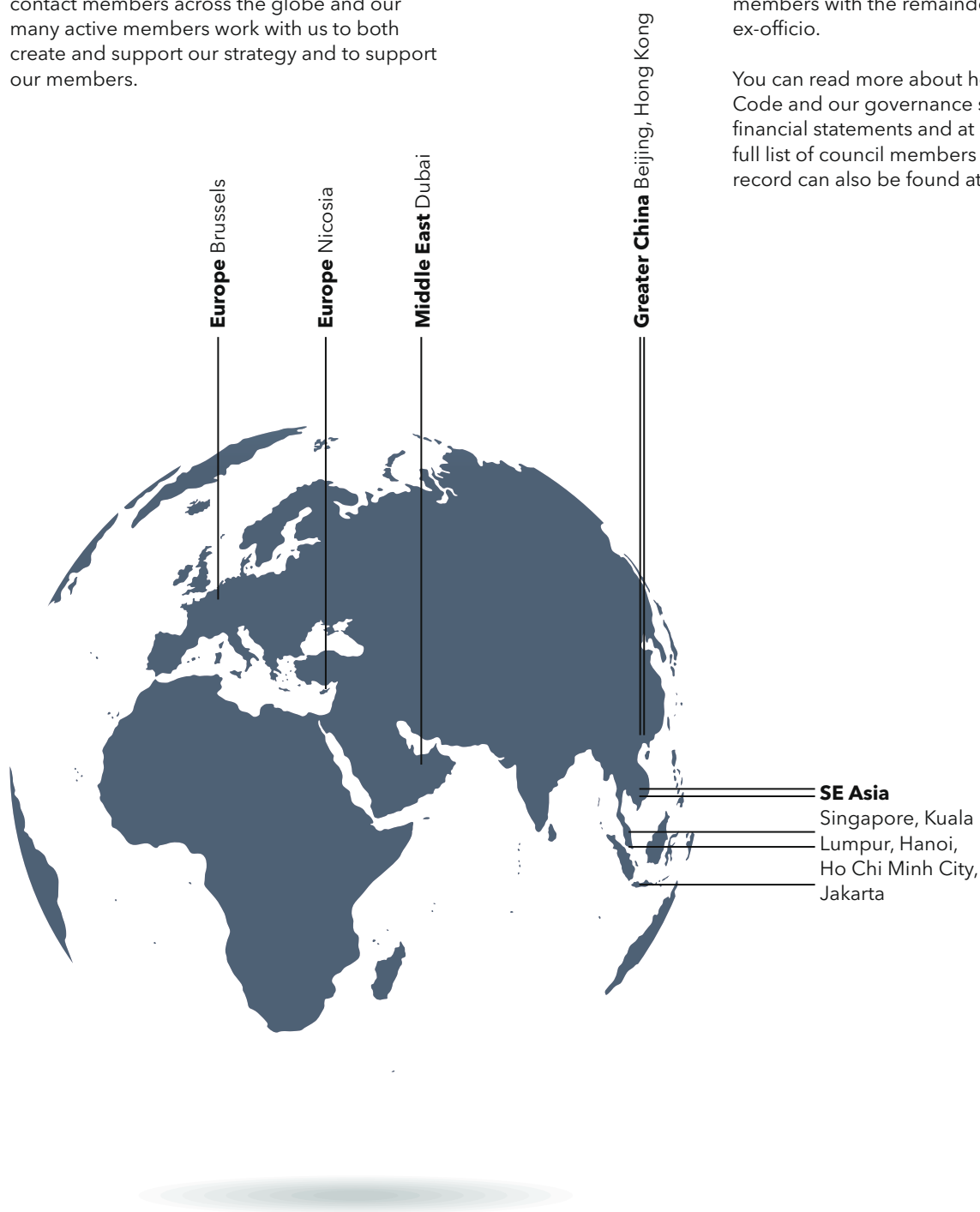
"Accountancy training has given me the ability to see the wood for the trees. I have never shied away from challenges and I will not start now."

## WHERE WE OPERATE

We have 10 offices outside the UK that support members and students locally and across each region. They also play an important role in promoting the reputation of ICAEW, supported from the centre.

## OUR CONNECTED COMMUNITY

We are indebted to our members and the work and expertise they contribute as volunteers on our committees and in our local district societies and member groups all over the world. Our contact members across the globe and our many active members work with us to both create and support our strategy and to support our members.



## GOVERNANCE

We choose to measure our governance against the UK Corporate Governance Code, where the underlying principle is that our governance must support the delivery of our strategy. We are regulated by the FRC and other regulators, and we are statutory regulators for audit, insolvency, investment business and now the reserved legal service of probate.

We are a professional body with a council of 92 volunteers who represent the diversity of the profession. The majority are elected by ICAEW members with the remainder co-opted or ex-officio.

You can read more about how we apply the Code and our governance structure within the financial statements and at [icaew.com/review](http://icaew.com/review). A full list of council members and their attendance record can also be found at [icaew.com/review](http://icaew.com/review)



## ICAEW'S ONE YOUNG ACA

## Katie Feld

Katie Feld is a financial services manager at BDO. In 2016, she won the One Young Chartered Accountant competition and was one of seven people chosen by Chartered Accountants Worldwide to attend the 2016 One Young World summit in Ottawa. There she joined thousands of other young people from all over the world.

"I met one guy from Yemen who had taken a boat, four planes and a coach to get there. He made me think twice about complaining about jetlag. The majority of people had been nominated or sponsored. That meant they had inspired someone through their work, so we were all there to do someone proud and get the best out of it."

Emma Watson, the actress and activist, ran a session on gender equality. "It's a subject that's relevant to everyone, but as a woman in the workplace it resonated with me. She had sponsored nine women to attend. One was a young woman from Jordan who had started a kickboxing school for women affected by domestic violence. The summit was full of inspirational people like her."

For Feld, the key to such events is learning from these stories and taking them into daily life. "In my department we have an even split of male and female partners, which is different from other places I've worked. I'm lucky that I picked a profession that encourages women and supports change. But it's important not just to sit back and celebrate successes, but to look at why it's worked and to try and replicate that success across the firm and elsewhere. Whether that's speaking to trainees or going into schools, we need to listen to young women and hear their stories. "It can be quite intimidating going to One Young World and being surrounded by people who already do so much. If you think of climate change, for example, you might think you can never solve it. But when you have a big problem don't try and solve it as a whole, but take it one step at a time and think about a change you can make." Go back to your organisation and challenge the way things are done. Gradually, you can shift the mentality. If everyone makes a small change, we can get a lot done."

# Performance in 2016



In this section, we examine our work in the year against the strategic objectives we set ourselves at the start.



## 1. PROMOTING THE CHARTERED ACCOUNTANT BRAND

Support for the chartered accountant brand has never been more important. Alongside the development of our new strategy, we have taken the opportunity to review and refresh our overall brand and identity. This will be rolled out during 2017.

We have also continued to play a leading part in the development of Chartered Accountants Worldwide. This group has continued to develop, grow and expand, with 2016 seeing the acceptance of institutes in India, Pakistan, Indonesia and Zambia as members or associate members. It also

held the first two of a new series of “Conversations Around the World” roundtable events in Sydney and Johannesburg, to raise awareness of issues such as the impact of technology on the profession and the changing demands of younger professionals.

WHAT WE SET OUT TO DO	WHY	WHAT WE ACHIEVED	WHERE WE FELL SHORT
Brand monitor research project into perceptions of ICAEW	To measure the progress and evaluate effectiveness of brand activities	Brand attributes defined and research launched at end of 2016	Took place later than anticipated due to desirability of linking this work to the new brand launch
Develop the Chartered Accountants Worldwide (CAW) partnership	Build the chartered accountant brand internationally, promote value of our members, provide a platform for support	Four new members admitted to CAW – one more than target	Some challenges remain in raising awareness internationally
Evolve our “No Ordinary Business Minds” campaign	Build awareness of what makes chartered accountants valuable, encourage employers to seek out chartered accountants and students to choose ICAEW for their career	Campaign developed for launch of new brand built on new brand values, building awareness for a world of strong economies	The campaign initially considered was deferred pending the completion of plans for the new brand launch
Brand evolution – develop positioning, values, behaviours, style and identity	Ensuring it is relevant and fit for purpose to carry out our strategy in the years ahead	Identity and values created and supported by Council. Training programme on values for staff and detailed brand roll-out programme established for 2017	
Extend the senior contact programme	Builds profile for ICAEW and ensures we can influence key debates	ICAEW invited to 10 Downing Street and to Washington and New York with the FRC to promote UK corporate governance	

## 2. SUPPORTING ECONOMIC GROWTH

In 2016, ICAEW published several detailed reports for members, the wider business community and policymakers, including a manifesto for the Welsh and London Assembly elections and major reports such as *Tomorrow's Enterprise*; *Productivity Now* and *Long-term Investment and Accounting: Overcoming short-term bias*. These were all circulated among key decision-makers and helped ICAEW extend its influence and reach.

