

twenty05
125 YEARS



The Institute of Chartered Accountants in England & Wales
125th anniversary year Annual Review 2005

Leading change



Contents

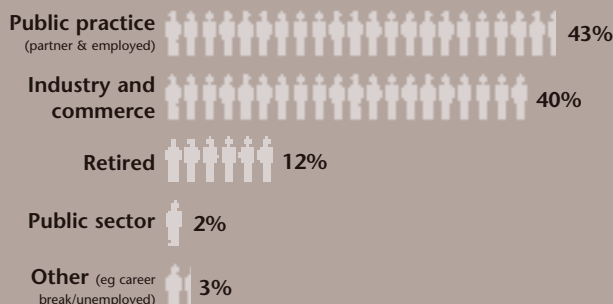
- 01 President's statement
- 02 Chief executive's statement
 - Report of the council
 - Leading change in...
- 04 career opportunities
- 07 the business community
- 10 the profession
- 13 international markets
- 15 society
- 18 Financial and operating statement
- 20 Summary financial statements
 - List of council members

Annual review online at
www.icaew.co.uk/review

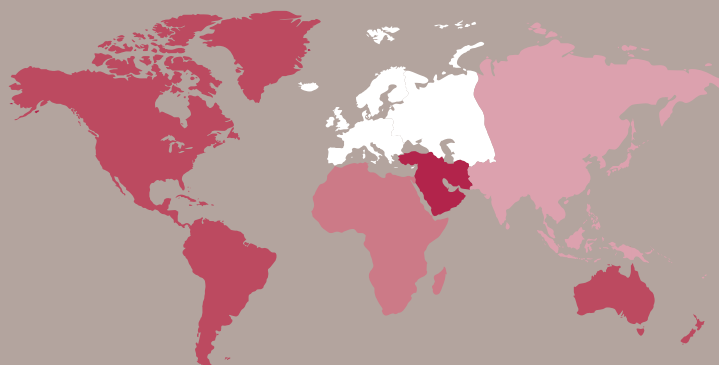
Vision That members hold the world's most highly respected professional business finance qualifications and support enterprise, innovation and sustainable growth in a socially responsible business environment.

Mission The Institute will work in the public interest to enhance the reputation of the accounting profession and the public standing of members across all sectors of the economy. It will achieve this through a continuing commitment to the highest standards of professional learning and development, technical excellence, professional conduct, representation and support.

What chartered accountants do... as at 31 December 2005

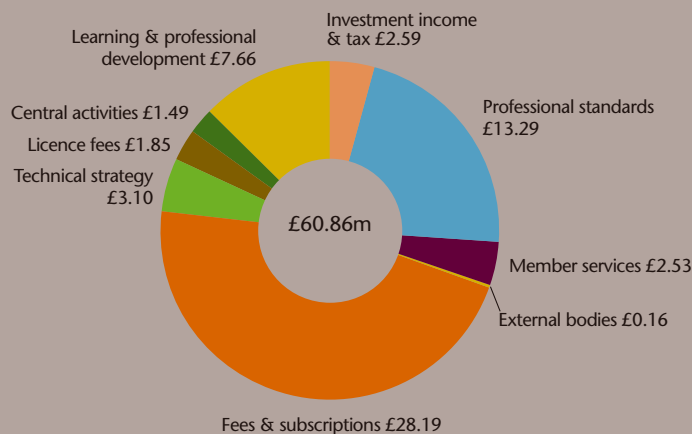


...and where around the world

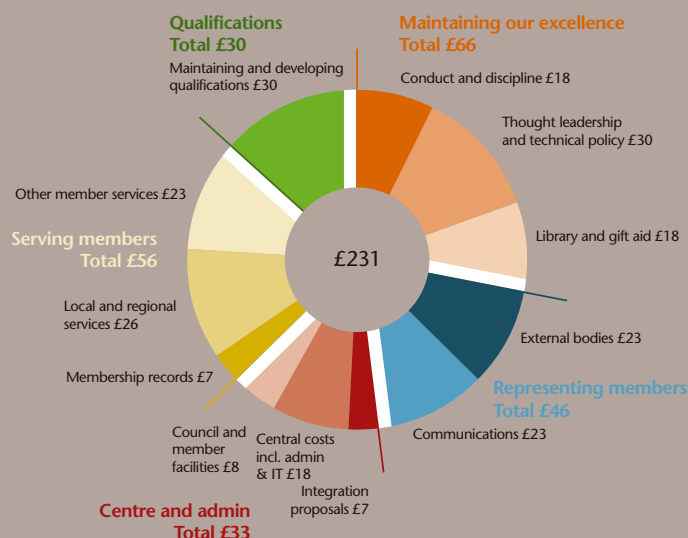


Of the Institute's 127,826 members, 22% are women. As at December 2005, there were 12,311 students and 87% of new students were graduates.

2005 Institute income £m



What the £231 membership fee paid for in 2005



“Chartered accountants have a long history of responding positively to shifts in public expectations and new market opportunities. It is a tradition we intend to maintain...”

Our 125th anniversary year

has been a remarkable one for the Institute. Our focus has been on reinforcing our position as a world-leading professional body.

We remain the largest professional accountancy institute in Europe. Our members serve the needs of business and the public in every economic sector, advising or running European and international businesses from the smallest to the largest, from the high street to the boardrooms of multinational companies.

