

# ICAEW ANNUAL REVIEW 2012

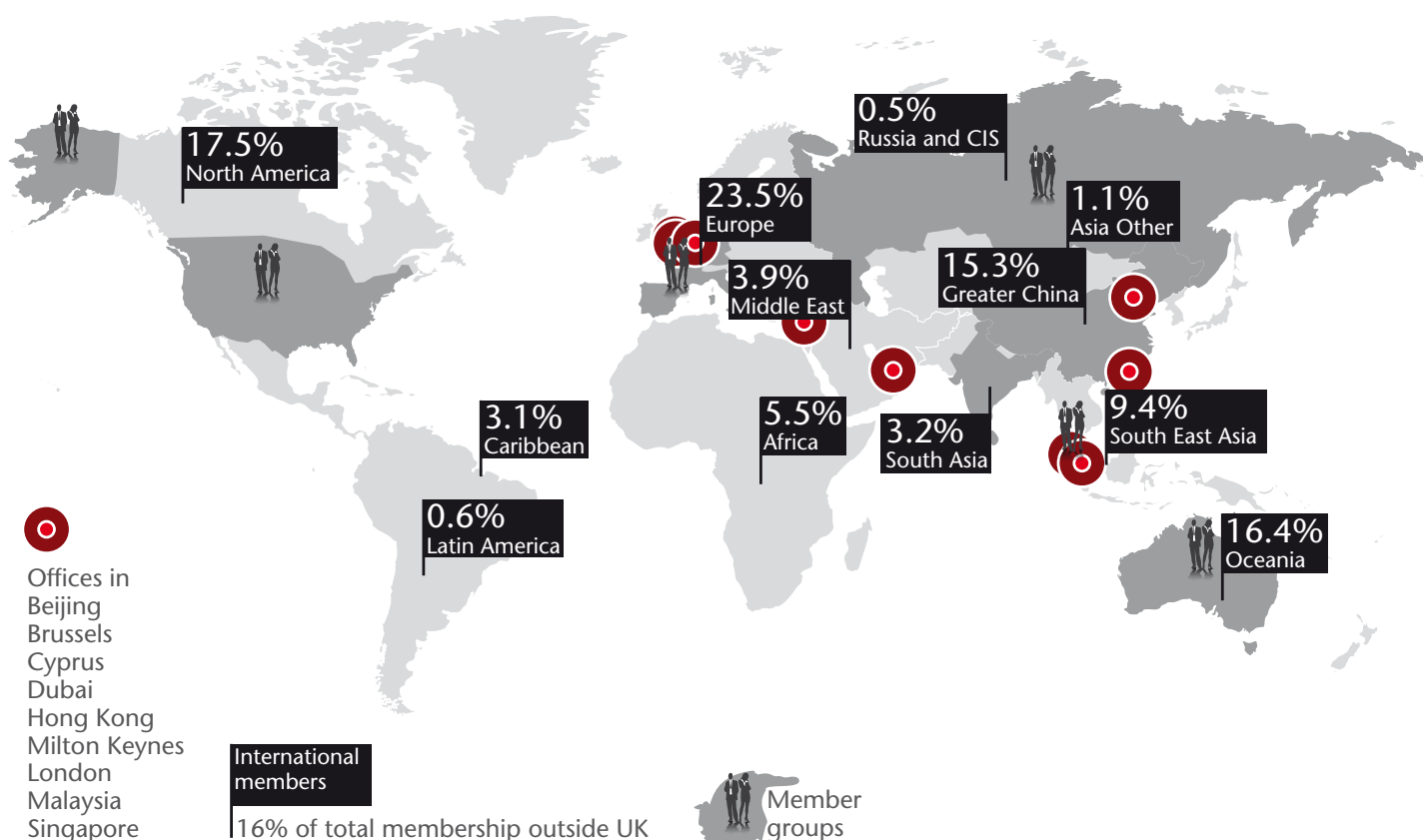
SUPPORTING GROWTH,  
WIDENING ACCESS



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# LETTER TO OUR MEMBERS

## **Our focus in 2012 was on supporting growth, and broadening access to the profession.**

2012 was a challenging year for ICAEW and our members, both because of the global economic climate and the continuing fallout from the financial crisis.

- Our total income was in line with our expectations at **£82.7m**. Our retained loss for the year was **£1.2m**. This result reflects volatility in a number of material provisions, including AADB, pensions and other operating areas.
- Overall, 2012 was a stronger year than expected. We grew the membership to over **140,000**, and our students to over **20,000**.

We would like to draw to your attention our work on:

### **Supporting business growth**

Our members support and advise more than 1.5m businesses around the world. We helped our members, their businesses and their clients to grow their exports, get finance, and start new businesses. We've also continued to encourage our members to share their expertise through the Business Advice Service.

### **Creating opportunities for young people**

We continued our focus this year on widening access to our profession through non-university routes such as the new Higher Apprenticeships programme, and new partnerships with the University of the West of England, Birkbeck and University of London. We also updated the ICAEW Chartered Accountant qualification, ACA, to ensure it continues to be the premium qualification for business and finance.

### **Working on regulatory reform and policy**

Events in 2012 raised more questions about trust and integrity in financial markets and in business. Through our regulatory, policy and thought leadership work we increased our engagement with governments and other stakeholders, and reached over 4,000 people through international thought leadership roadshows. We have also applied to become a regulator for probate and alternative business structures.

This year we are continuing to move towards an integrated reporting model and are publicly reporting for the first time against some of our key targets. This reporting will help drive the strategy for 2013 – which looks to be another eventful year for the profession.

We'd like to say a huge thank you to all those members who have volunteered for us on committees, district societies, and city groups, and who have given up their time to help us; and also to our staff, who have worked tirelessly to deliver our strategy.



A handwritten signature in dark ink, reading "Mark Spofforth".

**Mark Spofforth**  
President

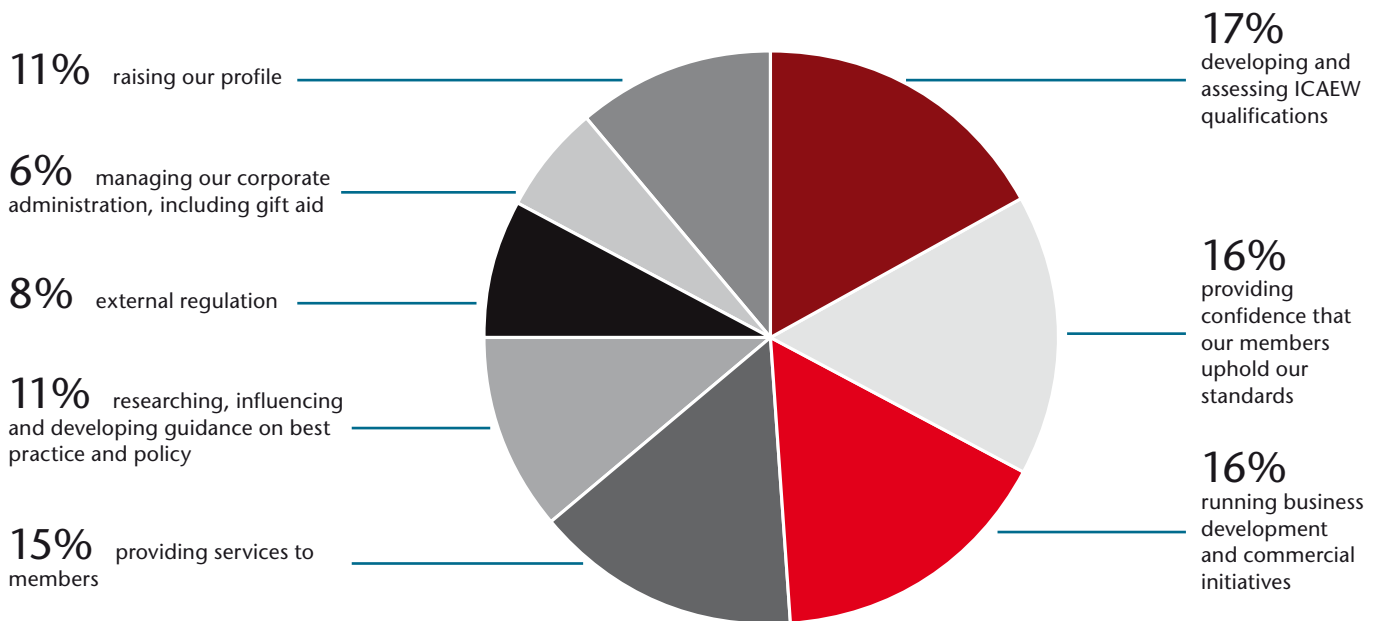


A handwritten signature in dark ink, reading "Michael Izza".

**Michael Izza**  
Chief Executive

# 2012 HIGHLIGHTS

## SPENDING IN 2012



## OUR MEMBERS

**140,573** Members (up 1.5%)

**£82.7m** income (£1.2m retained loss)

**20,037** ACA Students

**13,642** Special Interest Group Members

**31,296** Faculty members


Women members: **26% (up 1%)**

**600+** CPD events attracting  
around **40,000** delegates



## REGULATION, DISCIPLINE

Over **20%** of our registered audit firms were subject to a qualitative review, and over **25%** of accountancy firms registered under ICAEW's Practice Assurance scheme were also reviewed by our Quality Assurance team.

 **10,777** Facebook likes **927,449** clicks on our communities in 2012



## SOCIAL MEDIA

We have reduced printing by about **2m** pages per year.

And in 2012 we saved **1,332.4** trees through recycling shredded paper.