ICAEW staff, office-holders and members also participated in a wide variety of events to support the drive for growth, including chairing a debate in the European Parliament on SME accounting and financing, with a second panel on new sources of finance. We also hosted a members' dinner with BEIS Select Committee Chair Iain Wright for members in FTSE250 companies and held a female leaders' dinner with Women's Minister Caroline Dineage MP.

This year's SME Conference achieved record numbers, with delegates hearing from a powerful range of speakers on topics related to growth and business confidence.

An updated edition of the *Business Finance Guide* (the first of which was circulated to 750,000 businesses) was published alongside an online tool to help businesses understand the finance options open to them.

We were the only accountancy body that participated in the UKTI's Business Partnership Forum to help guide its strategy, including a discussion of how UKTI operates and engages with the private sector.

WHAT WE SET OUT TO DO	WHY	WHAT WE ACHIEVED	WHERE WE FELL SHORT
Drive our parliamentary engagement, particularly on the growth agenda	Build the reputation of ICAEW as a business commentator	Ministerial engagement across a range of topics, particularly international trade	
Active engagement on devolution	Position ICAEW as a credible commentator locally and nationally on a key government initiative	Ran project with IPPR North and launched report in November	We have refocused our activities following the change in approach of the UK Government
Evolution of the Finance for the Future awards	Positioning ICAEW as a business leader, championing innovation in business and finance	Increased number of entries and a new long-term partner in Deloitte	

## Sustainable business

### UN GLOBAL GOALS

ICAEW supports the UN Global Goals for Sustainable Development which aim to transform our world by 2030. These are a means to engage with ICAEW Chartered Accountants around the world as well as their communities.

Members can use the goals as a focus for discussion on the critical part they can play in the ambition to end poverty, combat climate change and fight injustice and inequality. These aims are synonymous with ICAEW's new vision and are supported by our revised strategy. ICAEW members are well placed to help in vital elements of the Global Goals project, most notably measurement, reporting on and assuring progress as organisations seek to meet the goals.





### 3. INCREASING IMPACT ON THE INTERNATIONAL PUBLIC SECTOR

In 2016, we continued to work with governments and especially finance ministries in countries around the world, from Vietnam to Bangladesh, Latvia to Malaysia. We published our report on the *Modern Finance Ministry*. This outlined what good public sector and government financial management looks like, drawing heavily on the successful work developed in its predecessor report, the hugely influential *CFO At The Cabinet Table*.

As part of our role as a commentator on government and public finances, we were again delighted to be a major sponsor of the IFS Green Budget and to contribute chapters to the final report, which offers an alternative and independent analysis of the state of UK government finances.

In 2016, ICAEW's public sector special interest group (SIG) was relaunched and attracted over 1,500 new members to participate in its discussions and events.

We also developed and launched the ICAEW IPSAS (International Public Sector Accounting Standards) certificate in partnership with PwC. This is an e-learning, self-study programme that will generate a certificate on satisfactory completion.

In Europe, we published a report setting out 10 key insights for achieving better public finances in the EU based on democratic accountability and fiscal sustainability. This was based on a series of discussions we hosted in partnership with PwC.

ICAEW was also represented at the ICPAK Public Financial Management conference in Kenya, at the PAFA annual conference in Zambia and at the Zimbabwe Accountants Conference.

ICAEW representatives met with the GCCAAO to discuss its proposition for the Gulf Monitoring Unit. We plan to help them make the case to the relevant GCC undersecretaries.

It was agreed with the Vietnam Auditor-General for State Audit Vietnam to become an Authorised Training Employer (ATE).

We also signed a contract with PwC Colombia for marketing of the IPSAS certificate across Spanish-speaking South America.

In other government-related growth activity we published *Funding UK Infrastructure*, in advance of the Q4 Autumn Statement and engaged with the new Chief Secretary to the Treasury David Gauke on public finances and UK international influence.

WHAT WE SET OUT TO DO	WHY	WHAT WE ACHIEVED	WHERE WE FELL SHORT
Thought leadership initiatives	To raise our profile in this area and enhance our capacity building work	Developed content for IFS Green Budget. Produced Modern Finance Ministry report outlining what good public sector and government financial management looks like	
Relaunch public sector SIG	Increase engagement with members in this area and build our offering	Over 2,000 members by the year-end, double the target	
IPSAS e-learning package	Access to the public sector market and raise ICAEW profile	Being delivered in partnership with PwC in markets around the world	

#### 4. BEING SEEN AS A BUSINESS COMMENTATOR INTERNATIONALLY

There continues to be broad international support for our programme of Economic Insight reports. In 2016, we continued our partnership with Oxford Economics to produce these quarterly forecasts, with reports through the year on the Middle East, Greater China, Africa and South East Asia. These reports are prepared specifically for the finance profession in each region. We also held a number of local events to launch these reports during the year.

We hosted the launch of a report on financial integrity and transparency in global sport, which was written by Harvard professor Matt Andrews. This project is at an early stage of development but will continue to evolve in the coming years.

Despite the uncertain nature of the UK's relationship with the EU in 2016, we also hosted a debate in Brussels on the EU policy series *A better tax system – EU perspectives*. It focused on

proposals to coordinate the OECD's Base Erosion and Profit Shifting project (BEPS) across the EU.

In partnership with EGIAN, we published a survey of 173 tax professionals across 29 European countries, which highlighted the need for a simpler tax system across Europe.

WHAT WE SET OUT TO DO	WHY	WHAT WE ACHIEVED	WHERE WE FELL SHORT
Global event series with key partners	Support our premium positioning and provide contacts for follow-up locally		We scaled back this programme to focus on a series of smaller, more targeted events
Research into the economic case for business regarding EU membership	Show leadership on a critical agenda	We presented a neutral position and platforms to both sides, producing evidence-based debate. We made submissions to the Department for Exiting the EU and held constructive talks with the Department for International Trade and HM Treasury	

## HMRC and other public policy work

### ENGAGEMENT WITH HMRC

In 2016, HMRC launched its Making Tax Digital for Business (MTD) overview and six consultation documents, including one on unincorporated businesses. ICAEW continued throughout the year to engage with HMRC at all levels, on this and a range of other issues and to push for a much higher threshold for businesses to be included in the scope. Throughout 2016, we had conversations with key figures at HMRC, including Jane Ellison, the Financial Secretary to the Treasury.

In 2016 HMRC saw a significant turnover in senior staff and ICAEW representatives were closely engaged with key people across both the old and new regimes.

### PUBLIC POLICY CHALLENGES

Throughout much of 2016, the ICAEW's public policy and media relations teams worked to influence government plans, as part of its deregulation agenda, to raise the statutory audit threshold. Through our efforts and dialogue with ministers, ICAEW helped to secure a commitment to review the rise in audit thresholds and offer more support for audit.



## 5. GROWING OUR COMMERCIAL BUSINESS

Continuing professional development remains central to ICAEW and its members. In 2016 our Academy, which gathers together training and development activities, grew from strength to strength.

Over a quarter of a million accountants around the world have viewed ICAEW's first film, *False Assurance*, which was launched in 2016. Based on its success and the feedback from the firms that licensed the film, we are planning a

series of films to provide training in a medium that is accessible and impactful.

The Malaysian Institute of Accountants (MIA) agreed to purchase ICAEW's International Accounting, Auditing and Ethics (IAAE), an online service with high-quality technical resources to support the practical implementation of international standards. Such opportunities help us achieve several objectives at once, growing our

commercial business while also helping ICAEW to spread our development activity globally.

The extensive redevelopment of Chartered Accountants' Hall saw the creation of an entire new conference floor, including the new Auditorium (formerly the Council Chamber), equipping ICAEW with one of the City's most innovative and inviting conference and meeting venues.