Today, as successive Institute enterprise surveys have proved, the valuable contribution that the accountancy profession makes to support enterprise, innovation and growth is clearly recognised.

A modern accountancy profession must be dynamic, accessible and relevant to changing market needs. We have therefore set ourselves a forward-looking and challenging agenda, based on national and international partnerships, to support all our members.

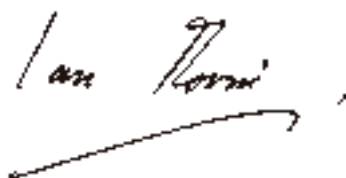
Chartered accountants have a long history of responding positively to shifts in public expectations and new market opportunities. It is a tradition we intend to maintain, enabling us, for example, to respond to HRH The Prince of Wales's challenge – issued at the Institute's annual dinner – for the profession to help make sustainability a core strategic business consideration for the good of society.

Participating at various events we have held during the year, it has struck me that the world is searching us out more than ever before. We were, for instance, honoured to welcome the now vice-minister of the Ministry of

Finance in China to speak at our annual conference in June 2005 and, in July, Senator Richard Shelby to discuss UK reactions to the Sarbanes-Oxley Act.

Our work in the public interest is important to underpinning our integrity, a core element of our reputation. In particular, our power to convene diverse parties across borders to promote greater understanding and influence debate has helped to build dialogue and understanding between the profession and key decision-makers on the international financial stage.

Accountancy is not practised in a vacuum. It is the language of commerce that helps society to operate. In 2006, we will support our members to enable them to continue to meet the changing needs and expectations of business and the public. My grateful thanks to all of our volunteer members in district societies, committees and groups throughout the UK and around the world, as well as our staff, whose dedication and help enable us to achieve our goals.



Ian Morris
President





Leaders of change...

need to be bold and forthright in their approach and manage risk if they are to encourage innovation, diversity and growth.

Achievements in 2005

Embrace the full breadth of the economy

- 9.1% increase in student intake for 2005/6 over 2004/5
- Restructure ACA and training framework
- Brand review started



Align with members' careers

- New qualifications:
Corporate finance qualification and CF designation
Diploma in financial strategy fast track to Oxford MBA
IFRS (international financial reporting standards) diploma
- Leadership challenge for young professionals
- Practice strategy

2005 delivery on key objectives

The ACA is the premier financially-based business qualification in the UK. However, underlying our strategy – set in 2004 – is the need to distinguish, protect and build our brand in the light of an increasingly international and competitive market. In 2005, we took practical, market-oriented steps to maintain and build our leadership of the profession.

Delivery on our strategic objectives in 2005 (see box above) was accompanied by significant infrastructure investment to enable continued development and growth. In particular, a £1.9m investment in learning and professional development over three years is enabling us to build our post-qualification portfolio and begin restructuring the ACA as well as our training framework. Intensive consultation with employers is resulting in qualifications that both meet market needs and are more widely accessible. In tandem, we have recruited expert teams necessary to support delivery of our national and international growth strategies.

Chartered accountants as business champions

In 2005, we concentrated on cementing our reputation as champions of business. By harnessing members' expertise to a greater extent, we promoted our engagement on public policy issues beyond accounting and auditing onto the broader business and economic agenda such as the UK Budget and pensions provision.

Our credibility is in part due to the fact that so many of our members are employed in or run businesses, complemented by our members in practice who act as advisers to business. It is also due to our focus on thought leadership, public interest activities and engagement with government nationally and regionally.

At the global level, our 125th anniversary conferences in London, Brussels and Washington strengthened our reputation among international regulators and policymakers as an influential voice on regulatory and governance issues.

Supporting a diverse membership

2005 was also a year of listening, consulting and communicating. Segmenting our membership to address the diversity of interests enabled us to engage directly with more members than ever before, developing from the work of our member focus groups. Members' feedback helped us to devise better targeted support, professional development and communications.

The success and distinctiveness of our specialist faculty model is critical to our strategy and places us in a unique position against other institutes at home and abroad. It enables us both to support members' continuing professional development post-qualification and develop a range of faculties to meet members' needs.

New advisory boards introduced in 2006 for business, practice, the public services, international and young professionals, will further address segmental interests by influencing all Institute activities and services, reporting directly to our main board.

A challenge for the Institute is meeting the differing needs of accountancy practices which vary enormously in size and practice. General practitioners are an important constituent of the Institute. Over 90% of our 13,500 member firms have 1-5 principals, 73% of whom are sole practitioners.

Our activities in 2005, therefore, also included a consultation dedicated to understanding the needs and the market challenges facing this group. This resulted in a new overarching practice strategy for launch in 2006. The strategy includes reinforcing the position of general practitioners as key SME business advisers in the UK economy – a position clearly recognised by business in our annual enterprise surveys.

Integration with CIPFA

In October 2005, our proposal to integrate with the Chartered Institute of Public Finance and Accountancy (CIPFA) as an accelerator to delivery of our strategy was not carried. Although members voted in historic numbers – 56,000 – we missed the constitutional hurdle of a two-thirds majority by just under 1%.

The vote, however, did confirm that a significant majority of those who voted agreed with our overall vision and strategic direction.