## OUR PERSONAL SUSTAINABILITY

**2** financial capability projects

**6** new international capacity building contracts

Looking at the future of audit through new workstream,


**Audit Futures**

[auditfutures.org](http://auditfutures.org)

## RESPONSIBLE BUSINESS

## OUR REPUTATION AND INFLUENCE


Gave evidence to **8** UK Parliamentary committees

 I believe that the accountancy profession is uniquely placed to enable growth

Financial Secretary to the Treasury  
– Rt Hon. Greg Clark MP

**24** ICAEW briefings

**26** mentions in UK Parliament

 ICAEW's expert advice is valued by government and its qualifications are sought-after around the world

UK Deputy Prime Minister  
– Nick Clegg MP

# THOUGHT LEADERSHIP HIGHLIGHTS

ICAEW's thought leadership spans issues which affect the accountancy profession worldwide. Here are just a few examples from 2012 which helped to shape thinking and policy making around the world.

## THE FUTURE OF IFRS

Today well over 100 countries – including more than two-thirds of the G20 – require or allow their listed companies to prepare annual financial statements based on IFRS. But momentum has slowed as major projects have stalled and the US and other significant economies consider whether or not to commit to IFRS.

This report by the Financial Reporting Faculty has attracted a good deal of international attention. It takes stock of the progress made towards developing a global financial language, identifies barriers and challenges that must be overcome if the use of the standards is to continue to spread, and provides recommendations for moving forward.



## ASSURANCE SOURCEBOOK

This sourcebook contains practical examples of assurance professional accountants can offer businesses, to help build confidence in data, processes or information.

Whether it's about demonstrating how a broadcaster operating under a public charter has performed against its objectives, or showing how an asset manager has complied with the stakeholder code, assurance has much to offer business.

In assurance reporting an independent professional accountant with relevant experience examines data, processes or information and expresses an assurance conclusion providing a strong signal of reliability. Assurance reporting has been seen in the audit of financial statements for centuries. In recent years, it has also been successfully applied to areas such as internal controls and sustainability information.



## ENHANCING THE DIALOGUE BETWEEN BANK AUDITORS AND AUDIT COMMITTEES

After the global financial crisis, this report looks at the behaviour of those responsible for governance in banks and financial institutions – bank auditors and audit committees, which was highlighted as a critical area in our June 2010 report Audit of banks: lessons from the crisis.

Perhaps the most important aspect of this report is in exploring the appropriate balance between cooperation and challenge. We recognise that auditors, audit committees and executive management share a common objective of contributing to financial statements that provide a 'true and fair view'. A consequence is that trust and cooperation are needed to foster an environment in which issues can be discussed robustly and decisions challenged in a constructive manner.



## GUIDANCE FOR SKILLED PERSONS REPORTING

This is guidance for chartered accountants and other professionals who are requested to report under Section 166 (s166) Financial Services and Markets Act 2000.

It reflects an expectation that there will be increased use of reports by 'skilled persons'. It expands the guidance previously contained in ICAEW Technical Release TECH01/08FSF, which focused on assurance engagements, to also include guidance on 'review and recommend' and agreed-upon procedures engagements.

A skilled person may be an accountant, lawyer, actuary, or any other person (such as a compliance or IT consultant) with relevant business, technical or technological skills. A skilled person may be an individual but is more typically a firm. This release is relevant to all skilled persons.



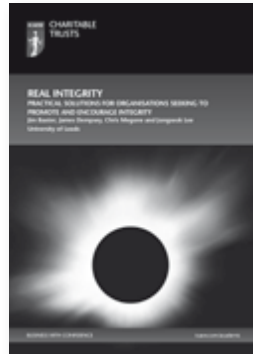


## MARKET FAILURES, MARKET SOLUTIONS

Financial services have developed a toxic reputation and we need to make radical changes to culture and business practices to restore trust in the sector.

This report is a call for market participants to develop their own solutions to market failures. If financial services are to be trusted, institutions must demonstrate that, individually and collectively, they take their responsibilities seriously and are able to tackle problems without having to wait for public authorities to do it for them.

A change in culture and attitude is needed, with more focus on long-term sustainability. The industry must provide services that meet the economic needs of society before short-term profits and bonuses.



## REAL INTEGRITY

This report looks at how to promote integrity in organisations. It examines 10 techniques and aspects of the organisational environment, all of which were found to have a role to play in an overall framework for promoting integrity.

This report is recommended reading if you are interested in what works in promoting integrity, and what doesn't.

Among the key things to look out for are: active monitoring of ethics in your organisation, tone from the top, support for whistleblowing and support for professional bodies.



## BUILDING TRUST IN THE DIGITAL AGE: RETHINKING PRIVACY, PROPERTY AND SECURITY

This report by the IT Faculty aims to help management make better decisions about digital information and improve business performance in relation to information risks. And it also aims to inform public debate about digital information and thereby support the development of a variety of regulatory, industry and social solutions.

In the process, it brings together three areas of thinking that are often looked at separately: privacy, intellectual property rights and information security. While these continue to be distinct fields, the digital environment brings them closer. As a result, this report takes a first step in bringing together key elements of a disparate and complex literature to support more integrated business practices and policy-making.



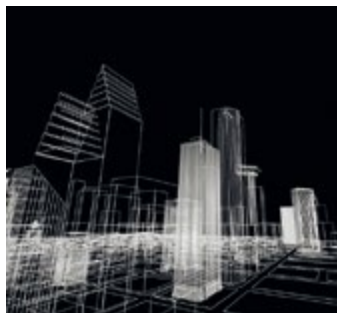
## PRIVATE EQUITY DEMYSTIFIED

This is the third edition of a guide to private equity and its main participants, as well as a summary of the findings of academic studies on private equity transactions from around the world. It is included in the reading lists of top international business schools.

This update gives new analysis of the latest challenges facing private equity. It also highlights what we know about the impact of private equity from the latest findings of academic studies - but also what we don't know.

The guide first appeared in 2008, when the private equity sector faced considerable public and political criticism and scrutiny in both Europe and the US. The aim of the guide was to enable a better informed debate.





# WHO WE ARE AND WHAT WE DO

ICAEW is a world leading professional membership organisation that promotes, develops and supports over 140,000 chartered accountants around the world. We provide qualifications and professional development, share our knowledge, insight and technical expertise, and protect the quality and integrity of the accountancy and finance profession.



Creating future leaders of the business and finance profession and helping people do business with confidence

## HOW ICAEW CREATES VALUE

We train students, enhancing their 'human capital', and continue to do so throughout our members' working lives.

We create 'intellectual capital' through our research and thought leadership (for example increasing our knowledge of how best to create an ethical business, or how to give assurance that a financial benchmark has not been manipulated).

And we create 'social capital', contributing to institutions, values, communities and networks in our areas and beyond (for example, through our international capacity building work, where we work with the profession in other countries, for example on improving audit quality).

We also contribute indirectly to safeguarding 'natural capital', through our work with TEEB, (a programme on the economics of biodiversity, which looks at valuing natural capital); and through our work advising businesses, we contribute to growing 'financial' and 'manufacturing capital'.

## FINANCIAL MODEL

Our financial model is based on fees for training and exams, a fee for admission and an annual subscription for continuing membership, and a fee for practising as a chartered accountant. Members working in specialist fields may also pay an additional fee for membership of a faculty or special interest group. We also provide further exams for those who want to specialise in particular areas.

We are a qualifying and supervisory body for the regulated activities of the profession with independent oversight from the Financial Reporting Council for which our members and member firms pay annual fees.

This is complemented by commercial activities, with profits reinvested in providing services for our members.

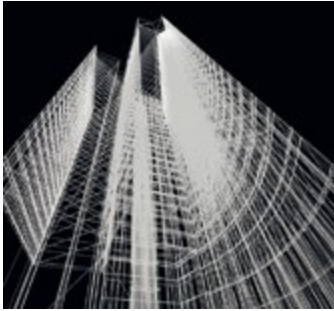
## BUSINESS STRUCTURE

ICAEW is headed by its chief executive Michael Izza and has five operating departments which:

- develop and assess ICAEW qualifications (Learning & Professional Development)
- provide services to members (Members & Operations)
- provide confidence that our members uphold our standards – and investigate and, if necessary, discipline 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)
- run business development and commercial initiatives (Commercial and Shared Services).

The structure is overseen by council, a board and departmental boards comprising a mixture of members, non-members and senior staff (see Governance section page 09). In 2012 we had an average of 652 staff (full-time equivalent).





# OPERATING ENVIRONMENT

Operating context including risks and opportunities

## Supporting strong national institutes for a strong global profession

Over recent years we have developed our international activities from our regional offices and from our headquarters in the UK. Our programme of capacity building (helping to develop other professional bodies and regulators) and international consultancy with the World Bank and with other partners has generated goodwill, supported the global profession, and opened doors with other organisations where there are opportunities for the future.

2012 saw a continued global economic slowdown. Across the UK and the rest of Europe, many economies stagnated. This presented us with challenges from student intake through to commercial income development. Our members' firms and businesses faced similar challenges. Despite these challenging conditions, we delivered growth in student numbers, membership numbers and developed our commercial revenue streams.

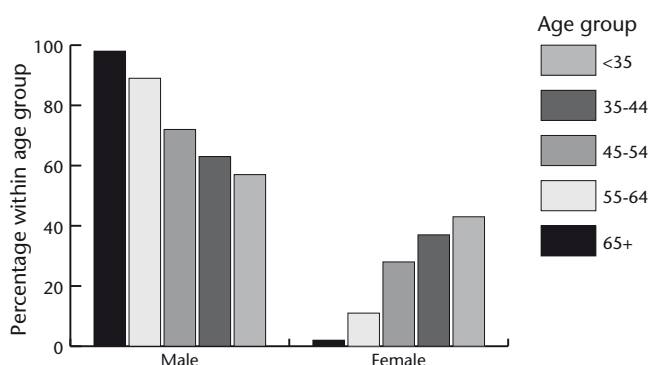
We ended 2012 in a strong position and we intend to use this to deliver focused growth in markets that are strategically important to ICAEW and our members.

## OUR PRINCIPAL RISKS

The overriding principle behind our risk management approach is to protect the reputation of ICAEW, as a world leader of the accountancy and finance profession.