WHAT WE SET OUT TO DO	WHY	WHAT WE ACHIEVED	WHERE WE FELL SHORT
Grow our courses and programmes under the ICAEW Academy umbrella	To focus resources and provide better access to market		Open courses are only run where there is sufficient demand. This meant that fewer open courses were run in 2016 than planned
Promote the use of the refurbished Chartered Accountants' Hall	Make commercial use of a key ICAEW asset	Launched new conference suite in June 2016 which has resulted in significant growth in external bookings in the second half of the year	On a like-for-like basis, income from room bookings was below 2015 levels as a result of the refurbishment work
Evolve our model for ACA learning materials	Ensure our offering continues to meet student, employer and trainer needs while providing a return on heavy investment		We have focused heavily on the launch of computer-based exams in 2017 so any major evolution of learning materials was deferred in order to assess the end to end requirement

## 6. GROWING IN THE ASEAN REGION

ICAEW committed to focusing its overseas growth in the ASEAN region and has made considerable progress throughout 2016. We continue influencing the future of the profession in Malaysia and Singapore, working with Malaysia's Committee to Strengthen the Accounting Profession and agreeing mutual recognition with the Institute of Singapore Chartered Accountants.

In Vietnam, a three-year licence has been approved and signed with the State Audit Office of Vietnam enabling the translation and printing of ICAEW learning materials, jointly branded, for the purpose of internal State Audit Office employee training on their qualification. We were also awarded funding by the Foreign Office's South East Asia Prosperity Fund for IFRS adoption in Vietnam.

Our second Regional Business Challenge was held in Malaysia on 24 May. A total of 144 students from 21 universities across Vietnam, Malaysia, Indonesia and Singapore attended. We are also discussing how to hold qualifying rounds in the respective countries.

ICAEW has been working on an Asian Development Bank-funded project for strengthening financial management in Asia and the Pacific and piloting audit quality assurance systems for professional accountancy organisations (PAOs). The project overall involves advisory, technical and implementation assistance to enhance the quality assurance systems of PAOs in four selected pilot countries – Cambodia, Myanmar, Nepal and Samoa.

WHAT WE SET OUT TO DO	WHY	WHAT WE ACHIEVED	WHERE WE FELL SHORT
Increase student numbers and engagement in Vietnam	A market opening quickly, a student base eager to develop international qualifications and an opportunity to raise ICAEW's profile in the region	ACA and CFAB intake and training offices established all ahead of target.  Programme established with Ministry of Finance for IFRS	
Raise ICAEW profile through media and advertising in key markets within the region	Support drive for student growth and improved profile in region	Economic Insight events including government minister in attendance in Jakarta  Dual scholarship programme with IAI to attract undergraduates into the profession using CFAB	Still work to do on raising profile
Influence the future of the profession in Malaysia and Singapore by participating in invited initiatives	Enhance the status of ICAEW members and students in these countries	High level engagement with ministers and senior stakeholders to advance key projects	

## 7. INCREASING ACCESS TO AND THE DIVERSITY OF THE PROFESSION

The profession recognises the importance of a diverse pool of talent to bring value to businesses. We want to ensure that ICAEW is an inclusive professional body and employer.

Throughout the year ICAEW has worked hard to help improve access to the profession and to do what we can to improve diversity, from student intake right up to the most senior level of leadership. We are grateful for the input we receive from our Diversity Advisory Group that was set up in 2016 and is chaired by the Deputy President.

At ICAEW, we are proud to have an ethnically diverse workforce spread across many different countries. We believe it is in the interests of our employees and our profession to value diversity and embrace equality. As an organisation, we benefit from engaging employees from a variety of backgrounds. We recruit on merit and we appreciate the positive benefits gender balance has on business outcomes. External interview shortlists and panels for senior management roles are gender balanced. We are committed to pursuing initiatives to improve gender balance and reduce the gender pay gap by promoting equality, diversity and inclusion through communication and training and development. We will continue with our management programme, which has a gender-balanced participant ratio. We have identified female managers with potential and will fast track their development training to give them the

confidence and skills to take on more senior roles within ICAEW. We also have established LGBT and parents' networks within our staff.

We hosted a Women in Finance event with Seema Malhotra MP and arranged for a representative to attend a Number 10 reception for International Women's Day. At political party conferences this year, ICAEW partnered with Deloitte to put on two successful events on diversity and trust in business, which were attended by Minister of State Baroness Neville Rolfe and Rachel Reeves MP. We have also held a number of roundtables, including a discussion with the Minister for Women, Caroline Dinenage MP, and a member event in aid of a government-backed review into BAME access to business.

We also submitted our views to parliamentary committees including the then BIS Select Committee on Apprenticeships and Careers Advice, and the Women and Equalities Committee on the Gender Pay Gap. In January, we gave oral evidence to the Women and Equalities Committee and were subsequently referenced in the committee's publication.

ICAEW is working hard to develop the profile of CFAB. In 2016, we established a project steering group and support for the CFAB designatory letters project. Members approved the changes to the disciplinary bye-laws so that ICAEW can exercise professional conduct jurisdiction over CFAB holders.

The next step is to seek approval from Privy Council.

ICAEW remains a strong supporter of apprenticeships as a route into the profession (see box on trailblazer). In July, we responded to the Sutton Trust and the Social Mobility All Party Parliamentary Group inquiry on improving access into leading professions. We have been working on ICAEW's forthcoming application to the Skills Funding Agency's Register of End-point Assessment Organisations.

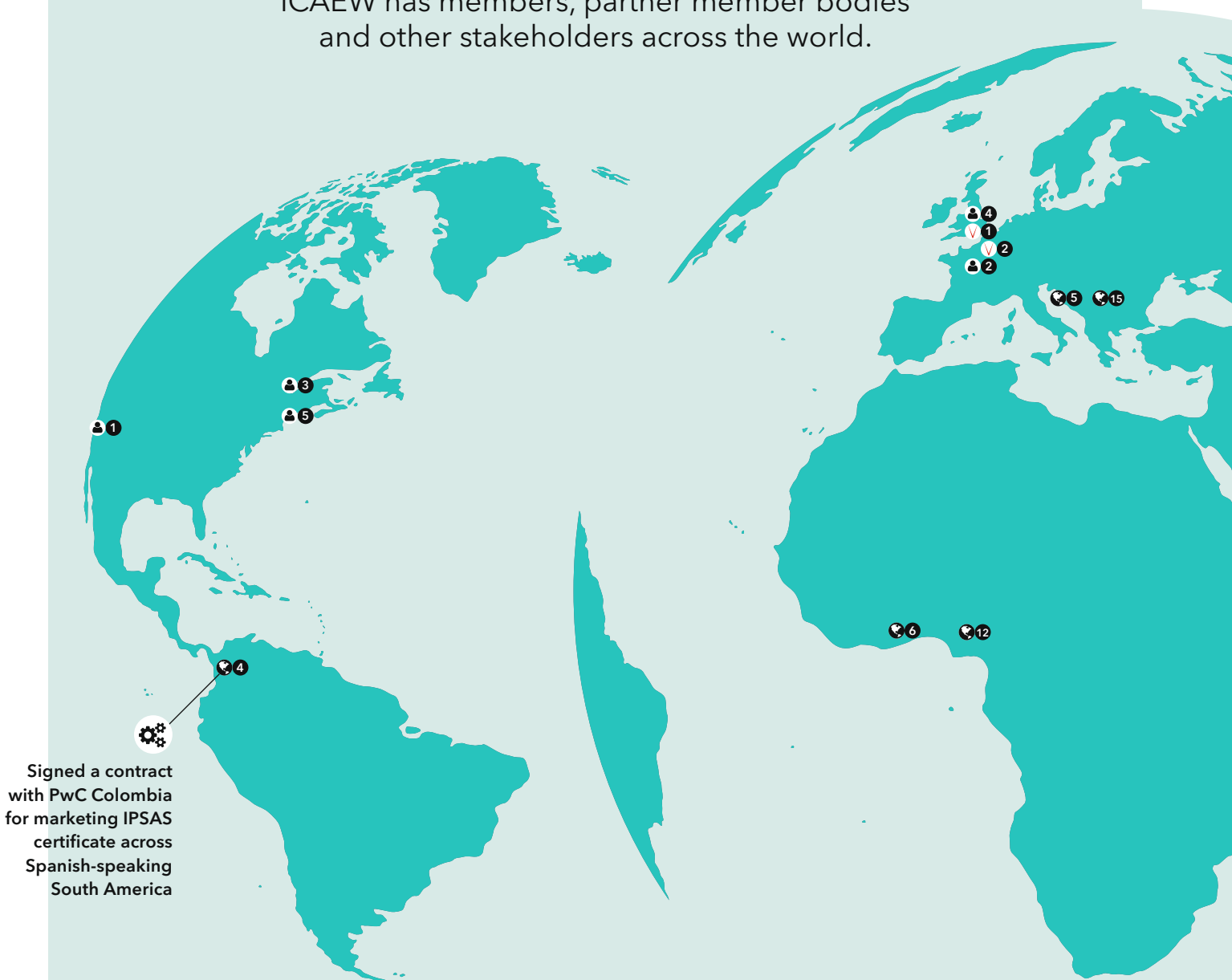
ICAEW was a joint sponsor, with EY, for the Pure Potential Awards held in March (students and teachers were nominated by their peers for outstanding achievements in the face of adversity).