Financial results

The Institute's retained surplus for 2005 of £0.40m is substantially better than our planned deficit of £1.39m for the year. This reflects both the creation of new revenue resources for our activities as well as our continued commitment to good housekeeping and cost control.

In seeking a 9% subscription increase for 2006 to fund additional investment in the ACA and learning and professional development,

Increase our international footprint

- New office in Kuala Lumpur, and 18 training partnerships in Malaysia
- New training partnerships in Russia
- Increased membership numbers in Hong Kong



- Leading debate on corporate governance and championing improvements in public reporting
- Flagship thought leadership conferences in London, Brussels and Washington
- Audit Quality Forum, hosted by Institute, recognised as agent for positive change



Maintain our reputation for excellence

So we are exploring options for a closer working relationship with CIPFA on policy issues such as pensions as well as offering member and student benefits in learning and professional development. We remain committed to the principle of consolidation of the UK profession in the long term.

Routes to qualification

We have begun exploring routes to qualification to increase access to the profession, setting an ambitious target of doubling student numbers by 2010. Equally, we have looked at wider avenues of increasing membership, for example, with the membership and co-operation agreement with the Hong Kong Institute of Certified Public Accountants announced in 2004. We are continuing to build such partnerships with premier bodies in other key markets.

A new pathway to membership was launched in March 2006, focusing on holders of other professional qualifications who can demonstrate industry expertise and experience and meet the quality criteria of membership.

We are supporting an initiative to codify the various mid-tier qualifications, enabling students and school leavers to understand the career opportunities as well as fully to gain access to the profession through any one of the qualifications offered by the CCAB bodies.

we undertook to make matching additional annual cost savings of £1.5m and are on track to deliver these. We are planning for a balanced financial outcome for 2006 and propose to limit 2007 subscription increases to 4%, reflecting anticipated wage inflation.

Looking forward

Our plans for the future of the Institute are bold and ambitious, based on considered risk. We will focus on expanding the influence and scope of our Institute, delivering increased value to members and preserving the reputation and standing that our brand enjoys. We will continue our consultative approach with members and invest in our people and resources to drive forward our strategy.



Eric Anstee
Chief executive

“Our plans for the future of the Institute are bold and ambitious...”

Key priorities for 2006

- Completing flexible modular ACA for launch in September 2007
- Continued growth in student and member numbers
- Delivery of an all-member monthly journal as part of the existing subscription
- Creating strategic partnerships worldwide
- Development of plans for new faculties for financial reporting and financial services
- Implementation of practice strategy
- Formalising our working relationship with CIPFA

...listening, consulting and communicating



Did you know?

Institute members represent
63% of accountancy qualified
finance directors and 46% of
accountancy qualified CEOs
in the UK's FTSE 100 listed
companies.

(Accountancy Mar 06/Nov 05)

Leading change in...

career opportunities

The ACA/FCA is widely recognised as a world-leading professional business qualification. It stands for quality, integrity and professionalism. Its portability across all economic sectors and international borders brings chartered accountants unique career choice and flexibility.

A qualification that meets future market needs

Whether trained in practice, business or the public sector, the ACA integrates learning and work experience. It helps students to develop professional judgement and integrity, qualities highly valued by employers. Once qualified, we support our members throughout their careers with a wide range of services and professional development programmes, enabling them to maintain their competitive edge.

In 2005, we began a comprehensive reassessment of the ACA to ensure that it meets future market needs. Employers indicated, for instance, that there is a need for training in growth areas such as charity, forensic and brand accounting. Development of online assessment platforms and revisions to our learning materials continued during the year to improve the classroom experience and achieve a better integration of theory and practice.

We focused on helping a wider range of employers to develop their own in-house personnel to address skills shortages and open up access to training for a new generation of finance professionals. We began restructuring our training requirements to be much more flexible, increased our range of respected tuition providers and built strategic partnerships with world-ranked universities and stronger relationships with schools and colleges.

New qualifications to support lifelong learning and professional development

The Institute is a lifelong career partner offering a continuing professional development (CPD) portfolio which sets the industry standard and includes a suite of specialised qualifications in IFRS and in corporate finance.

A new diploma in financial strategy, pioneered in conjunction with Oxford University Saïd Business School and our commercial partner CCH, was formally launched in October 2005 offering a fast track to an Oxford MBA from March 2006.

All of our specialised qualifications are structured so that they can also be taken by non-accountants and are internationally accessible. Our IFRS qualification learning materials are, for instance, being used by the South African Institute of Chartered Accountants and household names such as Rolls-Royce and Unilever.

In addition, we are developing a common content qualification with leading European institutes in France, Germany, Ireland, Italy, Scotland and the Netherlands. National consultations on the concept and content resulted in revisions to syllabuses in these markets in 2005. The Institute will test processes for oversight of the qualifications of existing and prospective member bodies in summer 2006.

Moving between sectors

29 year old ACA Christian Grobel trained in practice with Big Four firm KPMG, enabling him to move into industry to become a business analyst with EMI. He then moved into strategy and commercial development as executive assistant to the CEO of Fremantle Media, the global TV production company responsible for programmes as diverse as X Factor and Stephen Poliakoff dramas. He won one of the Institute's Everybody Counts awards in 2004 for his work as treasurer of the charity, Contact the Elderly.



"The ACA gave me a deep and broad understanding of finance and business issues, enabling me to work in fascinating and creative industries."