Our current **principal risks** and mitigating actions are:

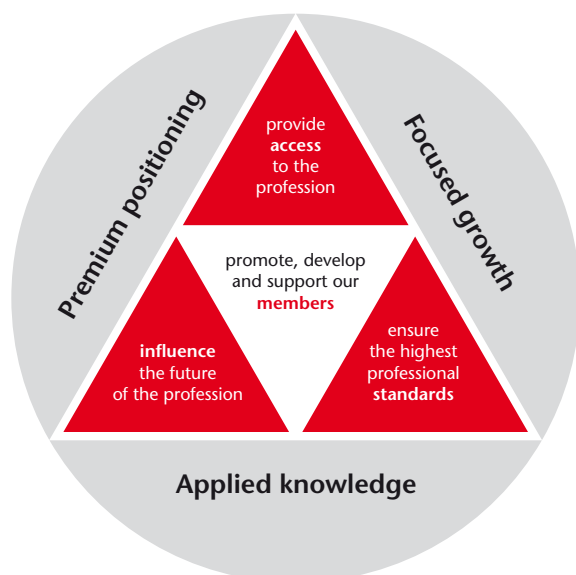
- 1) **Loss of key regulatory powers**  
**New European Union Audit regulations take regulatory responsibilities away from professional bodies such as ICAEW. The Legal Services Board could create regulatory competition, threatening ICAEW's position in the market.** Maintaining strong regulatory relationships with government, the Financial Reporting Council (FRC). Our European Office is engaging closely with EU/EC, providing a detailed review of legislative proposals. Our communications strategy and plan is implemented and coordinated through regular steering group meetings.
- 2) **Data security failure**  
**Failure or breach of physical or data security systems or data loss, resulting in damage to reputation and disruption to operations.** Revised our tender and new supplier policies to include due diligence re: IT security. We have reviewed our applications security access and we undertake regular system penetration and data loss recovery tests on our key systems.
- 3) **Cashflow limitations**  
**Limitations on resources or exceptional in-year costs such as pension, FRC/AADB requirements or other disruptive events resulting in a significant impact on cash and therefore on operations and delivery of strategy.** Robust budget and forecast processes. Monitor developments with key stakeholders and amend activity as necessary.





# STRATEGY

Our strategic objective is for ICAEW to be a world leader of the finance and accountancy profession.



In 2012 we bedded down the changes in our structure after 2011's organisational review. We have created new commercial and shared services departments. Our executive directors now have direct responsibility for geographic regions, both in the UK and internationally. And we invested in information and communications technologies so staff now have better access to faster and more flexible ways of working.

## OBJECTIVES

We are an international body headquartered in the UK. We support our members in their careers, helping them to achieve their potential.

We want to be known around the world for:

- the quality and innovation of our portfolio of finance-related qualifications;
- the quality of service by and for our members; and
- our reputation and influence.

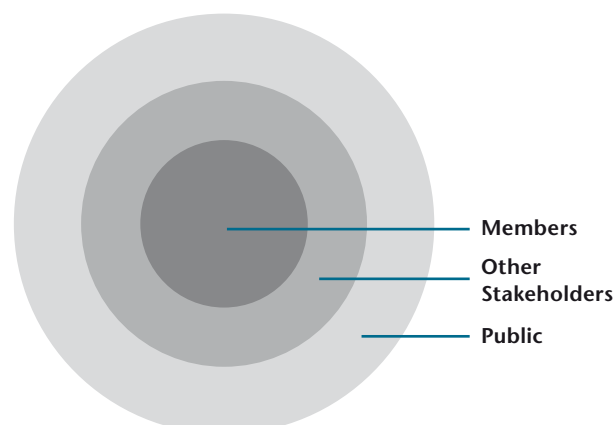
To achieve this, in 2012 we focused on:

- growing student and member numbers;
- investing in the strength of our brand and reputation;
- improving and increasing our engagement with members; and
- growing income streams and controlling costs.

These priorities are reflected in our key performance indicators (see Performance section page 10). We track a range of financial and non-financial indicators relating to our qualifications, service by and for our members, and our reputation and influence.

## STAKEHOLDERS

- 1) **Members:** We are a membership organisation acting for individual members and member firms.
- 2) **Other Stakeholders:** a huge range including: governments, regulators, standard setters, institutes, international accounting organisations, businesses (1.5m in the UK alone), charities, NGOs, public sector bodies, academic institutions.
- 3) **Public:** Our Royal Charter commits us to act in the public interest ahead of member interests where there is a conflict.





# GOVERNANCE

ICAEW operates under the terms of its Royal Charter, by-laws and regulations. We seek to act in the public interest, which is also the long-term interest of our members.

We choose to measure our governance against the UK Corporate Governance Code where appropriate.

This year we have a new position of diversity champion on the board, the deputy-president. Full details of our diversity policy are in the financial statements.

## GOVERNANCE

As at the end of 2012, we had a council of 82 members. Council considers, reviews and approves ICAEW's strategy, operational plans and budgets, representing and articulating the views of members. It delegates most matters to the ICAEW board, the departmental boards, committees and the chief executive. Council members serve on a voluntary basis. We reimburse their costs for travel and subsistence.

The majority (currently 57) are elected by ICAEW members. They serve for a four-year period, with elections being held every two years for half the available seats. In addition to the elected members there are 11 ex officio members (office-holders, the two most recent past presidents, faculty representatives, the chairman of the Practice Committee, and a representative from the ICAEW student council) and 14 co-opted members. Co-opted members are appointed to ensure that council broadly represents the main sectors and interests of the whole membership.

ICAEW's office-holders (president, deputy-president and vice-president) have an ambassadorial role meeting members and stakeholders, promoting ICAEW and representing the views of the council and wider membership. They counsel and advise the chief executive. The president chairs ICAEW annual and special meetings and the board.

The chief executive is responsible for the overall management of ICAEW, for developing and implementing strategy, and for ensuring that ICAEW operates economically, efficiently and effectively. He also has a representational role, building effective relationships with members and wider stakeholders.

ICAEW's board had 16 members in 2012. The board has overall responsibility for monitoring the development and implementation of ICAEW's strategy, planning and budgeting and the development of policy.

The board in 2012 consisted of:

- The President (Chairman) – Clive Parritt (to June) Mark Spofforth (from June)
- The Deputy-President (Vice-Chairman) – Mark Spofforth (to June), Martyn Jones (from June)
- The Vice-President – Martyn Jones (to June), Arthur Bailey (from June)
- The chair of the Learning & Professional Development Board – Andrew Baigent
- The chair of the Member Services Board, now the Members Board – Penny Bickerstaff, (to June), Howard Gross (from June)
- The chair of the Professional Standards Board – Richard Harwood
- The chair of the Technical Strategy Board – Andrew Ratcliffe
- Two members who are elected from and by council for two years, Arthur Bailey (to June) Ian Davies and Hilary Lindsay (from June)
- Member involved in regulation, EU and International – Jeremy Jennings (co-opted)
- The Chief Executive – Michael Izza
- The five Executive Directors
  - Robin Fieth, Members & Operations
  - Sharron Gunn, Commercial
  - Robert Hodgkinson, Technical Strategy
  - Mark Protherough, Learning & Professional Development
  - Vernon Soare, Professional Standards

You can find brief biographical details of the board members on the ICAEW website at [Home | Who we are | Governance](#).



# PERFORMANCE

This shows our start-of-year budget, what we achieved in 2012 (compared to 2011), and our 2013 budget.

Students		2011 Actual	2012 Target	2012 Actual	2013 Target	
Total ICAEW Chartered Accountant (ACA) students	We are marginally above target	19,073	19,868	20,037	20,095	In 2013 we expect modest growth
International (% of total) ACA students	We are above target	21	22	24	22	We expect this figure to fall in 2013 because of one key market, but to pick up again in future
ACA student intake	Growth achieved but less than targeted due to challenges in take-up in a small number of markets	5,951	6,600	6,201	6,535	We expect further growth this year by addressing the needs of target markets
CFAB intake (our entry qualification)	Around 10% below target – the market is developing	814	1,000	903	1,850	Our target for 2013 anticipates recovery
Membership		2011 Actual	2012 Target	2012 Actual	2013 Target	
Total membership	Marginally above target, 1.5% growth	138,464	140,472	140,573	142,093	We expect steady growth in 2013
International (% of total)	No change	15.5	15.4	15.5	15.4	No change expected
Net membership increase	Above target	1,849	1,870	2,109	1,535	We expect slower growth in 2013 based on previous student intake
Firms	We monitor but do not actively pursue a target number for firms	12,822	–	13,022	–	
Operations		2011 Actual	2012 Target	2012 Actual	2013 Target	
Operating result (£m)	The operating result is in line with expectations but was offset by higher AADB requirements	3.6	0.3	(1.2)	0.5	We target a modest surplus to contribute to the resources we need for ICAEW's future development
Commercial and shared services income (£m)	A good start for the new department	8.2	9.9	9.9	10.3	We expect growth in a number of market areas over the coming years
Special Interest Group membership	This is significantly ahead of target in response to focused offerings	12,435	12,635	13,642	13,643	We expect membership to be flat in 2013 because of slow economic growth in our key markets
Faculty membership	This is marginally above target	30,870	31,076	31,296	30,751	Numbers in 2012 were better than expected and we will revisit this target in 2013

# KEY PRIORITIES: PROGRESS



## Delivering quality through learning and development

An evolved ICAEW Chartered Accountant qualification and new routes to access the profession.