Engagement with young students was exemplified by the third year of our tax essay competition for students under 30 years of age. It was won by Clavance Lim of Cambridge University for an essay *Are State Aid Rules a Good Way to Deal with Tax Avoidance?*

WHAT WE SET OUT TO DO	WHY	WHAT WE ACHIEVED	WHERE WE FELT SHORT
Engage with the Cabinet Office on social mobility	Build reputation with the government and position ICAEW as a progressive organisation	Worked with Sutton Trust and Social Mobility APPG inquiry	
Enhance our back to the workplace programme	Support our members returning from career breaks or those who are finding it hard to obtain a new role	Online Comeback Community launched	
Establish strategic degree programmes with universities	Create champions for ICAEW with embedded ACA and CFAB programmes, reaching a diverse student base	Developed relationships with University of Edinburgh, Judge Business School, Singapore Management University and Nottingham campuses in Malaysia and Ningpo	

# One world, one ICAEW

As a global organisation, based in the UK,  
ICAEW has members, partner member bodies  
and other stakeholders across the world.



Signed a contract  
with PwC Colombia  
for marketing IPSAS  
certificate across  
Spanish-speaking  
South America

## ICAEW OFFICES



- 1 London, UK
- 2 Brussels, Belgium
- 3 Nicosia, Cyprus
- 4 Dubai, UAE
- 5 Beijing, China
- 6 Hong Kong, China
- 7 Singapore, Singapore
- 8 Kuala Lumpur, Malaysia
- 9 Hanoi, Vietnam
- 10 Ho Chi Minh City, Vietnam
- 11 Jakarta, Indonesia

## ICAEW'S DEVELOPMENT WORK



- 1 Bangladesh
- 2 Botswana
- 3 Cambodia
- 4 Colombia
- 5 Croatia
- 6 Ghana
- 7 Jordan
- 8 Kenya
- 9 Malawi
- 10 Malaysia
- 11 Myanmar
- 12 Nigeria
- 13 Pakistan
- 14 Philippines
- 15 Serbia
- 16 Sri Lanka
- 17 Tanzania
- 18 Thailand
- 19 UAE
- 20 Vietnam
- 21 Zambia
- 22 Zimbabwe

## CAW NEW PARTNERS AND CONVERSATIONS IN 2016

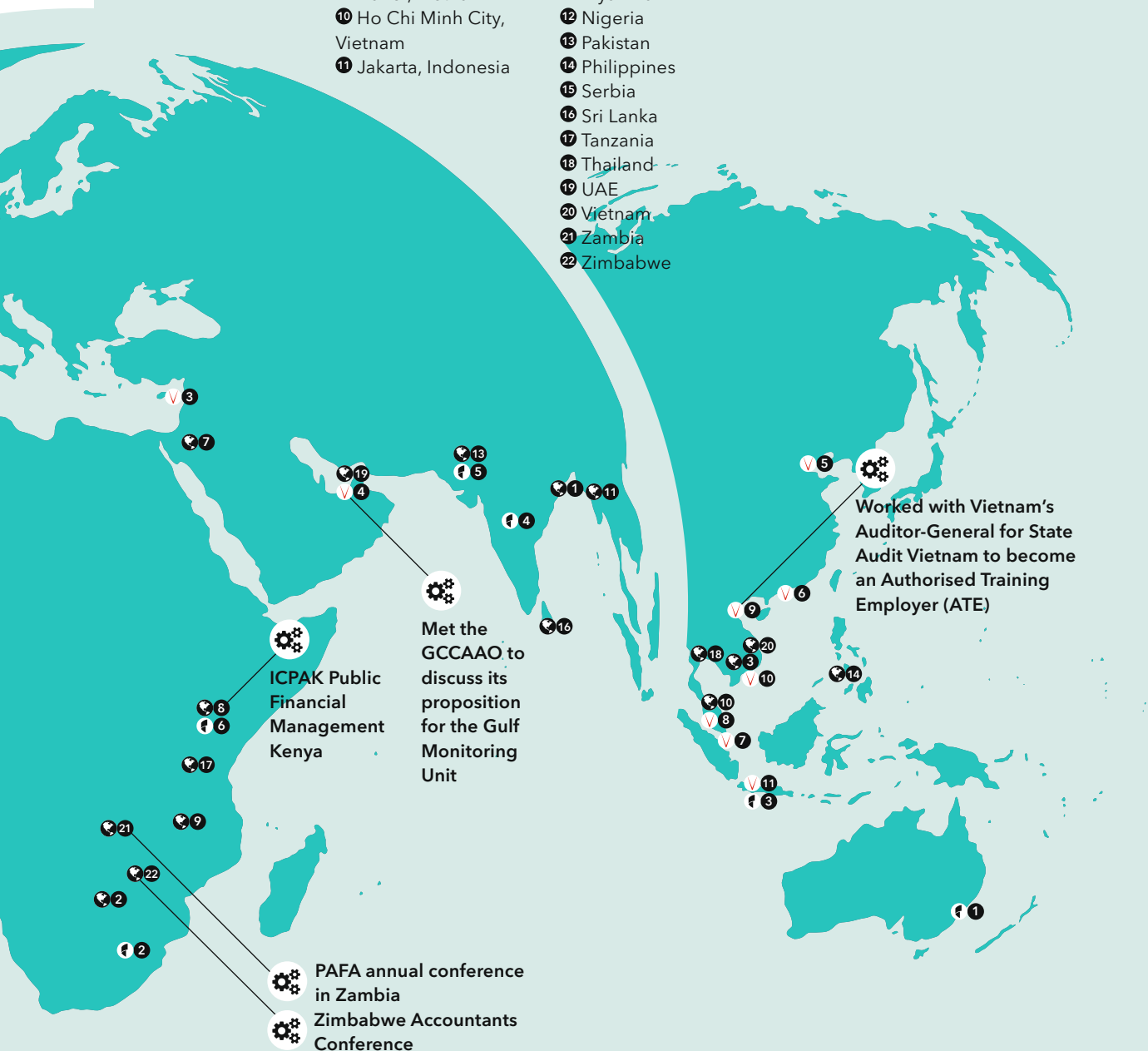


- 1 Sydney, Australia
- 2 Johannesburg, South Africa
- 3 Indonesia
- 4 India
- 5 Pakistan
- 6 Kenya

## MEMBER PROFILES



- 1 San Francisco, US
- 2 Paris, France
- 3 Ottawa, Canada
- 4 Highclere, UK
- 5 New York, US





# Risks

The chief executive and executive directors identify, evaluate and manage the risks faced by ICAEW. These are reviewed on a regular basis by the board, audit committee and council.

We regularly assess both the controls in place and actions required to manage risks and take strategic choices accordingly. You can read about the full process in the financial statements. We are a risk-conscious organisation but not risk averse. We understand, explore and manage risk in order to deliver our strategy. We recognise that every activity that we engage in must uphold and promote our reputation. Our reputation and that of our members is what matters to us most.

Over the year, the board has recognised the principal risks outlined below. A more detailed description of the principal risks can be found in the accompanying financial statements.

## THE CHANGING NATURE OF THE GLOBAL COMPETITIVE ENVIRONMENT

The risk that external changes result in professional bodies losing relevance or ICAEW falling behind in the marketplace and being unable to execute strategy in the public interest.

## THE LOSS OF PUBLIC TRUST

The risk that a global financial crash, debt crisis or financial scandal causes the public to lose trust in the profession and finance institutions, reducing our ability to support members, undermining our disciplinary and regulatory roles and hampering our ability to act in the public interest.