World's first corporate finance qualification

Our corporate finance diploma, developed jointly by our Corporate Finance Faculty, the UK Securities & Investment Institute and the Canadian Institute of Chartered Accountants, is the first in the world solely for corporate finance practitioners. Its holders achieve the designation CF after their

name. In 2005, leading professionals using the 'experience route' to qualification which recognises achievements and contribution to the industry included Rupert Faure Walker, a managing director of HSBC Investment Bank and Richard Murley, director general of the UK's Takeover Panel at the time.



"A definitive way of identifying excellence."

Chris Ward BSc FCA CF
Global head of corporate finance
Deloitte



"It's what the ACA says about you that matters. It tells any prospective employer that you are bright, hard-working and that you understand how business really works. In short, it says you are one of the very best. It opened the door to a successful career for me and is why I'm so keen to have ACAs grow their careers in Reuters."

David Grigson FCA, CFO, Reuters



Dr Raymond Madden, executive director, learning & professional development (2nd from left) with members of the Institute's Malaysian city group, from left to right: Dato' Narendra Jasani, Mohd. Faiz Azmi, Dato' Gan Ah Tee.

The ACA in Malaysia

ACA training in Malaysia is proving a real success. In 2005, the first Institute students tutored by our prestigious tuition provider, Sunway College, achieved excellent results including 100% passes in the assurance paper with one student achieving the best result worldwide. 18 organisations – accountancy firms and Malaysia's foremost businesses – now train chartered accountants. An international business development manager based in our new office in Kuala Lumpur will build on these successes in 2006.



Employer CPD accreditation

In 2005, we began an employer training accreditation scheme for those whose programmes meet our CPD criteria, benefiting both employers and our members. To be launched in 2006, some 24 listed companies, including many global brands, said that they would be pleased to work with us in this way, with numerous other organisations looking to do the same in future.

In 2005, we began expanding our global network of 72 volunteer contact members who act as a local point of contact for assistance to members as well as Institute ambassadors in their particular country. We began development of a new city group in Singapore for launch in July 2006 to join our other city groups in Malaysia and Sydney, Australia, which provide support and networking opportunities for members.



Reciprocal membership arrangements with other institutes

- Australia
- Canada
- Hong Kong
- Ireland
- New Zealand
- Scotland
- South Africa
- Zimbabwe

Practical career support services

Specialist practical advice, support and thought leadership comes from our five faculties – in audit and assurance, corporate finance, IT, tax and finance and management – to which non-Institute members can also subscribe.

The Institute's advisory services include technical, ethics and information helplines which, in 2005, answered more than 55,000 queries. Our world-class library and information service attracted 1.27m page views to its website. Our free helpline offering careers advice to young professionals was supplemented in October 2005 with a careers development service for all members in conjunction with Fairplace, the careers change management specialists.

Professional networking to support careers

Institute members have access to an unrivalled national and global support network. In the UK, 22 district societies in 10 regions as well as Scotland together provide some 1,500 courses and networking events annually, supplemented by a network of individual members offering confidential personal advice and support.

Looking forward

Work on the revised, flexible ACA and restructured training programmes in response to market feedback will be completed for launch in 2007. We will continue to look for knowledge gaps in the market requiring new qualifications and CPD programmes. For example, sustainability and corporate responsibility may become part of our learning programmes depending on the results of a member consultation in 2006.

To support specialist needs, we will develop plans for new faculties in financial services and financial reporting together with 'bundled' faculty subscriptions for those who wish to have access to multiple faculty services and products.

Further information

Training as an ACA

www.icaew.co.uk/careers

Careers service

www.careersaccount.com

CPD

www.icaew.co.uk/cpd

Faculties

www.icaew.co.uk/faculties

Library and information service

www.icaew.co.uk/library

Leading change in... the business community

More than 51,000 chartered accountants are employed in, run or own European and international businesses. Those businesses and others are supported by 13,500 practices which offer general advisory, audit and other services such as tax advice, and by niche experts in areas such as interim management, corporate finance or IT.



Did you know?

78% of the UK's top 350 listed companies have a chartered accountant on the board.

Saving jobs – supplier rescue

The Institute was asked by the regional development agency, Advantage West Midlands (AWM), to set up a turnaround scheme to limit damage to employees and suppliers when car manufacturer MG Rover collapsed in April 2005. We had already run a trial scheme in the region in 2004, saving 500 jobs. AWM advised suppliers and dealerships to seek immediate advice from their chartered accountants. Our members highlighted the need for a turnaround fund and our West Midlands office helped to arrange for a £20m scheme – the Advantage Transition Bridge Fund – backed by EU and UK funding. By the end of February 2006, some 20 turnaround loans totalling £5m had been agreed, helping to preserve 1,200 jobs.

“The biggest help was the loan we got. We received £200,000 which helped replace some of the bad debts we had and the losses we suffered. It kept the company going.”

**Alan Challinor, finance director
Stafford Rubber Company
Cannock**

Key themes in 2005

Proportionate regulation

We develop Institute policy by drawing on the expertise of our members to promote enterprise, innovation and growth across the full breadth of the economy.