We will provide high quality, accessible qualifications



Next generation ACA  
[icaew.com/aca](http://icaew.com/aca)

More flexible training models for ACA and CFAB

Work with employers on possible new qualifications to meet members/ business needs  
[icaew.com/en/qualifications-and-programmes](http://icaew.com/en/qualifications-and-programmes)



- ACA syllabus and structure ready to go after extensive consultation with stakeholders.
- Graduate brochure won an 'Excellence Award' at Chartered Institute of Marketing awards.
- Higher apprenticeships developed with PwC: first cohort of apprentices.
- Joint programme with Chartered Institute of Taxation: for students wishing to join both.
- New elite scholarship programme in India.
- Launch of ACA in Malta and Gibraltar.
- Relaunched Corporate Finance qualification with CISI (Chartered Institute for Securities & Investment).
- New online qualification for retail financial advisers with Chartered Institute of Bankers in Scotland.
- 255 schools and more than 1,500 students took place in our UK business game which introduces students to our profession. Games also took place in Malaysia, Singapore, Russia, Kenya, Malta and Bulgaria.
- Financial capability: we continued to support the pfeg volunteer network. 3,000 people took part in our At Home With Money pilot project, with Grant Thornton and Poplar Harca, which will be rolled out in the UK in 2013.
- New strategic degree programmes with the University of West of England, Birkbeck and University of London.
- New relationships, for example with the Taylors Business school, Taylors University Malaysia where students will graduate with both a degree and CFAB.

We will work with schools and universities

Build relationships with schools, colleges and universities through financial inclusion projects, BASE business game, careers events and campus work

New university partnerships that open up access to the profession and bolster academic support for our thought leadership programmes



## Meeting the needs of business

Voicing business concerns to key stakeholders, improving access to finance and to export in the UK, excellent thought leadership and research, and helping increase trust in business through our responsible capitalism and skills agendas.



We will maintain and build key relationships



Engaging with governments, parliaments, regulators, standard setters, think tanks and media  
[icaew.com/events](http://icaew.com/events)  
[icaew.com/news](http://icaew.com/news)



Policy contributions

Responsible capitalism  
[icaew.com/responsiblecapitalism](http://icaew.com/responsiblecapitalism)

Skills

- Building relationships with key UK Government figures:
  - Small Business Economic Forum
  - Business, Finance and Accountancy All Party Parliamentary Group.
- Speakers at Chartered Accountants' Hall included the UK Deputy Prime Minister, Nick Clegg; the Leader of the Opposition, Ed Miliband.
- Seven panel sessions at American Accounting Association annual meeting, on issues such as the future of IFRS.
- Encouraging good evidence-based policy making in the public interest.
- 26 mentions in UK Parliaments and 24 ICAEW briefings. Gave evidence to eight UK Parliamentary committees.
- Policy issues we influenced included:
  - Financial Services Bill
  - Budget and Autumn Statement
  - Parliamentary Commission on Banking Standards.
- Commitment to measure social mobility of our membership from 2013 through Professions For Good.
- UK Deputy Prime Minister endorsed our social mobility guide.
- Hosted Cabinet Office Business Compact Event.
- International Policy Summits on the legacy of the financial crisis.
- Contributing to UK's Business Finance Advice Scheme (1,800 practices).
- Worked closely with UK Department of Business Innovation and Skills (BIS) on skills for start-ups and entrepreneurs, and with groups like Centre for Cities.

We will promote our policy and thought leadership work

Active commentator on business and the economy  
[icaew.com/news](http://icaew.com/news)

Promote research/thought leadership  
[icaew.com/thoughtleadership](http://icaew.com/thoughtleadership)  
[icaew.com/research](http://icaew.com/research)

Promote accounting/financial aspects of sustainability  
[icaew.com/sustainability](http://icaew.com/sustainability)  
<http://thefinancelab.org>

- Strong media exposure across print, online and broadcast in 2012 across the UK and key international markets. Significant coverage of aggressive tax avoidance and LIBOR.
- International Thought Leadership roadshows took place in 11 countries with 4,075 attendees.
- Major events, like the Information for Better Markets Conference.
- Launch of TEEB (valuing natural capital project). Support for TEEB includes \$1m funding by Gordon & Betty Moore foundation and funding from UK Government. TEEB also promoted at Rio +20 summit.
- First year of the Finance for the Future Awards (partners with Prince of Wales Accounting for Sustainability project, and NatWest).
- The Finance Innovation Lab, a joint project between ICAEW and WWF-UK, was listed among Britain's 50 new Radicals (NESTA/*the Observer*).



## Extending our impact and reach

Growing our membership, promoting the Chartered Accountant brand, winning international projects, enhancing our reputation as a regulator and extending the work our members can do.



We will maintain and grow our membership



Improve CFAB aftercare and support for current ACA students and training employers

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

Better support for retired members  
[icaew.com/retirement](http://icaew.com/retirement)

Membership agreements



- Supporting CFAB students on CFAB platform eg, with articles and webinars. Most CFAB students progress to ACA.
- Wide range of webinars available for current ACA students and new training employers.
- Events for retired members included: portfolio career planning, will writing and volunteering.
- Renewed reciprocal membership with Chartered bodies for Scotland, Ireland, Canada, New Zealand, South Africa, and with Zimbabwe.
- Our Pathways to Membership scheme is open internationally but closed in the UK at the end of 2012.

We will promote the chartered accountant brand

Increase brand awareness of ICAEW Chartered Accountants

- No One's Better Qualified advertising in the UK, Middle East and South East Asia reached audiences of over 50m.
- Sponsorship of key events eg, The UK accounting show Accountex, Entrepreneur competition The Pitch, Middle East Accountancy and Finance Excellence awards.
- New ICAEW Chartered Accountant brochure *Don't Take a Chance with your Finances*.

Strengthen our presence internationally, working with other institutes

- MoUs with bodies including the Indonesian Institute of Certified Public Accountants.
- Corporate membership arrangements including Institute of Certified Public Accountants of Cyprus (ICPAC) – to provide access to ICAEW faculties.

We will position ICAEW as a lead regulator

Maintain and promote members' and firms' high standards through our regulatory and professional conduct regime

- Published reports on audit and insolvency and Practice Assurance (including designated professional body activities), and enhanced our approach to Practice Assurance, building in more educational opportunities and master classes.
- More contact with audit firms between visits, working to improve quality and reduce referrals to the regulator (Audit Registration Committee).
- Webinars, conferences and roadshows to support this.

Influencing the debate on regulatory issues, sharing our expertise with governments and other agencies

- Fed into the FRC reform consultation paper. Working together with other accountancy bodies through CCAB and individually on projects to advance the profession like integrated reporting.
- Engaged with EU policy-makers on proposals to modernise the EU Accounting Directives.

Legal Services Reform: new opportunities for members

- Applied to be Approved Regulator for probate and Licensing Authority for Alternative Business Structures.
- Responded to Legal Services Board consultation on making estate administration a reserved activity.

We will deliver international projects

Strong international working presence

Winning strategy, policy, advisory, capacity building and audit quality monitoring projects

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

- Organised Roundtable in Sinaia, Romania, to promote strategic planning by bodies across Central, Southern and Eastern Europe. Led to new Accountancy Profession Strategic Forum.
- Worked on capacity building in Ghana and Tanzania (assisting on reforms of professional qualification and setting up an audit regulatory function), and Malawi (creating a national professional qualification).
- Won six new contracts in international capacity building:
  - a twinning project with the Institute of Chartered Accountants of Nigeria;
  - an IFRS transition project with the Nigeria Securities and Exchange Commission;
  - three other projects with our counterpart bodies in Pakistan and Sri Lanka; and
  - US-Aid project (ASP-AiD) to help develop the profession in Pakistan.





## Supporting our members

We continue to improve our services to members, from better online information, to more tailored training, CPD, back to work and business start-up help, and we are improving our commercial business to re-invest in those services.



We will provide high quality services to our members



Introduce our programmes for practice, and key industry and specialist sectors  
[icaew.com/practice](http://icaew.com/practice)



Engage with business members  
[icaew.com/business](http://icaew.com/business)

Engage with members throughout their career through services that meet their needs and Continuous Professional Development (CPD)

Improved all member magazine/publishing portfolio

We will grow our commercial business

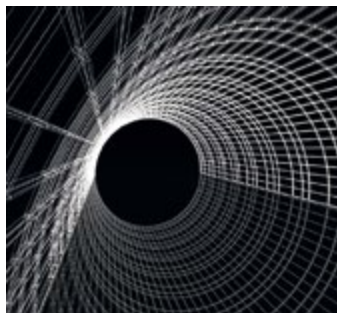
Increase turnover including ICAEWjobs.com, leadership development programmes, catering and events at Chartered Accountants' Hall  
[onemoorgateplace.com](http://onemoorgateplace.com)

We will continue to develop the organisational infrastructure to support our strategy

Attract and retain talented, skilled and motivated employees  
[icaew.com/en/about-icaew/working-for-us](http://icaew.com/en/about-icaew/working-for-us)

- We engaged more closely with members through new practice and finance director forums.
- Funding Options, a service to improve credit applications.
- Special BAS week to promote the Business Advice Service (36 events, 2,000 attended). The service allows ICAEW firms to offer free business advice to SMEs – 3,400 offices and 2,600 ICAEW firms are involved.
- Enhanced business resource centre.
- Launched NED database to help NEDs to find roles.
- The Blue Chip Finance Leaders Programme continued into its second year and engaged with over 50 FTSE 350 CFOs; and AIM and FTSE 250 clubs with over 165 FDs.
- The FD conference was accompanied for the first time by a highly successful financial controllers conference attended by over 130 members.
- The SME conferences (held in London and Manchester) also attracted over 130 members.
- 175,000 member queries to ICAEW in 2012.
- 600 CPD events attracting 40,000 delegates; many now through online webinars.
- Library - over 18,000 subject enquiries researched for members; online pageviews up 26% (1.5m). The Library is operated by our charitable trust which receives gift aid funding from ICAEW.
- Import/Export Online Resource developed to support members in advising businesses.
- Developed resources to support members through eurozone crisis.
- New country, industry and subject resources.
- Dedicated Back to the Workplace events, career coaching and counselling, including work with CABA, (the Chartered Accountants' Benevolent Association).
- Specialist leadership training and development including women-focused events.
- 17,000 downloads of the Financial Reporting Faculty app to end November 2012.
- New publishing relationship with Progressive Customer Publishing saw the launch of ICAEW's new member magazine *economia* and renewed faculty magazines.
- More than 5,000 downloads of *economia* App in first month.
- Revenue from: monitoring and anti-money laundering work with range of bodies including Wales Audit Office (large audits) and many more.
- ICAEWjobs.com reached no2 market position. 19,710 jobs and 53 voluntary roles advertised.
- Leadership development projects launched around the world eg, F-TEN APAC launched in Singapore in 2013.
- New leadership programme: Valuing Integrity Programme for banks and financial services launched 2013.