## THE IMPACT OF BREXIT

The consequences of the UK's decision to leave the EU, following the EU referendum.

## CYBER AND DATA SECURITY

The risk that there is a failure or breach of physical or cyber security systems (eg, as a result of a cyber-attack), or of data mismanagement events such as the handling of client or student data, or a breakdown of the ACA assessment process or procedure, or use of data relating to elections.



## Brexit fears

### THE EU REFERENDUM

There was no place to hide from the UK referendum on its membership of the EU, and ICAEW played its part by hosting meetings and events for both sides of the argument. We decided to remain neutral and serve members by offering evidence-based debate in as dispassionate a manner as we could. Throughout this process, and after the result was declared, ICAEW has engaged with senior politicians to make sure the views of members and the profession are heard and to make sure we better understand government thinking and potential plans. We remain committed to our members, students and partner bodies across Europe as well as to our strong relationships with governments, regulators and the EU institutions.



# Opportunities

## TECHNOLOGY

Advancements in technology coupled with growing demand for the interpretation and analysis of data create new opportunities for the profession. This also presents an opportunity for ICAEW using our brand, reach, experience and ethics. We are aware that we are no longer up against traditional competitors. A competitor that might take most market share from us in terms of qualified data specialists, with finance and business skills, does not yet exist.

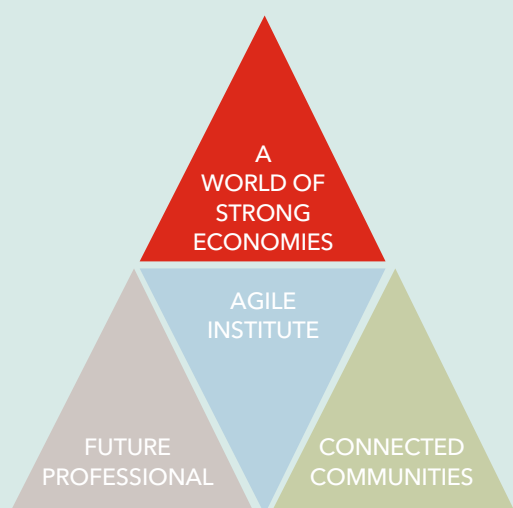


## LEGAL

We are expanding our activities to other areas that professionals cover, including further legal services. ICAEW members have been able to register to offer probate services for several years. In 2016, we applied to become an approved regulator and licensing authority for other reserved legal services. We will learn the outcome of our application in 2017, at which point we will be able to start helping our members take advantage of this opportunity.

# ICAEW's new strategy





In a rapidly changing business environment, it is essential ICAEW's strategy reflects the evolving needs of business and wider society. For the last two years, ICAEW council, board and senior staff have considered the big questions about who we are and what we do.

As a new world order evolves, it is clear that strong national economies, with transparent governments that are clearly accountable to and trusted by voters, will be paramount. Whether these nations continue to trade through large, global free trade agreements or a series of more specific bilateral arrangements remains to be seen, but ICAEW Chartered Accountants will play a central role either way. ICAEW has to be ready to support members and students and prepare them for this new world.

Our vision is a world of strong economies and this means we work with others to develop strong, accountable and open economies where people can trust data, leaders can make good decisions, public finances are transparent and businesses are accountable.

We will always pursue some fundamental aims in terms of what we deliver for members, for the wider business community and for the global economy. These fundamentals are laid out in our Charter and influence every decision we make. They are the threads that connect us with our history both as an institute and a profession, but they must also be the foundations for our future growth. They are the things ICAEW will continue to do, even as we organise differently in the years ahead in order to deliver a new strategy.

Our strategy to achieve this vision is focussed on three key areas:

#### **CONNECTED COMMUNITIES**

Collectively, ICAEW and our members empower businesses and economies to succeed. Together, we encourage individuals and organisations to perform better. We help them think through the difficult questions and get to the heart of the real issues. We work with governments, regulators and business leaders. We will nurture communities of professionals who work towards a world of strong economies, bringing together people within and beyond our profession who have something to add.

#### **FUTURE PROFESSIONAL**

ICAEW Chartered Accountants are current and future leaders. They are a force for positive change. As their institute, we speak for the profession, uphold standards and campaign for progress in a volatile world. We will help to develop the skills of our members, ensuring they are able to reach their full potential. We will promote ICAEW Chartered Accountants as people who ensure the world's economic activity is advancing and accountable.

#### **AGILE INSTITUTE**

As an agile institute, we will act as the facilitator joining the future professional with their connected communities. We will make sure that the profession is able to respond efficiently and effectively to change, while relentlessly upholding the quality, integrity and ethical behaviour of the profession. We will reorganise so we have a more efficient committee structure with more interaction with a larger number of Active Members and other professionals.

**WE WILL CONTINUE TO**

- Provide a qualification for ICAEW Chartered Accountants across economies
- Be committed to practices and businesses of all sizes and to the private and public sectors
- Position ICAEW as the gateway to a profession, not merely a qualification provider
- Be an innovator through thought leadership
- Focus relentlessly on premium positioning
- Be an international organisation, headquartered in London, a global financial centre
- Be a regulator of the profession
- Build our commercial activities
- Nurture the ICAEW brand

Our role as a professional body is to find ways to work with others to develop strong, accountable and open economies. Through our new strategy, we will actively seek out new partners, associations and routes to membership that help professionals to develop new skills and grow their communities. It is clearly in the public interest that people can trust data, leaders can make good decisions, public finances are transparent and businesses are accountable.

**Training future stars****TRAILBLAZER APPRENTICESHIPS**

ICAEW has joined forces with employers, industry bodies and training providers to develop a new apprenticeship standard. Following the Sainsbury Review into apprenticeships, the government now requires academic and technical options that lead to skilled employment to be offered in parallel.

The new Level 4 Accounting and Taxation Technician Apprenticeship will offer students an alternative route into the accountancy profession, while the Level 7 Higher Apprenticeship in Professional Services at Master's degree level takes Higher Apprentices all the way to ICAEW Chartered Accountant status.

**OUR PLANS THROUGH TO 2019**

The new strategy is intended to drive ICAEW forward over a 10-year timeframe, but more importantly it recognises the need for greater flexibility and agility in operational planning and delivery in a rapidly changing world. In order to get us along the road to 2027, we are delivering an initial three-year operational plan, which takes us to 2019.

Part of the process of developing our new vision has been to look hard at our operating model and consider how to improve our focus to bring it into line with our future needs and to make sure it is fit for the purpose of serving the needs of all members around the world.

# 2019

**OVER THE NEXT 12 MONTHS, WE WILL**

1. sharpen our business model;
2. adapt our operating model ; and
3. upgrade our supporting infrastructure.

This focus is part of our wider plans to develop into a more agile and responsive organisation able to meet the needs of members. With a new management structure in place, which reflects ICAEW's desire to be more agile, we are also better placed to help develop future professionals and support them through networks and communities that allow them to realise their full potential.





## LIFETIME ACHIEVEMENT AWARD WINNER

## Amir Dossal

Amir Dossal is president and CEO of Global Partnerships Forum, a not-for-profit body that addresses economic and social challenges through partnerships. During a long career with the UN, he was instrumental in establishing the partnerships programme in the 1990s and was central to launching Millennium Development Goals (MDGs) and the updated Global Goals.

"Partnerships are about relationships and in most cases are about 'us' rather than 'me'. It's about engaging all the actors and making sure we all benefit from each other's expertise. It is useful to learn from those who have made mistakes and know how to do better. It is about taking someone's knowledge, leadership and expertise and asking how it can be applied in other situations. Today's local, regional or global challenges can't be solved alone."

Born in India, Dossal came to the UK in 1970 as an articled clerk, attracted by a combination of factors. He qualified in 1974 and immediately switched from practice to business. He took a job in Iran with a major US company

and was there for the revolution, which deposed the ruling Shah and saw US companies having to leave the country.

He joined the UN and rose to be chief of finance and administration for peacekeeping operations. Then Ted Turner popped up with a \$1bn donation and Dossal began working on partnerships and philanthropy. He says there is no single approach to partnerships. "If you can find a socially responsible investment, then fine. Doing well and then doing good as a result is how most people do things. We would rather see people doing good and then doing well as a result."