In autumn 2005, the ICAEW/Orange *Business confidence monitor* – one of the largest and most comprehensive in the UK – indicated that confidence was at its lowest since 2003. It illustrated why we encouraged government, both in our election recommendations in March and throughout the year, to take a considered, evidence-based approach to developing new and changing existing regulation. We emphasised the need for proportionate regulation for SMEs, subsequently acknowledged in the ‘think small first’ approach encapsulated in the UK Company Law Reform Bill.

The appointment of a chief economist in late 2005 has enhanced our ability to liaise with regulators on the true costs and effects of planned legislation on business and the profession.

Rebuilding trust and confidence

The Institute advocates simplicity, certainty and stability as the underlying principles for rebuilding trust and confidence in both the tax and pensions systems. Our Tax Faculty made 66 tax representations in 2005, precipitating our ‘Big Ben’ tax monitor which highlighted a system out of control.



Focusing on the M in SME

The results of a major study in conjunction with BDO Stoy Hayward, published in June 2005, identified seven factors that make medium-sized businesses – Ms – the backbone of Britain’s economy, generating almost 20% of corporate profits. The study found that the cultural factors of success that differentiate Ms from small and micro businesses need to be recognised by government in public policy development as well as dedicated business support schemes.

We also strengthened relationships with regional development agencies and input to economic strategies on regeneration and business growth. The need for such additional expertise was confirmed by our annual *Enterprise survey*, published in December, which found high levels of dissatisfaction among SMEs with the quality of help and advice they had received from their local Business Links.

A series of Institute policy breakfasts, bringing together key politicians, members and other business leaders, became established in the City of London calendar, together with events such as our corporate finance annual dinner and awards at Mansion House. In 2005, breakfast speakers included Sir Digby Jones, director-general of the CBI and DTI minister for industry and the regions, Alun Michael MP.

Practical guidance for business

The Institute’s representative work is supplemented by practical services and guidance. In 2005, some 10,000 finance professionals in businesses of all sizes benefited from our Faculty of Finance and Management’s practical guidance on risk management and on performance measurement.

Road testing pensions recommendations

Chartered accountants play an important role in pension fund provision as trustees, finance directors responsible for scheme strategy or in resolving fund deficits. We began research to road test the recommendations in the UK Pension Commission’s report, launched in November, using the results at a pensions round table convened by the Institute with the minister for pensions reform, Stephen Timms MP, together with finance directors in February 2006.

“It’s important not just to try to be the best in the world but the best for the world.”

Karan Bilimoria
OBE DL FCA



Outstanding achievement award 2005

The Institute’s prestigious award for outstanding achievement is given to chartered accountants who have made an outstanding contribution in any field of endeavour. Previous recipients include Philip Rusted in 1986 for his service to LiveAid and Sir David Tweedie in 1997 for services to the accounting profession. At the Institute’s annual dinner in May 2005, guest of honour HRH The Prince of Wales handed the 26th award to Karan Bilimoria, a fellow of the Institute and founder and chief executive of global brand Cobra Beer, for his exceptional entrepreneurship and significant work for charity.

Championing improvements in public reporting

In 2005, the Institute made a number of recommendations to improve business reporting (see box below). We continued to engage with regulators including the Financial Reporting Council (FRC) and built on our historic role in UK corporate governance development by providing dedicated resource to the FRC’s review of the *Turnbull Guidance on internal control*, published in October 2005.

We were surprised and disappointed at the lack of consultation over the chancellor’s decision to shelve the mandatory forward-looking operating and financial review (OFR) in the UK. We have long encouraged major companies to improve the quality of their narrative and non-financial reporting. We continue to call for companies to exemplify best practice in voluntary OFR reporting and

to implement the requirements for an enhanced business review.

At the same time, we call on government to review urgently the need for ‘safe harbour’ provisions to protect companies and their directors in relation to forward-looking statements.

Looking forward

In 2006, we will focus on competitiveness and the potential for business to increase efficiency and productivity through technology and proportionate risk-based regulation. We will participate in a broader range of public policy debates and increase our leadership on issues such as taxation policy. Following our report *Information for markets and society*, published in November 2005, we will examine further how information flows can affect public policy decision-making.

Further information

Technical policy positions

www.icaew.co.uk/technicalpolicy

Enterprise

www.icaew.co.uk/enterprise

Faculty of Finance and Management

www.icaew.co.uk/fmfac

Public reporting 2005 The Institute called on...

Whom?	To do what?	Why?
Accounting Standards Board	pause convergence of IFRS and UK GAAP	high costs and uncertainty for unlisted companies
International Accounting Standards Board	i) create simpler standards for SMEs	ensure that SME financial statements meet the needs of their primary users
	ii) resist calls for further interpretations of IFRS	avoid rules undermining professional judgement
UK government and European Commission	reform capital maintenance regimes to a solvency basis	address mismatch between company law and IFRS fair value accounting affecting distributable profits
Auditing Practices Board	reconsider aspects of new ethics standards on auditor independence	impact of more advisers and likely additional costs in some circumstances not offset by perceived benefits for small business



Leading change in... the profession

Professional services firms and general accountancy practices perform a vital function in the global economy, providing advice and assurance to businesses and organisations in every economic sector. The Institute provides leadership on professional and technical issues as well as practical support to member firms to help them to offer high-quality, relevant services to their clients.



Did you know?

The Institute pioneered the principles-based threats and safeguards approach to ethics codes which has been adopted by regulators and the profession worldwide.