- We pay all staff at least the living wage and support flexible working.
- 46 staff used a sustainability day to do voluntary work. Projects included: volunteering at London 2012 and a cross-team voluntary project in North Wales.
- Our key staff development in 2012 was an Aspire residential programme for 18 'future leaders' among staff, with 3 projects they developed taken to the board.



# FUTURE OUTLOOK

In 2013 we will continue to expand our membership, student numbers, and our commercial income. We are expecting major changes in 2013 to financial reporting and regulation; to benefits and pensions in the UK; and audit regulation and company reporting in Europe.

## ECONOMY

In fast-developing or growth countries, the outlook for the profession is booming as demand for qualified accountants grows.

However, ICAEW's *Economic Forecast* suggests that the UK will grow just 0.8% next year. Our December cash surplus research suggests confidence is starting to return, with most of the two-thirds of UK businesses holding a cash surplus looking to invest it in the UK. Growth continues to be a major concern in the UK, and in 2013 we will be extending our Business Advice Week to run for a month.

## THE BIG TWO: TAX, AUDIT

Tax avoidance has become a major reputational risk for our members in the UK and beyond. While we have tackled this by setting out our expectations on how our ethical guidelines apply to tax avoidance, this is an issue that will continue to run in 2013.

The audit profession faces major changes with the Competition Commission in the UK and the EU Audit Regulation and Directive, which are both expected to hit the statute book towards the end of the year. While the directive will have a two-year transition, the regulation will take effect immediately, so it will be necessary to start modifying ICAEW's Audit Regulations in early 2014 to take account of this.

One element in the EU proposals is the removal of professional bodies from regulation which, if adopted, would require major change for us.

We need to continue to work hard to rebuild trust in audit and demonstrate its value.

## CALLING ON THE GLOBAL PROFESSION

Over the next five years, the international profession will be working together more and more to tackle issues of global interest like IFRS, cross border audit quality, transparency, strong public sector financial management, stronger risk reporting and corporate governance, climate change and sustainability.

Carbon reporting will be mandatory in the UK from 2013 and we believe that – perhaps very soon – reporting on natural capital, like water use and bio-diversity, may become the norm.

## ALL CHANGE IN THE UK

In the UK there will be major changes in 2013 that will affect our members: Real Time Information PAYE, universal credit, cash accounting, and pension auto-enrolment. Any change requires a period of transition, but this number, coming all at once, will be tough.

The draft local audit bill should get royal assent during the course of the year, and as a result we will probably be asked as the main registering body to develop regulation to cover the registration of local auditors delivering audit services to the local public sector.

And we have just sent in our application to become an approved regulator and licensing authority for probate and alternative business structures (ABS). This is likely to be accepted in late autumn and we would begin licensing firms almost immediately. There would be a graded scale of costs. ABS would allow firms to go into partnership with other service providers, such as lawyers, to create professional services firms.

The Legal Services Board's proposals to reserve estate administration were dropped but we will continue to be alert to developments in this evolving regulatory space to ensure our members can continue to provide services in a regulated environment.

## OUR STRATEGY IN 2013

While ICAEW Chartered Accountants are greatly valued by the 1.5m businesses they support, we will be working to promote our members to a wider public in 2013.

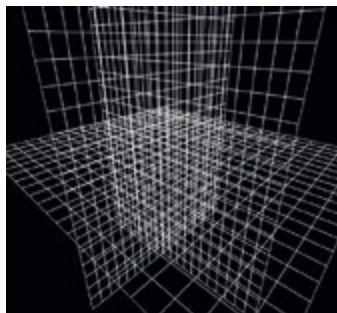
Our overall strategy in 2013 revolves around four key strands:

**Access:** Access to the profession, through our qualifications and professional development programmes

**Influence:** Influencing the future of the profession in the public interest

**Members:** Promoting, supporting and developing our members; and part of our promotion in 2013 will be the Chartered Accountants Worldwide programme

**Standards:** Ensuring the highest professional standards to protect the quality and integrity of the profession.



# FINANCIAL REVIEW

ICAEW's financial statements for 2012 include the charitable trusts associated with ICAEW together with our international subsidiaries. The commentary below relates primarily to the operating activities of ICAEW.

## RESULTS

Total income was £82.7m, £0.3m higher than in 2011. The retained deficit after tax for the year was £1.2m (2011: £3.6m restated surplus). The result reflects volatility in a number of material provisions, including AADB, pensions and other operating areas. The net AADB charge for 2012 was £1.8m (2011: £1.2m net credit).

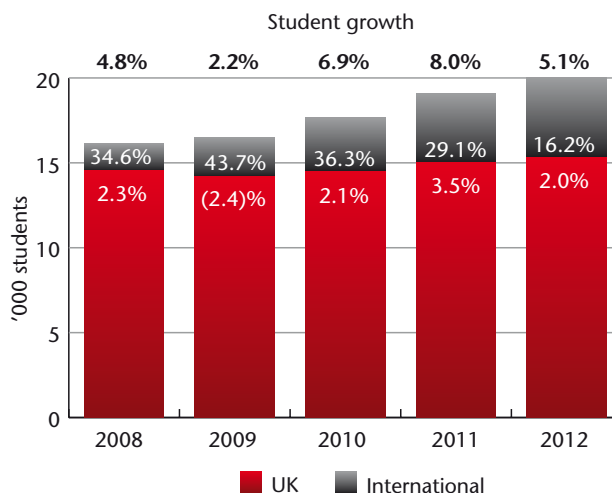
Net assets at 31 December 2012 were £20.2m, a reduction of £5.1m over the 2011 net assets of £25.3m. Cash and cash equivalents ended the year at £3.4m, reflecting a net cash outflow of £1.7m in the year, including £6.0m contributions to reduce the pension scheme deficit. Total cash and investments stood at £34.6m at the end of the year, a reduction of £0.4m on 2011.

The consolidated outcome for the year, including the results of ICAEW's charitable trusts, was a deficit after tax of £0.9m (2011: restated surplus £4.0m).

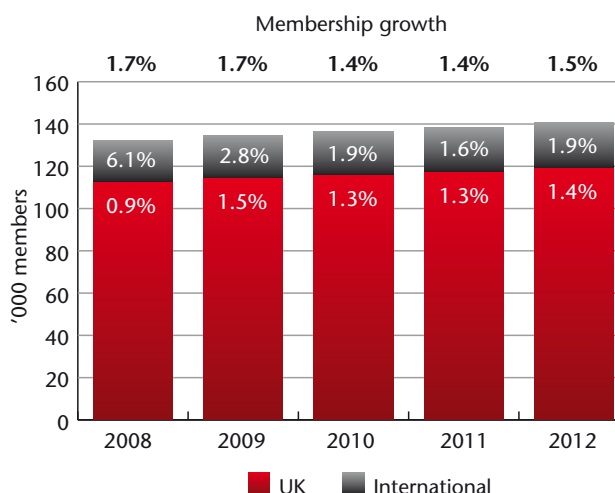
The 2011 results have been restated as we have adopted IAS 19 (revised) early. Net interest on the pension deficit is therefore determined by applying the discount rate to both the liability and asset calculations. This has reduced the 2011 reported result by £0.5m, with a matching reduction in the actuarial loss reported for the year. The value of the pension deficit and net assets are unchanged. In addition we have revised our management responsibilities; the results for 2012 reflect the new structure.

## STUDENT AND MEMBERSHIP GROWTH

2012 ACA student intake of 6,201 (2011: 5,951) was the highest for over 20 years and reflects both increases in our market share in the UK and growth in our number of overseas students. Total ACA student numbers at the end of 2012 stood at 20,037 (2011: 19,073). In addition 903 students signed up for our foundation level Certificate in Finance, Accounting and Business (2011: 814).



Membership grew by 1.5% to 140,573, 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 5.0% to £39.6m. 2012 saw the end of our specific contractual arrangements with Wolters Kluwer which had arisen from the sale of our publishing arm ABG in 2002 and had contributed £2.8m in 2011 from licence fees and related income.

Professional standards income, including practice regulation and disciplinary-related income, increased by £0.2m to £14.2m.

In order to better focus on our commercial activities, we restructured our management responsibilities in 2012. Our commercial and shared services department delivered £9.9m income in the year including elements which were previously within member services and learning and professional development.

Investment income reduced to £1.1m in 2012, principally as a result of the end of our licence fee income stream from Wolters Kluwer.

## EXPENDITURE

Operating expenditure increased to £83.9m, a rise of 5.5% excluding the impact of cost recoveries from AADB. We have continued to exert tight control over our costs, while investing in our strategy. In particular we have invested in the development of our publishing and commercial activities, and our qualifications.

During 2012 we charged costs of £3.5m to the income statement in relation to the AADB, an increase of £0.8m on 2011. This was partly offset by cost recoveries of £0.1m (2011: £0.8m) imposed by AADB tribunals and returned to ICAEW.

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

## TAX

The net corporation tax charge for the year was £nil (2011: less than £0.1m).

## PENSIONS

ICAEW's defined benefits pension scheme was closed to further member benefit accrual on 30 June 2010.

As part of the agreement to the closure of the scheme, we agreed to make deficit funding contributions of £6.0m a year for three years from 1 July 2010, reducing to £3.5m a year thereafter until the deficit is eliminated. A charge remains over Chartered Accountants' Hall and the fund has an interest in up to £10.0m of our investment portfolio. A covenant agreement is in place with the trustee with various trigger points and remedies in the event of a breach.

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

The 2010 actuarial valuation showed a deficit of £22.5m at 31 March 2010. The deficit funding arrangements referred to above were intended to eliminate this deficit in around five years. With our support, the trustee has developed an investment strategy intended to make the scheme entirely self-sufficient by around 2025. The next triennial valuation is due as at 31 March 2013, at which point the funding plan will be revised.