At a time of low trust in business, Dossal sees the Global Goals as a means to rebuild a connection with the public. "More CEOs see they have a responsibility for social issues and the agenda of people, profit and planet is accepted. Companies are figuring out how they can contribute to society. It may be driven by peer pressure, but they are asking questions. In some areas the private sector is ahead and in others it has to be dragged to the table."

# Financial review and summary financial statements



ICAEW's financial statements for 2016 include the charitable trusts associated with ICAEW together with our international subsidiaries. The commentary below relates primarily to the operating activities of ICAEW, which include the costs of our international subsidiaries that are managed as a single entity with ICAEW. Except where stated, the commentary below excludes FRC fines and cost recoveries arising in the year.

## RESULTS

ICAEW's operational income was £100.0m, an increase of £3.1m compared with 2015. Our operational surplus was £0.8m (2015: £0.3m).

ICAEW received £6.7m in fines and £3.8m of cost recoveries from FRC disciplinary cases, the culmination of investigations conducted over a number of years which have been funded by ICAEW. Since its inception, cumulative charges to the income statement in respect of case costs to the end of 2016 are £44.4m, funded in part by levies on member firms, and fines and cost recoveries totalling £23.2m over the 13-year period.

Including these fines and cost recoveries, total income was £106.7m, £5.1m higher than in 2015 and the retained surplus after tax for the year was £11.3m (2015: £6.9m).

Membership income growth was £0.8m and was supplemented by growth in our student-related income driven by the rising trend in our student base, and our commercial activities, enabling us to continue to invest in our strategy in the UK and internationally.

Net assets at 31 December 2016 were £46.7m, an increase of £3.5m over the 2015 net assets of £43.2m. Cash and cash equivalents ended the year at £11.9m, reflecting a net cash inflow of £1.6m in the year, after £1.8m contributions to reduce the pension scheme deficit and £5.4m cash contributions to FRC case costs. Total cash and investments stood at £52.2m at the end of the year, an increase of £5.2m on 2015.

The consolidated outcome for the year, including the results of ICAEW's charitable trusts, was a surplus after tax of £11.4m (2015: £7.2m).

## STUDENT AND MEMBERSHIP GROWTH

2016 saw another record ACA student intake of 8,319 – an increase of 63 over our previous record intake of 8,256 in 2015.

Total ACA student numbers at the end of 2016 stood at 25,822 (2015: 24,149). In addition 5,620 students signed up for our foundation level Certificate in Finance, Accounting and Business (CFAB) and University Scholarship Schemes, a further increase on last year's intake of 5,542.

In the year, membership grew to 147,538, from admissions of newly qualified students to membership, together with reciprocal and similar arrangements with members of other institutes.

## INCOME

Revenue from members' fees and subscriptions rose by 2% to £46.0m, reflecting the continued steady growth in membership and a modest increase in membership fees. Income from our qualifications (learning and professional development income) increased by £1.4m, reflecting the record ACA and CFAB intakes in the past three years.

Our regulatory (professional standards) income rose by £0.2m, reflecting the changes in the number and mix of registered firms and fee increases to cover the cost of regulation. Our commercial income increased to £11.6m, (up £0.6m on 2015) with improved results from both our leadership programmes and our portfolio of Academy events.

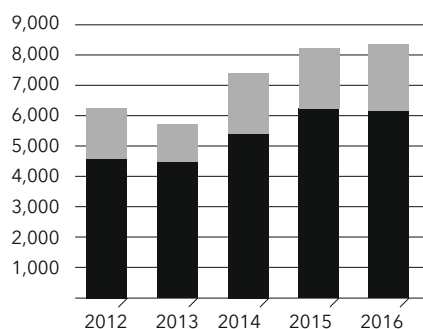
## EXPENDITURE

Operating expenditure increased to £99.3m, excluding cost recoveries from concluded FRC cases.

The increase in student numbers resulted in an increase in student-related direct costs, including exams. We have continued to invest in our qualification, with successful pilots of computer-based exams for our Professional Level ahead of roll-out in 2017.

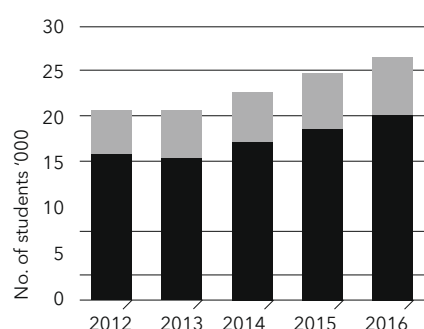
2016 also saw a further increase in our investment in member services, particularly internationally. We also saw an increase in depreciation and asset write offs as a direct consequence of our capital programme.

### STUDENT INTAKE

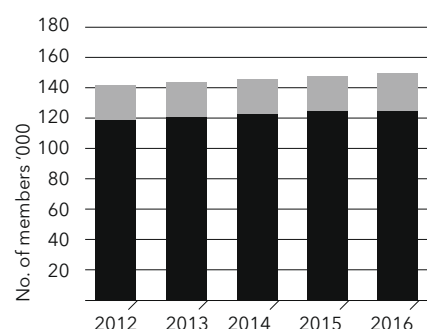


■ UK ■ INTERNATIONAL

### STUDENT GROWTH



### MEMBERSHIP GROWTH



**FRC CONDUCT COMMITTEE  
CASE COSTS**

During 2016 we incurred costs of £5.5m to the income statement for new charges arising from obligations in relation to FRC Conduct Committee cases. These charges are for new cases taken on and extensions of work on existing cases over and above those foreseen in the provision at the end of 2015. These were partly offset by levies on member firms of £4.5m.

We received the proceeds from fines of £6.7m (2015: £4.7m) and cost recoveries of £3.8m (2015: £1.9m) imposed by FRC tribunals in a number of cases conducted over many years and returned to ICAEW. In 2017 we expect to pay to the FRC in the region of £5.0m in respect of current and new obligations. We also expect to make charges for new estimates of obligations of £5.0m and receive levies by way of contribution to these new obligations of £4.5m.

The FRC Conduct Committee 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 or where required under the Audit Enforcement Procedure.

We note that the FRC is being redesignated as a public body and this is likely to have implications for the treatment of fines and cost recoveries arising from new cases.

**TAX**

The net corporation tax charge for the year was £nil (2015: £nil) but we released a provision of £0.1m no longer required. As a mutual membership organisation, much of our income is exempt from corporation tax.

**PENSIONS**

The IAS 19 valuation at 31 December 2016 was a whole scheme surplus of £1.2m (2015: £9.3m). The pension asset is recognised as ICAEW considers that any surplus arising would be recoverable, assuming the gradual settlement of scheme liabilities over time. The significant movement is a result of declines in the yields on corporate bonds which are used to determine the discount rate for IAS 19 purposes.

ICAEW's defined benefits pension scheme was closed to further member benefit accrual in 2010. A triennial actuarial valuation was conducted during the year and showed a deficit of £19.8m at 31 March 2016. The trustee and ICAEW agreed deficit funding arrangements comprising annual payments of £1.6m from 1 January 2017 until the deficit is eliminated. With our support, the trustee has developed an investment strategy intended to make the scheme entirely self-sufficient by around 2026.

A charge remains over Chartered Accountants' Hall and the scheme has an interest in up to £10.0m of our investment portfolio.

The scheme valuation has again been subject to the volatility in the financial markets. A desktop valuation of the technical funding position at 31 December 2016 estimated the scheme deficit at £20.7m, an increase of £0.9m from the March 2016 valuation.



**FINANCIAL POSITION**

Net assets at 31 December 2016 were £46.7m – an increase of £3.5m on the 2015 position.

During 2016, the market value of our long-term investments rose to £40.3m from £36.7m in 2015.

Trade and other payables were £50.7m (2015: £36.7m). Trade and other receivables were £22.2m (2015: £10.4m). These increases reflect the timing of our regulated firm billings around the year end, increasing both our trade receivables and our income in advance.

We have provided £12.0m (2015: £11.9m) of costs relating to the FRC Conduct Committee at 31 December 2016, reflecting their current case load. Case costs are forecast on the basis of the available information on cases and their current stage of progress. The accuracy of this forecast depends on assumptions made about the progress of individual cases and is subject to a significant degree of judgement. We do not take account of any potential future income from fines or cost recoveries from FRC Conduct Committee cases.

Other changes in net assets arose from the movements in the IAS 19 pension asset and a net cash inflow.