Our presence in Brussels

The Institute's European Union office, based in Brussels, is our link to the European Institutions and the broad EU policy arena. It enables us to monitor and interpret developments and influence debate on major issues. Celebrating its 10th anniversary in 2005, the office co-ordinated our representations on key EU legislation such as Directives

on statutory audit and recognition of professional qualifications. In addition to our annual seminar with the Collège d'Europe in Bruges and capital markets conference in Brussels in April, the office organised numerous meetings for members with EU policymakers and members of the European Parliament.

Dr Martin Manuzi, director of our EU office located in the European district, Brussels.

A year of change for auditors

The Institute's survey of fund managers in the UK and US, launched in December 2005, showed how positive they thought changes made during the year by the audit profession and regulators have been. Confidence in UK audited financial information remains high, reflecting a continued trend against our 2004 survey.

Auditors in the UK and Ireland were faced with new auditor independence standards from the Auditing Practices Board (APB) and the adoption of international standards on auditing (ISAs). Our Audit and Assurance Faculty offered practical guidance through nationwide roadshows on the new APB standards and articles and dedicated publications on ISAs.

We also widely publicised reforms to the money laundering reporting regime with a new e-alert developed for members and non-members.

The Institute welcomed the UK government's inclusion of auditor liability reform in the Company Law Reform Bill in November 2005. However, we encouraged the government to ensure that the clauses in the bill reflect the government's stated intention of allowing proportional liability and criminalising only those who commit audit offences with dishonest intent.

Many professional services firms of all types faced financial hardship due to the accounting standard UITF 40 Revenue Recognition. We succeeded in getting government agreement to a taxation spreading relief, but UITF 40 remains controversial within the profession as it accelerates the recognition of income over previous practices.

European 8th directive

EU-wide, the revised 8th Company Law Directive on Statutory Audit was approved by the European Parliament. The Institute was successful in arguing for a principles-based approach to auditor independence which allows for prohibitions of non-audit services where necessary but not where effective safeguards can be implemented. Implementation of the directive will be a key focus in 2006.

While the European Commission did not reform auditor liability in the 8th Directive, the commission agreed to carry out a survey on liability regimes via a new EU auditor liability forum, of which our chief executive was invited to be a member.

Practice support and development

The Institute's practice assurance scheme commenced in 2005. It offers support and guidance to practices in developing and improving their ability to offer competitive, high-quality services to clients. Some 12,500 firms will receive a practice assurance visit over a six year cycle. In a phased build up of visits, 787 had taken place by the end of 2005. We achieved a very high satisfaction rating – 98% – from those firms who fed back regarding the quality of interaction and the outcome of their visit.

Practice assurance here to help



"As chairman of the practice assurance committee, I thought that I should subject myself to a review visit to find out 'how it felt'. It was helpful, constructive and friendly. I hope that other members will see a direct benefit from these visits. Practice assurance should enhance the reputation and image of our profession."

David Endicott FCA
Sole practitioner

Our *Practice solutions manual* sold 1,500 copies by the end of 2005. We began developing a succession planning tool *Stop I want to get off* for retiring chartered accountants who wish to achieve beneficial and successful exits from practice. This will be supported by presentations and new services as well as a planned new publication *Succession solutions for SMEs* to help members' clients.

This year, we offered greater support to general practitioners through our new practice strategy, a comprehensive package of measures to help the long-term prospects and development of smaller practices in the UK. In particular, membership of the Practice Society became free of charge in January 2006 and we restructured dedicated internal practice services to build capacity for future needs.

International firms networks

We also increased support for our international firms networks forum, comprising UK-based representatives of the cross-border associations of the Big Four, Group A and mid-tier firms. Major issues for networks surround cross-border liability, the revised 8th Directive and ongoing work by the International Federation of Accountants (IFAC) to provide a definition of a network firm which affects auditor independence issues. We have ensured that firms' concerns are directly taken into account through our membership of IFAC.

Looking forward

In 2006, we will continue to work with practitioners and stakeholders to help enhance the credibility of corporate reporting through the professional assurance services offered by chartered accountants. To meet the demands

of modern business and society, new thinking may be required to evolve traditional engagements from reporting on factual findings to conclusions based on professional judgement and expertise.

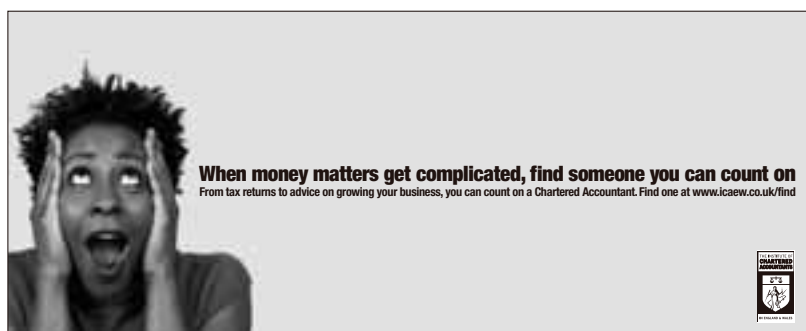
Our Audit and Assurance Faculty will launch a programme outlining our leading technical and practical work on market-oriented assurance engagements in 2006 and invite interested parties to join an ongoing dialogue. It will also publish guidance on internal controls of service organisations compliant with the International Auditing and Assurance Standards Board's assurance framework and standard.