The scheme deficit has again been affected by the turbulence in the financial markets arising from the crisis in the eurozone and across the global economy. A desktop valuation of the funding position at 31 December 2012 estimated the scheme deficit at £24.9m, a reduction of £15.2m on the estimated deficit at 2011 of £40.1m. At the end of 2011, a red trigger event arose on the covenant arrangements but was deemed to be a temporary event and no additional funding contributions were required into the scheme. There were no equivalent red trigger events at the end of 2012.

## FINANCIAL POSITION

Net assets at 31 December 2012 were £20.2m – a reduction of £5.1m on the 2011 position. The main element of this relates to contributions to fund our pension scheme of £6.0m. At the year end the deficit had reduced to £4.9m from £6.0m in 2011 but only after these deficit funding contributions, resulting in an actuarial loss in the year.

During 2012, the market value of our long-term investments rose to £31.2m from £29.9m in 2011.

The value of Chartered Accountants' Hall was unchanged at £9.1m as at 31 December 2012, despite investment during the year, resulting in a revaluation loss of £0.5m.

Trade and other payables were £32.5m (2011: £29.6m). This reflects an increase in 2013 subscription income in advance. Trade and other receivables were £9.6m (2011: £12.4m), with the bulk of the reduction arising from disciplinary income due from AADB at the end of 2011.

We have provided £8.1m (2011: £8.6m) of costs relating to the AADB at 31 December 2012, reflecting their current case load. Case costs are forecast on the basis of the available information on actual or prospective cases. The accuracy of the forecast depends on assumptions made about the progress of individual cases and is subject to a significant degree of uncertainty. We do not take account of any potential future income from fines or cost recoveries from the AADB before a formal judgement has been made.

## CASH FLOW

Cash balances at 31 December 2012 were £3.4m. Net cash outflow was £1.7m compared to a £5.2m outflow in 2011. Our cash profile fluctuates on an annual cycle, this year peaking at £43.8m in February and bottoming out at £1.4m in November.

Funding of the AADB saw a cash outflow of £4.0m (2011: £2.9m).

ICAEW provided £6.0m (2011: £6.4m) of deficit funding to the Staff Pensions Fund, in line with the current agreement.

Capital expenditure was £3.8m (2011: £2.7m). We expect to incur £3.0m of capital expenditure in 2013.

## REPORT OF THE AUDITOR

The auditor's report on the full accounts for the year ended 31 December 2012 was unqualified.

## FURTHER INFORMATION

You can get full financial statements:

- online at [icaew.com/review](http://icaew.com/review);
- by emailing [fullaccounts@icaew.com](mailto:fullaccounts@icaew.com) or by writing to Andrew Fagg, Finance Director

# SUMMARY FINANCIAL STATEMENTS

## Summary group income statement

For the year ended 31 December 2012

	2012			2011		
	Income	Expenditure	Net	Income	Expenditure restated <sup>1</sup>	Net restated <sup>1</sup>
	£m	£m	£m	£m	£m	£m
Subscriptions and fees	39.6	-	39.6	37.7	-	37.7
Learning and professional development	9.7	(14.0)	(4.3)	12.5	(15.3)	(2.8)
Professional standards	14.2	(13.7)	0.5	14.0	(13.4)	0.6
Commercial and shared services	9.9	(13.1)	(3.2)	-	-	-
Member services	-	-	-	5.4	(12.5)	(7.1)
Members	1.0	(12.9)	(11.9)	0.1	(9.4)	(9.3)
Technical strategy	3.9	(9.2)	(5.3)	4.1	(9.5)	(5.4)
Central activities	0.9	(13.6)	(12.7)	0.5	(12.8)	(12.3)
Charitable trusts	0.2	(1.1)	(0.9)	0.2	(1.1)	(0.9)
	79.4	(77.6)	1.8	74.5	(74.0)	0.5
Accountancy and Actuarial Discipline Board	1.6	(3.4)	(1.8)	3.1	(1.9)	1.2
Other regulatory and professional associations	0.8	(2.9)	(2.1)	0.8	(2.8)	(2.0)
	2.4	(6.3)	(3.9)	3.9	(4.7)	(0.8)
Other income - licence and data access fees	-	-	-	1.9	-	1.9
<b>Operating result</b>	<b>81.8</b>	<b>(83.9)</b>	<b>(2.1)</b>	<b>80.3</b>	<b>(78.7)</b>	<b>1.6</b>
Investment income	1.3	-	1.3	2.5	-	2.5
<b>Result before taxation</b>	<b>83.1</b>	<b>(83.9)</b>	<b>(0.8)</b>	<b>82.8</b>	<b>(78.7)</b>	<b>4.1</b>
Taxation			(0.1)			(0.1)
<b>Net result after taxation for the year</b>			<b>(0.9)</b>			<b>4.0</b>

## SUMMARY GROUP STATEMENT OF COMPREHENSIVE INCOME

	2012	2011
	£m	restated <sup>1</sup> £m
Net result after taxation recognised in the income statement in the year	(0.9)	4.0
Items that may be reclassified subsequently to profit or loss: Gains/(losses) on revaluation of available for sale investments	2.2	(2.5)
Items that will not be reclassified subsequently to profit or loss: (Losses)/gains on revaluation of property, plant and equipment	(0.6)	0.6
Actuarial losses recognised in the year	(4.8)	(7.2)
Deferred tax	(0.3)	0.6
Net losses not recognised in the income statement in the year	(3.5)	(8.5)
<b>Total comprehensive expense in the year</b>	<b>(4.4)</b>	<b>(4.5)</b>

<sup>1</sup> The prior year result has been restated to reflect the early adoption of IAS 19 (revised) with effect from 1 January 2011. This has the effect of reducing the net result after taxation for the year by £0.5m, with a compensating reduction in actuarial losses as set out on the statement of comprehensive income. ICAEW's departmental structure was revised at the start of 2012; the results for the year reflect current responsibilities – prior year results have not been restated for these movements as this is not considered practicable.

## Summary ICAEW income statement

For the year ended 31 December 2012

	2012			2011		
	Income	Expenditure	Net	Income	Expenditure restated <sup>1</sup>	Net restated <sup>1</sup>
	£m	£m	£m	£m	£m	£m
Subscriptions and fees	39.6	-	39.6	37.7	-	37.7
Learning and professional development	9.7	(14.0)	(4.3)	12.5	(15.3)	(2.8)
Professional standards	14.2	(13.7)	0.5	14.0	(13.4)	0.6
Commercial and shared services	9.9	(13.1)	(3.2)	-	-	-
Member services	-	-	-	5.4	(12.5)	(7.1)
Members	1.0	(12.9)	(11.9)	0.1	(9.4)	(9.3)
Technical strategy	3.9	(9.2)	(5.3)	4.1	(9.5)	(5.4)
Central activities	0.9	(13.1)	(12.2)	0.5	(12.3)	(11.8)
	79.2	(76.0)	3.2	74.3	(72.4)	1.9
Accountancy and Actuarial Discipline Board	1.6	(3.4)	(1.8)	3.1	(1.9)	1.2
Other regulatory and professional associations	0.8	(2.9)	(2.1)	0.8	(2.8)	(2.0)
	2.4	(6.3)	(3.9)	3.9	(4.7)	(0.8)
Other income – licence and data access fees	-	-	-	1.9	-	1.9
Gift aid and library funding	-	(1.6)	(1.6)	-	(1.7)	(1.7)
<b>Operating result</b>	<b>81.6</b>	<b>(83.9)</b>	<b>(2.3)</b>	<b>80.1</b>	<b>(78.8)</b>	<b>1.3</b>
Investment income	1.1	-	1.1	2.3	-	2.3
<b>Result before taxation</b>	<b>82.7</b>	<b>(83.9)</b>	<b>(1.2)</b>	<b>82.4</b>	<b>(78.8)</b>	<b>3.6</b>
Taxation			-			-
<b>Net result after taxation for the year</b>			<b>(1.2)</b>			<b>3.6</b>

## SUMMARY ICAEW STATEMENT OF COMPREHENSIVE INCOME

	2012	2011
	£m	restated <sup>1</sup> £m
Net result after taxation recognised in the income statement in the year	(1.2)	3.6
Items that may be reclassified subsequently to profit or loss: Gains/(losses) on revaluation of available for sale investments	1.6	(1.9)
Items that will not be reclassified subsequently to profit or loss: (Losses)/gains on revaluation of property, plant and equipment	(0.6)	0.6
Actuarial losses recognised in the year	(4.6)	(6.9)
Deferred tax	(0.3)	0.6
Net losses not recognised in the income statement in the year	(3.9)	(7.6)
<b>Total comprehensive expense in the year</b>	<b>(5.1)</b>	<b>(4.0)</b>

<sup>1</sup> The prior year result has been restated to reflect the early adoption of IAS 19 (revised) with effect from 1 January 2011. This has the effect of reducing the net result after taxation for the year by £0.5m, with a compensating reduction in actuarial losses within the statement of comprehensive income. ICAEW's departmental structure was revised at the start of 2012; the results for the year reflect current responsibilities – prior year results have not been restated for these movements as this is not considered practicable.