**CASH FLOW**

Cash balances at 31 December 2016 were £11.9m. Net cash inflow was £1.6m compared to £5.4m in 2015. Our current cash profile fluctuates on an annual cycle, this year peaking at £49.2m in February and bottoming out at £1.7m in November.

Funding of the FRC Conduct Committee case costs saw a cash outflow of £5.4m (2015: £4.3m).

ICAEW paid £1.8m (2015: £1.8m) of deficit funding to the Staff Pensions Fund, in line with the current agreement.

Capital expenditure increased to £12.4m (2015: £6.7m) reflecting the impact of our Chartered Accountants' Hall refurbishment programme and the start of our business systems review. We expect to incur £11.4m of capital expenditure in 2017, reflecting the continued investment in these major projects, together with the development of our qualifications programme.

**REPORT OF THE AUDITOR**

The auditor's report on the full accounts for the year ended 31 December 2016 was unqualified.

**FURTHER INFORMATION**

The annual review is only part of ICAEW's annual accounts and reports. You can get full financial statements at:

[icaew.com/review](http://icaew.com/review);  
[fullaccounts@icaew.com](mailto:fullaccounts@icaew.com);  
Andrew Fagg, Finance Director, ICAEW,  
Chartered Accountants' Hall, Moorgate Place

# Summary financial statements

## Summary group income statement for the year ended 31 December 2016

	2016			2015		
	Income £m	Expenditure £m	Net £m	Income £m	Expenditure £m	Net £m
Subscriptions and fees	46.0	-	46.0	45.2	-	45.2
Learning and professional development	12.7	(19.2)	(6.5)	11.3	(17.4)	(6.1)
Professional standards	16.6	(16.4)	0.2	16.4	(15.1)	1.3
Commercial and shared services	11.6	(14.7)	(3.1)	11.0	(13.7)	(2.7)
Members	0.9	(16.5)	(15.6)	1.0	(15.3)	(14.3)
Technical strategy	4.8	(9.9)	(5.1)	4.7	(9.4)	(4.7)
Central activities	0.5	(13.3)	(12.8)	0.7	(14.6)	(13.9)
Charitable trusts	0.1	(1.0)	(0.9)	0.2	(1.0)	(0.8)
	<b>93.2</b>	<b>(91.0)</b>	<b>2.2</b>	<b>90.5</b>	<b>(86.5)</b>	<b>4.0</b>
FRC Conduct Committee	4.5	(5.5)	(1.0)	3.8	(7.1)	(3.3)
Other regulatory and professional associations	1.0	(3.1)	(2.1)	1.1	(3.0)	(1.9)
	<b>5.5</b>	<b>(8.6)</b>	<b>(3.1)</b>	<b>4.9</b>	<b>(10.1)</b>	<b>(5.2)</b>
<b>Operating result</b>	<b>98.7</b>	<b>(99.6)</b>	<b>(0.9)</b>	<b>95.4</b>	<b>(96.6)</b>	<b>(1.2)</b>
Investment income	1.8	-	1.8	1.9	-	1.9
<b>Result before taxation</b>	<b>100.5</b>	<b>(99.6)</b>	<b>0.9</b>	<b>97.3</b>	<b>(96.6)</b>	<b>0.7</b>
Taxation	-	-	-	-	(0.1)	(0.1)
<b>Net result from operations after taxation</b>	<b>100.5</b>	<b>(99.6)</b>	<b>0.9</b>	<b>97.3</b>	<b>(96.7)</b>	<b>0.6</b>
FRC fines and cost recoveries	6.7	3.8	10.5	4.7	1.9	6.6
<b>Net result after taxation</b>	<b>107.2</b>	<b>(95.8)</b>	<b>11.4</b>	<b>102.0</b>	<b>(94.8)</b>	<b>7.2</b>

## Summary group statement of comprehensive income

	2016 £m	2015 £m
Net result after taxation recognised in the income statement in the year	11.4	7.2
Items that may be reclassified subsequently to profit or loss:		
Gains/(losses) on revaluation of available for sale investments	3.3	(1.2)
Gains reclassified on disposal	0.6	0.9
Items that will not be reclassified subsequently to profit or loss:		
Actuarial (losses)/gains recognised in the year	(10.3)	4.6
Deferred tax	(0.2)	(0.2)
Other comprehensive (expense)/income in the year	<b>(6.6)</b>	<b>4.1</b>
<b>Total comprehensive income in the year</b>	<b>4.8</b>	<b>11.3</b>

**Summary ICAEW income statement for the year ended 31 December 2016**


	<b>2016</b>			<b>2015</b>		
	Income £m	Expenditure £m	Net £m	Income £m	Expenditure £m	Net £m
Subscriptions and fees	46.0	-	46.0	45.2	-	45.2
Learning and professional development	12.7	(19.2)	(6.5)	11.3	(17.4)	(6.1)
Professional standards	16.6	(16.4)	0.2	16.4	(15.1)	1.3
Commercial and shared services	11.6	(14.7)	(3.1)	11.0	(13.7)	(2.7)
Members	0.9	(16.5)	(15.6)	1.0	(15.3)	(14.3)
Technical strategy	4.8	(9.9)	(5.1)	4.7	(9.4)	(4.7)
Central activities	0.5	(13.0)	(12.5)	0.7	(14.1)	(13.4)
	<b>93.1</b>	<b>(89.7)</b>	<b>3.4</b>	<b>90.3</b>	<b>(85.0)</b>	<b>5.3</b>
FRC Conduct Committee	4.5	(5.5)	(1.0)	3.8	(7.1)	(3.3)
Other regulatory and professional associations	1.0	(3.1)	(2.1)	1.1	(3.0)	(1.9)
	<b>5.5</b>	<b>(8.6)</b>	<b>(3.1)</b>	<b>4.9</b>	<b>(10.1)</b>	<b>(5.2)</b>
Gift aid and library funding	-	(1.0)	(1.0)	-	(1.5)	(1.5)
<b>Operating result</b>	<b>98.6</b>	<b>(99.3)</b>	<b>(0.7)</b>	<b>95.2</b>	<b>(96.6)</b>	<b>(1.4)</b>
Investment income	1.4	-	1.4	1.7	-	1.7
<b>Result before taxation</b>	<b>100.0</b>	<b>(99.3)</b>	<b>0.7</b>	<b>96.9</b>	<b>(96.6)</b>	<b>0.3</b>
Taxation	-	0.1	0.1	-	-	-
<b>Net result from operations after taxation</b>	<b>100.0</b>	<b>(99.2)</b>	<b>0.8</b>	<b>96.9</b>	<b>(96.6)</b>	<b>0.3</b>
FRC fines and cost recoveries	6.7	3.8	10.5	4.7	1.9	6.6
<b>Net result after taxation for the year</b>	<b>106.7</b>	<b>(95.4)</b>	<b>11.3</b>	<b>101.6</b>	<b>(94.7)</b>	<b>6.9</b>

**Summary ICAEW statement of comprehensive income**

	<b>2016</b> £m	<b>2015</b> £m
Net result after taxation recognised in the income statement in the year	11.3	6.9
Items that may be reclassified subsequently to profit or loss:		
Gains/(losses) on revaluation of available for sale investments	1.8	(1.1)
Gains reclassified on disposal	0.6	0.9
Items that will not be reclassified subsequently to profit or loss:		
Actuarial (losses)/gains recognised in the year	(10.0)	4.4
Deferred tax	(0.2)	(0.2)
Other comprehensive (expense)/income in the year	<b>(7.8)</b>	<b>4.0</b>
<b>Total comprehensive income in the year</b>	<b>3.5</b>	<b>10.9</b>

## Summary statements of financial position for the year ended 31 December 2016

	Note	Group		ICAEW	
		2016	2015 restated <sup>1</sup>	2016	2015 restated <sup>1</sup>
		£m	£m	£m	£m
Assets					
Non-current assets	2	93.0	87.3	78.4	73.7
Current assets		36.5	23.3	34.8	21.4
<b>Total assets</b>		<b>129.5</b>	<b>110.6</b>	<b>113.2</b>	<b>95.1</b>
Liabilities					
Current liabilities		(56.0)	(42.6)	(55.7)	(41.8)
Non-current liabilities		(10.9)	(10.2)	(10.8)	(10.1)
<b>Total liabilities</b>		<b>(66.9)</b>	<b>(52.8)</b>	<b>(66.5)</b>	<b>(51.9)</b>
<b>Total net assets</b>		<b>62.6</b>	<b>57.8</b>	<b>46.7</b>	<b>43.2</b>
Reserves					
Revaluation reserve		9.7	9.7	9.7	9.7
Investment revaluation reserve		6.0	4.0	6.0	4.0
Accumulated fund		27.4	25.1	25.9	24.0
Other reserves		5.1	5.5	5.1	5.5
Charitable trusts		14.4	13.5	-	-
	3	<b>62.6</b>	<b>57.8</b>	<b>46.7</b>	<b>43.2</b>
Approved on behalf of the council					



Hilary Lindsay  
President  
18 April 2017



Michael Izza  
Chief Executive  
18 April 2017

1. Deferred income has been analysed between current and non-current liabilities to better reflect its longer-term nature; prior year figures have been adjusted as a result with a reclassification of £1.1m from current to non-current liabilities. This has no impact on the overall result, or net assets of ICAEW.