Helping chartered accountants in times of need

Founded in 1886, the Chartered Accountants Benevolent Association (CABA) offers advice and financial and emotional support in times of need.

In 2005, CABA spent £1.2m on helping 600 households. One such family is Neil and Judy (pictured). Neil suffered a major stroke, aged just 42, which left him brain damaged, partially paralysed and unable to support his three young children.

CABA has offered the family a lifeline since September 2004.



You can count on a chartered accountant

This advertising campaign ran in national and major regional daily papers from November to December 2005. Raising awareness of chartered accountants among SMEs and private individuals, it was a precursor to a more targeted and comprehensive campaign planned for 2006.

Further information

Practice support

www.icaew.co.uk/inpractice

Practice Society

www.icaew.co.uk/practicesociety

Audit and assurance

www.icaew.co.uk/aafac

Ethics advisory service

www.icaew.co.uk/ethicsadvice

Brussels office

Tel +32 22 303272

Chartered Accountants

Benevolent Association

www.caba.org.uk

and confidential advice at

www.youcount.org.uk



Leading change in... international markets

With nearly 128,000 members in more than 140 countries, the Institute is the largest professional accountancy body in Europe. We have a global network of relationships across industry, governments and regulators. We work with the profession's umbrella bodies, IFAC and the European Federation of Accountants (FEE), providing thought leadership on capital markets, business and professional issues.

Did you know?

The Institute is the only international professional body to be invited to be a member of the World Economic Forum.

ICAEW est le seul ordre international des professions libérales à avoir été invité à devenir membre du World Economic Forum.

El ICAEW es el unico cuerpo profesional internacional que fué invitado para ser miembro del World Economic Forum.

英格兰及威尔士特许会计师协会 (ICAEW) 是唯一的一家国际专业协会被邀请成为世界经济论坛的会员。

“The Institute supports practical policy proposals that improve market efficiency based on market needs.”

Promoting cross-border dialogue

The Institute's reputation and influence are built on technical excellence, objectivity and practical insight. We are acknowledged as pioneers of high-quality global standards based on principles and professional judgement which command public confidence.

The Institute's work in the public interest enables us to draw together policymakers and stakeholders across borders to encourage greater dialogue and understanding on business issues.

During 2004, we built relationships with policymakers on Capitol Hill to encourage EU/US dialogue on the impact of the Sarbanes-Oxley Act. In 2005, those discussions continued with, amongst others, Senator Richard Shelby, chairman of the US Senate Committee on Banking, Housing and Urban Affairs, a position in which he succeeded Senator Paul Sarbanes.

EU/US markets: convergence or divergence?

Our ongoing *Information for better markets* campaign to promote healthy markets by improving the quality of information was joined in early 2005 by our *Dialogue in corporate governance* initiative. This aims to facilitate a better understanding of different approaches to corporate governance around the world.

The first initiative in the dialogue, *Beyond the myth of Anglo-American corporate governance*, explores the opportunities and pressures arising from differences in US and UK corporate governance models. In June, we published an independent report *Divided by common language* on major differences between US and non-US financial reporting models. Challenging traditional perceptions, it generated response from a number of countries.

In December, we launched our consultation *Pressure points* (see box below) which explores differences between US and UK corporate governance systems and the pressures they may create for international business and investment. The consultation will result in a report to help policymakers on both sides of the Atlantic to take account of market experience.

World differences show a long way to go

In April 2005, we held an international two-day conference in Brussels on the challenges facing business, governments and the professions in the development of global capital markets. International high-profile speakers, including regulators from the US, Japan and the EU, highlighted the considerable differences that frustrate attempts at harmonisation.

Those differences are just as significant within the EU itself. As leading advocates of corporate governance best practice, we were therefore delighted to contribute UK views to the DTI on the European Commission's *Action plan on modernising company law and enhancing corporate governance in the EU* in July 2005.

Supporting shareholder involvement in audit quality

The Audit Quality Forum, convened by the Institute, brings together the audit profession, investors, business and regulators. In 2005, it became recognised as an agent for positive dialogue and change. The Forum's original agenda has generated policy proposals to enhance confidence in the independent audit by promoting transparency and accountability. Its new work programme explores the fundamentals of high-quality audit including audit purpose, principles-based auditing standards and auditor reporting. In July, the forum published *Shareholder involvement: competition and choice* calling for detailed research in the audit market for large listed companies in the UK which was subsequently taken up by the DTI and the Financial Reporting Council.



"The government is grateful to The Institute of Chartered Accountants in England & Wales for helping to establish a 'quality forum'."

DTI company law reform white paper, March 2005

Looking forward

The Institute supports practical policy proposals to improve market efficiency based on market needs. In 2006, therefore, we will continue to gather evidence to support this aim, in particular, by examining international differences in corporate governance regimes and holding international conferences in London, Brussels and Hong Kong. Our thought leadership activities will also develop in areas such as taxation, financial management and IT where work on security and investment decision-making will build on our long-standing involvement in XBRL and digital reporting.

Our campaign *Information for better markets* will continue with challenging reports on measurement in financial reporting (historical cost versus fair value), and reporting with integrity.