## Summary statements of financial position

as at 31 December 2012

		Group			ICAEW		
	Note	2012 £m	2011 £m	2010 £m	2012 £m	2011 £m	2010 £m
<b>Assets</b>							
Non-current assets	2	64.2	62.5	64.5	52.9	51.9	53.2
Current assets		14.7	19.1	20.3	13.8	18.3	19.8
<b>Total assets</b>		<b>78.9</b>	<b>81.6</b>	<b>84.8</b>	<b>66.7</b>	<b>70.2</b>	<b>73.0</b>
<b>Liabilities</b>							
Current liabilities		(38.2)	(34.4)	(34.1)	(37.9)	(34.1)	(33.6)
Non-current liabilities		(9.3)	(11.4)	(10.4)	(8.6)	(10.8)	(10.1)
<b>Total liabilities</b>		<b>(47.5)</b>	<b>(45.8)</b>	<b>(44.5)</b>	<b>(46.5)</b>	<b>(44.9)</b>	<b>(43.7)</b>
<b>Total net assets</b>		<b>31.4</b>	<b>35.8</b>	<b>40.3</b>	<b>20.2</b>	<b>25.3</b>	<b>29.3</b>
<b>Reserves</b>							
Revaluation reserve		5.4	5.9	5.3	5.4	5.9	5.3
Investment revaluation reserve		2.5	1.3	2.6	2.5	1.3	2.6
Accumulated fund		7.9	14.0	17.5	7.3	13.6	17.3
Faculties		1.7	1.3	1.0	1.7	1.3	1.0
Chartered Accountants' Compensation Scheme		3.3	3.2	3.1	3.3	3.2	3.1
Charitable trusts		10.6	10.1	10.8	-	-	-
	3	31.4	35.8	40.3	20.2	25.3	29.3

Approved on behalf of the council



**Mark Spoffoth**  
President  
19 March 2013



**Michael Izza**  
Chief Executive

## Summary statements of cash flows

for the year ended 31 December 2012

	Group		ICAEW	
	2012 £m	2011 £m	2012 £m	2011 £m
Cash generated from operating activities	10.5	4.9	10.7	5.0
Cash outflow on pension liabilities	(6.0)	(6.4)	(6.0)	(6.4)
Cash outflow on AADB	(4.0)	(2.9)	(4.0)	(2.9)
Tax paid	(0.1)	-	-	-
Purchase of property, plant and equipment	(2.5)	(2.0)	(2.5)	(1.9)
Purchase of intangible assets	(1.3)	(0.8)	(1.3)	(0.8)
Deferred consideration received	-	0.5	-	0.5
Net purchase of available for sale investments	0.3	(0.5)	0.4	(0.6)
Investment income received	1.3	2.1	1.0	1.9
<b>Net decrease in cash and cash equivalents in the year</b>	<b>(1.8)</b>	<b>(5.1)</b>	<b>(1.7)</b>	<b>(5.2)</b>
Net cash and cash equivalents at 1 January	5.7	10.8	5.1	10.3
<b>Net cash and cash equivalents at 31 December</b>	<b>3.9</b>	<b>5.7</b>	<b>3.4</b>	<b>5.1</b>

## Notes to the summary financial statements

for the year ended 31 December 2012

### 1 Basis of preparation

The summary financial statements have been extracted from ICAEW's full financial statements for the year ended 31 December 2012, 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		
	2012 £m	2011 £m	2010 £m	2012 £m	2011 £m	2010 £m
Carrying amounts						
Property, plant and equipment	18.8	19.2	19.0	18.8	19.2	19.0
Intangible assets	2.7	2.6	2.7	2.7	2.6	2.7
Investments in associated undertakings	0.1	0.1	0.1	-	-	-
Available for sale investments	42.4	40.4	42.0	31.2	29.9	30.8
Deferred consideration receivable	-	-	0.5	-	-	0.5
Deferred tax asset	0.2	0.2	0.2	0.2	0.2	0.2
	<b>64.2</b>	<b>62.5</b>	<b>64.5</b>	<b>52.9</b>	<b>51.9</b>	<b>53.2</b>

### 3 Reserves

Group	Revaluation reserve £m	Investment revaluation reserve £m	Accumulated fund £m	Self- financing reserves £m	Charitable trusts £m	Total £m
<b>Reserves at 1 January 2012</b>	<b>5.9</b>	<b>1.3</b>	<b>14.0</b>	<b>4.5</b>	<b>10.1</b>	<b>35.8</b>
Net result after taxation	-	-	(1.6)	0.6	0.1	(0.9)
Decrease in valuation of property, plant and equipment	(0.6)	-	-	-	-	(0.6)
Net change in market value of long-term investments over cost	-	1.6	-	-	0.6	2.2
Actuarial losses recognised in year on defined benefit pension scheme	-	-	(4.5)	(0.1)	(0.2)	(4.8)
Deferred tax attributable to above	0.1	(0.4)	-	-	-	(0.3)
Total other comprehensive (expense)/income in the year	(0.5)	1.2	(4.5)	(0.1)	0.4	(3.5)
Total comprehensive (expense)/income in the year	(0.5)	1.2	(6.1)	0.5	0.5	(4.4)
<b>Reserves at 31 December 2012</b>	<b>5.4</b>	<b>2.5</b>	<b>7.9</b>	<b>5.0</b>	<b>10.6</b>	<b>31.4</b>

ICAEW	Revaluation reserve £m	Investment revaluation reserve £m	Accumulated fund £m	Self- financing reserves £m	Total £m
<b>Reserves at 1 January 2012</b>	<b>5.9</b>	<b>1.3</b>	<b>13.6</b>	<b>4.5</b>	<b>25.3</b>
Net result after taxation	-	-	(1.8)	0.6	(1.2)
Decrease in valuation of property, plant and equipment	(0.6)	-	-	-	(0.6)
Net change in market value of long-term investments over cost	-	1.6	-	-	1.6
Actuarial losses recognised in year on defined benefit pension scheme	-	-	(4.5)	(0.1)	(4.6)
Deferred tax attributable to above	0.1	(0.4)	-	-	(0.3)
Total other comprehensive (expense)/income in the year	(0.5)	1.2	(4.5)	(0.1)	(3.9)
Total comprehensive (expense)/income in the year	(0.5)	1.2	(6.3)	0.5	(5.1)
<b>Reserves at 31 December 2012</b>	<b>5.4</b>	<b>2.5</b>	<b>7.3</b>	<b>5.0</b>	<b>20.2</b>

## Summary corporate governance statement

The council has adopted the provisions of section 1 of the UK Corporate Governance Code (June 2010) prepared by the committee on corporate governance, to the extent appropriate. During the year the council has monitored and assessed key risks in compliance with the guidance *Internal control: guidance for directors on the combined code*. The full corporate governance statement is set out in the financial statements for the year ended 31 December 2012.

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

We have examined the summary financial statements of The Institute of Chartered Accountants in England and Wales (ICAEW) for the year ended 31 December 2012, which comprise the summary group income statement, summary ICAEW income statement, summary statements of financial position, summary statements of cash flows and notes to the summary financial statements.

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

### RESPECTIVE RESPONSIBILITIES OF THE COUNCIL AND AUDITORS

The council is responsible for preparing the annual review.

Our responsibility is to report to you our opinion on the consistency of the summary financial statements within the annual review with the full annual report and financial statements.

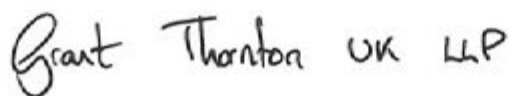
We also read the other information contained in the annual review and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the summary financial statements.

### BASIS OF OPINION

We conducted our work in accordance with Bulletin 2008/3 *The Auditors' Statement on the Summary Financial Statement in the United Kingdom* issued by the Auditing Practices Board. Our report on ICAEW's full annual financial statements describes the basis of our audit opinion on those financial statements.

### OPINION

In our opinion, the summary financial statements are consistent with the full annual financial statements of ICAEW for the year ended 31 December 2012.



**Grant Thornton UK LLP**  
Statutory Auditor  
Chartered Accountants  
Milton Keynes  
19 March 2013

# LIST OF COUNCIL MEMBERS AS AT 31 DECEMBER 2012

NB: The attendance record at meetings of council in 2012 is shown alongside each member (actual/possible).