**Summary statements of cash flow for the year ending 31 December 2016**

	<b>Group</b>		<b>ICAEW</b>	
	<b>2016</b> £m	<b>2015</b> £m	<b>2016</b> £m	<b>2015</b> £m
Cash generated from operating activities	20.5	18.0	21.0	18.0
Cash outflow on pension liabilities	(1.8)	(1.8)	(1.8)	(1.8)
Cash outflow on FRC Conduct Committee	(5.4)	(4.3)	(5.4)	(4.3)
Tax paid	-	(0.1)	-	-
Purchase of property, plant and equipment	(9.4)	(4.6)	(9.4)	(4.6)
Purchase of intangible assets	(3.0)	(2.1)	(3.0)	(2.1)
Net disposal of available for sale investments	(0.5)	(0.8)	(0.5)	(0.8)
Investment income received	1.2	1.2	0.9	0.9
<b>Net increase in cash and cash equivalents in the year</b>	<b>1.6</b>	<b>5.5</b>	<b>1.6</b>	<b>5.4</b>
Net cash and cash equivalents at 1 January	10.8	5.3	10.3	4.9
<b>Net cash and cash equivalents at 31 December</b>	<b>12.4</b>	<b>10.8</b>	<b>11.9</b>	<b>10.3</b>

# *Notes to the summary financial statements*

for the year ended 31 December 2016

## 1. Basis of preparation

The summary financial statements have been extracted from ICAEW's full financial statements for the year ended 31 December 2016, which have been prepared in accordance with International Financial Reporting Standards, and under the historical cost convention as modified by the revaluation of properties and available for sale investments.

## 2. Non-current assets

	Group		ICAEW	
	2016 £m	2015 £m	2016 £m	2015 £m
Carrying amounts				
Property, plant and equipment	31.2	23.7	31.2	23.7
Intangible assets	5.4	4.0	5.4	4.0
Investments in associated undertakings	0.1	0.1	-	-
Available for sale investments	55.1	50.2	40.3	36.7
Pension asset	1.2	9.3	1.5	9.3
	<b>93.0</b>	<b>87.3</b>	<b>78.4</b>	<b>73.7</b>

### 3. Reserves

	Group					
	Revaluation reserve	Investment revaluation reserve	Accumulated fund	Other reserves	Charitable trusts	Total
	£m	£m	£m	£m	£m	£m
<b>Reserves at 1 January 2016</b>	<b>9.7</b>	<b>4.0</b>	<b>25.1</b>	<b>5.5</b>	<b>13.5</b>	<b>57.8</b>
Net result after taxation	-	-	11.9	(0.2)	(0.3)	11.4
Net change in market value of long-term investments over cost	-	2.4	-	-	1.5	3.9
Actuarial losses recognised in year on defined benefit pension scheme	-	-	(9.8)	(0.2)	(0.3)	(10.3)
Deferred tax attributable to above	-	(0.4)	0.2	-	-	(0.2)
<b>Total other comprehensive income/(expense) in the year</b>	<b>-</b>	<b>2.0</b>	<b>(9.6)</b>	<b>(0.2)</b>	<b>1.2</b>	<b>(6.6)</b>
Total comprehensive income in the year	-	2.0	2.3	(0.4)	0.9	4.8
<b>Reserves at 31 December 2016</b>	<b>9.7</b>	<b>6.0</b>	<b>27.4</b>	<b>5.1</b>	<b>14.4</b>	<b>62.6</b>

	ICAEW				
	Revaluation reserve £m	Investment revaluation reserve £m	Accumulated fund £m	Other reserves £m	Total £m
<b>Reserves at 1 January 2016</b>	<b>9.7</b>	<b>4.0</b>	<b>24.0</b>	<b>5.5</b>	<b>43.2</b>
Net result after taxation	-	-	11.5	(0.2)	11.3
Net change in market value of long-term investments over cost	-	2.4	-	-	2.4
Actuarial losses recognised in year on defined benefit pension scheme	-	-	(9.8)	(0.2)	(10.0)
Deferred tax attributable to above	-	(0.4)	0.2	-	(0.2)
<b>Total other comprehensive income/(expense) in the year</b>	<b>-</b>	<b>2.0</b>	<b>(9.6)</b>	<b>(0.2)</b>	<b>(8.0)</b>
Total comprehensive income in the year	-	2.0	1.9	(0.4)	3.5
<b>Reserves at 31 December 2016</b>	<b>9.7</b>	<b>6.0</b>	<b>25.9</b>	<b>5.1</b>	<b>46.7</b>

### Summary corporate governance statement

The council has adopted the provisions of section 1 of the UK Corporate Governance Code (September 2012) prepared by the committee on corporate governance, to the extent appropriate. During the year the council has monitored and assessed key risks in compliance with the guidance *Internal control: guidance for directors on the combined code*. The full corporate governance statement is set out in the financial statements for the year ended 31 December 2016.





## THE HERITAGE CEO

# The Countess of Canarvon

Fiona, the 8th Countess of Canarvon, describes her role as effectively being CEO of Highclere Castle, most famous as “the real *Downton Abbey*”. She says she never expected to end up in such a role, but was well prepared nevertheless when it came.

“After graduating, I joined Coopers & Lybrand [now PwC] as a trainee because I thought it was something I could fall back on. I scraped through my exams. But I enjoyed it and stayed on. I went for a job in the City but wasn’t sure the values matched mine. So I set up a business selling women’s clothing. I designed and got small runs of clothes made, which I sold through house sales. When I met my husband, Highclere never crossed my mind. But my husband’s father died unexpectedly in 2001 and George inherited the castle.”

Her entrepreneurial experience and ACA have both come in handy. “Now, there’s the estate and property business, looking after the landscape; the castle business with the events and private tours; the farming business,

which is 3,000 acres with another 1,500 of woodland and the farm next door; and a retail business, selling Highclere Horse Feed to racehorse trainers. We also created a Tutankhamun exhibition in the cellars because of the connection with the 5th Earl. It was our main selling point before *Downton*.”

She says *Downton Abbey* was fantastic but trying to ensure they didn’t damage the house and contents was a nightmare. “It’s given us an extraordinary marketing platform. For everyone involved – the cast, the crew, the directors and us – it’s been a magic carpet ride.”

She sees nothing unusual in having had lots of different roles. “We all have several careers in today’s world, particularly women. Accountancy sets you up in such a good way to pursue different options at different times. It’s been amazing training to have behind me. If I weren’t doing this, I am sure I would have segued into another business and enjoyed doing that. The principles of accountancy are really important to me still.”



## FINANCIAL STATEMENTS

This Annual Report includes only summary financial information and is accompanied by a full set of financial statements, which include more detailed information on the results, as well as a detailed risk register and explanation of corporate governance arrangements.

The full Financial Statements are published at [icaew.com/review](http://icaew.com/review)

If you would like a hard copy, please email [fullaccounts@icaew.com](mailto:fullaccounts@icaew.com) or write to Andrew Fagg, Finance Director.

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## ABOUT ICAEW

ICAEW connects over 147,000 chartered accountants worldwide, providing this community of professionals with the power to build and sustain strong economies. Training, developing and supporting accountants throughout their career, we ensure that they have the expertise and values to meet the needs of tomorrow's businesses.

Our profession is right at the heart of the decisions that will define the future, and we contribute by sharing our knowledge, insight and capabilities with others. That way, we can be sure that we are building robust, accountable and fair economies across the globe.

ICAEW is a member of Chartered Accountants Worldwide, which brings together 11 chartered accountancy bodies, representing over 1.6m members and students globally.

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