<p><b>President</b>  <b>Mark Spofforth (6/6)</b>  Partner, Spofforths</p> <p><b>Deputy-President</b>  <b>Martyn Jones (6/6)</b>  Consultant</p> <p><b>Vice-President</b>  <b>Arthur Bailey (5/6)</b>  Consultant, Begbies Traynor and Kingston Smith</p> <p><b>Paul Aplin (3/6)</b>  Co-opted, member with liaison link to HMRC  Tax Partner, A C Mole &amp; Sons</p> <p><b>Lee Aston (3/4)</b> <small>See Note 1</small>  Elected, West of England  Finance Director, Thrings LLP</p> <p><b>Jan Babiak (4/6)</b>  Co-opted, senior member in business and sustainability  Audit Committee Chair, Logica plc and Non-executive Director</p> <p><b>Malcolm Bacchus (6/6)</b>  Elected, London</p> <p><b>Andrew Baigent (5/6)</b>  Elected, London  Director, Group Financial Management Improvement, Department of Health</p> <p><b>Andrew Batty (5/6)</b>  Elected, London  Senior Manager, PwC LLP</p> <p><b>Carl Bayley (6/6)</b>  Elected, Scotland  Director, Bayley Miller Ltd</p> <p><b>Matthew Bennett (5/5)</b> <small>See Note 2</small>  ex officio, Chair, ICAEW Student Council  Senior Associate, PwC LLP</p> <p><b>Tony Bennenwith (4/6)</b>  Elected, South Eastern  Principal, A J Bennenwith and Co</p> <p><b>Richard Bint (4/6)</b>  Co-opted, Senior Partner in an international Group  A Firm  Senior partner, PKF (UK) LLP</p> <p><b>Charles Bowman (4/6)</b>  ex officio, Chairman, Audit and Assurance Faculty  Partner, PwC LLP</p>	<p><b>Evie Bowyer (5/6)</b>  Elected, London  Director, EVB Training Consultancy Ltd</p> <p><b>Will Brooks (6/6)</b>  Elected, London  Managing Director, Eximus Capital Ltd</p> <p><b>Ray Burton (5/6)</b>  Elected, West of England  Chairman, TwentyFifty Ltd</p> <p><b>Heather Cheesman (5/6)</b>  Elected, South Eastern  Owner, Chichester Accounting</p> <p><b>Ian Cherry (5/6)</b>  Elected, North West  Director, A I Cherry Ltd</p> <p><b>David Chitty (6/6)</b>  Elected, Croydon &amp; District  Partner, Crowe Clark Whitehill LLP</p> <p><b>Edward Chow (6/6)</b>  Co-opted, HKICPA representative  Chairman, China Infrastructure Group Holdings plc and Chairman, CIG Yangtze Ports plc</p> <p><b>Michael Colin (2/6)</b>  Elected, Manchester  Independent Consultant</p> <p><b>Dennis Cox (2/6)</b>  Elected, London  CEO, Risk Reward Ltd</p> <p><b>John Cox (4/4)</b> <small>See Note 1</small>  Elected, Staffs Salop and Wolverhampton  Director, Cox Ambrey Ltd</p> <p><b>Jimmy Daboo (4/6)</b>  Elected, London  Partner, KPMG LLP</p> <p><b>Feroze Dada (2/6)</b>  Elected, London  Managing Partner, Crowe Clark Whitehill (London) LLP</p> <p><b>Ashish Dave (4/6)</b>  Co-opted, Member in the UAE  Partner &amp; Chief Financial Officer, ABRAAJ Capital Limited</p> <p><b>Ian Davies (6/6)</b>  Elected, Southern  Senior Independent Director, Harvey Nash plc</p> <p><b>Graham Durgan (5/6)</b>  Elected, Thames Valley  Chairman, Emile Woolf (Holdings) Ltd</p>	<p><b>Carla Edgley (6/6)</b>  Co-opted, Academic  Lecturer, Cardiff Business School</p> <p><b>Frank Edwards (6/6)</b>  Elected, South Wales  Consultant, CODA Business Management Ltd</p> <p><b>Susan Field (5/6)</b>  Elected, London  Sole Practitioner</p> <p><b>Owen Finn (5/6)</b>  Elected, Humberside &amp; District  Managing Director, Premier Building &amp; Engineering Services UK Ltd</p> <p><b>Richard Frost (6/6)</b>  Elected, Sheffield &amp; District  Audit Partner, Hawscons</p> <p><b>Graeme Gordon (4/6)</b>  Elected, Thames Valley  Executive Director/CEO, Praxity</p> <p><b>Bill Graham (3/6)</b>  Elected, Northern  Consultant</p> <p><b>Howard Gross (6/6)</b>  Elected, London  Chief Executive, Gross Klein</p> <p><b>Barrie Harding (6/6)</b>  Elected, South Essex  Partner, Marsh Hammond &amp; Partners LLP</p> <p><b>Richard Harwood (6/6)</b>  Elected, Birmingham &amp; West Midlands  Principal, Harwoods</p> <p><b>Michael Hawley (4/6)</b>  Elected, Nottingham, Derby &amp; Lincoln  Lecturer and Consultant, Beeley Hawley &amp; Co Ltd</p> <p><b>Ian Hayes (5/6)</b>  Elected, London  European VAT Advisor, Vataxworld Ltd</p> <p><b>David Heaton (4/6)</b>  ex officio, Chairman, Tax Faculty  Tax Partner, Baker Tilly Tax &amp; Advisory Services LLP</p> <p><b>Marion Hodgkiss (4/6)</b>  Elected, Liverpool  Kaplan Financial Ltd</p> <p><b>Philip Hollins (5/6)</b>  Elected, London</p>	<p><b>Peter Hollis (3/3)</b> <small>See Note 3</small>  ex officio, Chairman, Practice Committee  Hollis and Co Ltd</p> <p><b>Alistair Hollows (6/6)</b>  Elected, Manchester  Director, IFA Mentor Ltd</p> <p><b>Constantine Ioannou (4/6)</b>  Elected, London  Partner, Ioannou &amp; Co and Director of various companies</p> <p><b>Peter Jenkins (4/6)</b>  Elected, London  Finance Director, The Prince's Regeneration Trust</p> <p><b>Jeremy Jennings (5/6)</b>  Co-opted, member in EU  Global Director – Regulatory &amp; Government Relations, Ernst &amp; Young LLP, Brussels</p> <p><b>Neeraj Kapur (5/6)</b>  Co-opted, member in financial institution  Chief Financial Officer, Secure Trust Bank plc</p> <p><b>Jim Keeling (2/6)</b>  ex officio, Chairman, Corporate Finance Faculty  Joint Chairman, Corbett Keeling Ltd</p> <p><b>George Kourris (5/6)</b>  Co-opted, Member in EU  Partner, Ernst &amp; Young Cyprus Limited</p> <p><b>Maureen Lamburn (5/6)</b>  Elected, Beds, Bucks &amp; Herts  Partner, Lamburn &amp; Turner, Chartered Accountants</p> <p><b>Robin Liddell (6/6)</b>  Co-opted, Member from Northern Society  Director, RS Liddell Consulting Ltd</p> <p><b>Hilary Lindsay (6/6)</b>  Elected, Leics &amp; Northants  Lecturer, the Open University Business School</p> <p><b>Iain Lowson (3/6)</b>  Co-opted, Chairman, Ethics Standards Committee  Head of Audit, BDO LLP</p>	<p><b>Ara Martirosian (4/6)</b>  Elected, South Eastern  Managing Director, Red IT Solutions Ltd</p> <p><b>Barry Matthews (6/6)</b>  Elected, Birmingham &amp; West Midlands  Director, Bissell &amp; Brown Ltd</p> <p><b>David Matthews (6/6)</b>  Co-opted, senior partner in a Big Four firm  Partner, KPMG LLP</p> <p><b>David McBride (6/6)</b>  Elected, London</p> <p><b>Robert Millea (6/6)</b>  Elected, East Anglian  Vice-Chairman, West Suffolk College and South Essex College</p> <p><b>Peter Mitchell (4/6)</b>  Elected, Beds, Bucks &amp; Herts  Senior Partner, Peter Mitchell &amp; Co; Chairman, Society of Professional Accountants</p> <p><b>Sheilagh Moffat (5/6)</b>  Elected, Birmingham &amp; West Midlands  Partner, Moffat Gilbert</p> <p><b>Nick Parker (5/6)</b>  Elected, Southern  Regional Director of Tax, Tenon</p> <p><b>Clive Parritt (5/6)</b>  ex officio, Past President  Chairman, Baronsmead VCT 2 plc; DiGiCo Europe Ltd; BG Consulting Group Ltd; Non-executive Director, London &amp; Associated Properties plc and other companies</p> <p><b>Philip Pawson (6/6)</b>  Elected, West Yorkshire  Barrister and Consultant</p> <p><b>Andrew Ratcliffe (5/6)</b>  Co-opted, Chairman, Technical Strategy Board  Partner, PwC LLP</p> <p><b>Gerald Russell (3/6)</b>  ex officio, Past President  Consultant, Ernst &amp; Young LLP</p> <p><b>Robert Sheffrin (3/6)</b> <small>See Note 4</small>  Elected, Manchester  Compliance Director, Braemar Securities</p>	<p><b>Andy Simmonds (5/6)</b>  ex officio, Chairman, Financial Reporting Faculty  Accounting Technical Partner, Deloitte LLP</p> <p><b>Joe Smoczynski (5/6)</b>  Co-opted, member in EU  Management Consultant, Warsaw</p> <p><b>Alex Spofforth (4/4)</b> <small>See Note 1</small>  Elected, South Eastern  Partner, Spofforths</p> <p><b>Christopher Spokes (4/6)</b>  Elected, East Anglian  Partner, Bidwells</p> <p><b>Nathan Steinberg (6/6)</b>  Elected, London  Partner, Munslovs; Non-executive Director, Ambrian Capital plc and Longships plc</p> <p><b>Jonathan Teller (5/6)</b>  ex officio, Finance &amp; Management/Information Technology Faculties' representative  Consultant</p> <p><b>John Tiernay (5/6)</b>  Elected, Liverpool  Partner, TiernayFedrick</p> <p><b>Peter Tucker (6/6)</b>  Elected, Beds, Bucks &amp; Herts  Tax Partner, Dickinsons Chartered Accountants</p> <p><b>Paul Wagstaff (6/6)</b>  Elected, Thames Valley  Business Development Partner, Dickinsons</p> <p><b>David Walker (5/6)</b>  Elected, West Yorkshire  Finance Director, Assurant Intermediary Ltd</p> <p><b>Jatinder Wasu (3/6)</b>  Elected, London  Principal, Sterling Hay Chartered Accountants</p> <p><b>Jan Weber (3/6)</b>  Elected, London  Finance Director, DIAM International</p> <p><b>Fiona Wilkinson (6/6)</b>  Elected, South Western  Principal, Fiona Wilkinson</p>	<p><b>Notes</b></p> <ol style="list-style-type: none"> <li>1 Elected with effect from 12 June 2012</li> <li>2 Appointed with effect from 1 April 2012</li> <li>3 Appointed with effect from 13 June 2012</li> <li>4 Resigned with effect from 4 June 2013</li> </ol>
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## THE FOLLOWING WERE ALSO MEMBERS OF COUNCIL DURING THE YEAR 2012

Resigned with effect from 7 March 2012

**John Hilton (0/1)**  
Elected, West of England  
Practice Director, Thriving Townsend Solicitors

Retired with effect from 1 April 2012

**Tom Noble (0/1)**  
ex officio, Chair ICAEW Students Council  
Assistant Manager, Deloitte LLP

Retired with effect from 12 June 2012

**Penny Bickerstaff (1/1)**  
Co-opted, Chairman, Member Services Board  
Independent Management Consultant

**Martin Hagen (2/2)**  
ex officio, Past President  
Non-executive Director, South West Water and Swallowfield plc; Deputy Chairman, Regulatory Decisions Committee, FSA

**Suwei Jiang (1/2)**  
Co-opted, younger member  
Partner PwC LLP

ICAEW is a world leading professional membership organisation that promotes, develops and supports over 140,000 chartered accountants around the world. We provide qualifications and professional development, share our knowledge, insight and technical expertise, and protect the quality and integrity of the accountancy and finance profession.

As leaders in accountancy, finance and business our members have the knowledge, skills and commitment to maintain the highest professional standards and integrity. Together we contribute to the success of individuals, organisations, communities and economies around the world.

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

#### ICAEW


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