Further information

Thought leadership

www.icaew.co.uk/bettermarkets

Audit Quality Forum

www.icaew.co.uk/auditquality

Invitation to comment to the

Pressure points consultation, deadline 30 June 2006

www.icaew.co.uk/corporategovernance

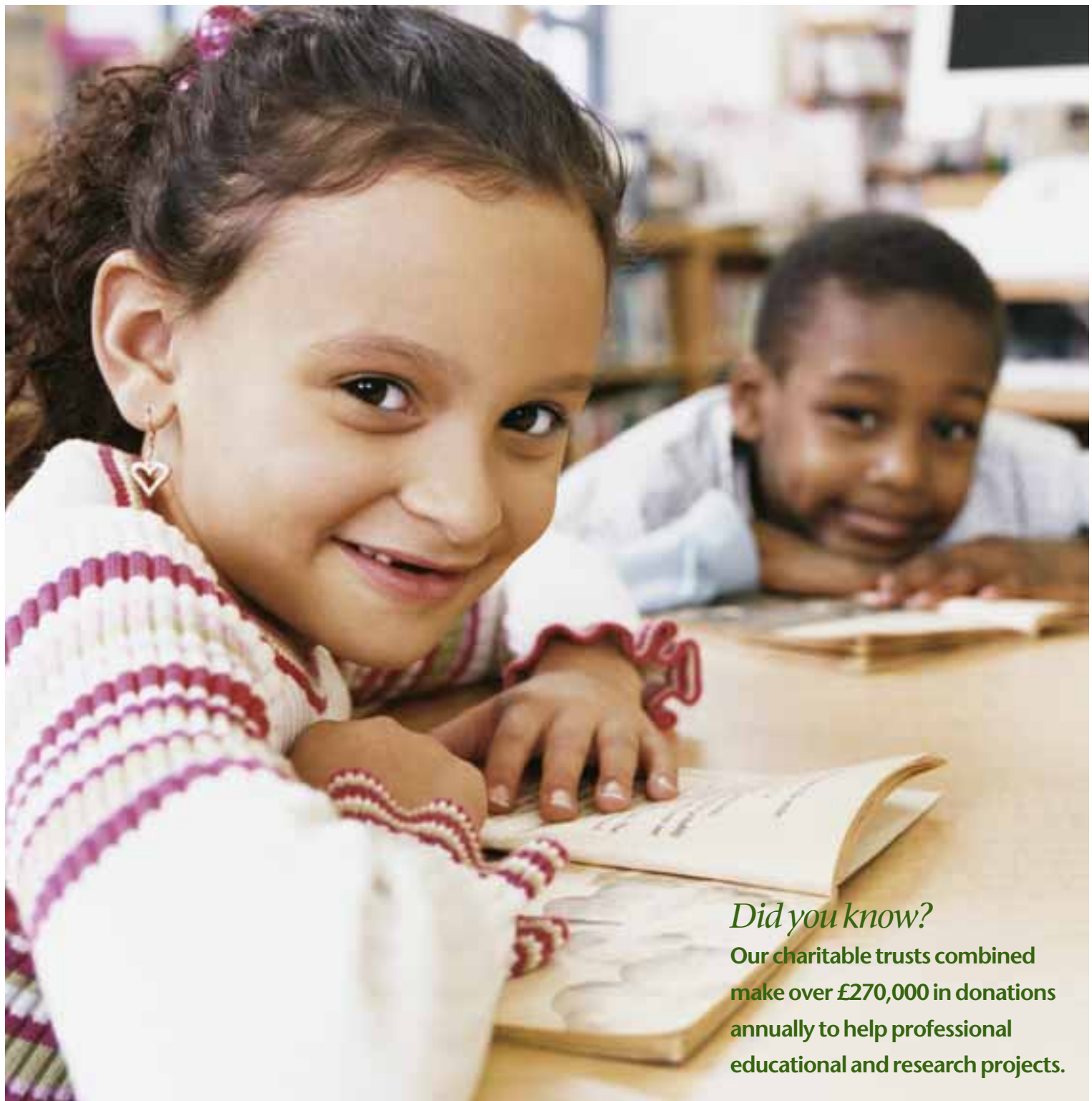
Beyond the myth of Anglo-American corporate governance

The Institute's consultation *Pressure points* formed the basis of our round table on corporate governance held at the Senate Banking Committee Hearing Rooms, Washington DC. Speakers and participants included leaders of the UK/EU and US business, investment, accountancy, regulatory and standard-setting communities.

Keynote speaker, Commissioner Cynthia Glassman of the Securities and Exchange Commission, said: "Our analysis of regulatory policy needs to be rigorous yet flexible. We need to be clear about our goals, but recognise that there is more than one way to achieve them."

"A very effective day making a compelling case for aligning some very different key governance concepts and practices for the benefit of all."

Jules Muis, former director-general and chief internal auditor, European Commission, and former vice-president and controller, World Bank



Did you know?

Our charitable trusts combined make over £270,000 in donations annually to help professional educational and research projects.

Leading change in... society

Our public interest obligation defines the Institute's licence to operate under a royal charter. We make a specific contribution to society where our expertise can add most value by promoting greater financial awareness. We also recognise that we need to manage our impact on the environment and its effect on the wider community.

Protecting the public interest

The Institute is a regulatory body under statute for audit, insolvency and certain types of investment business. One of our responsibilities is to monitor the work of the members whom we regulate in these areas to provide public confidence in their continued high standards. We support the UK's Financial Reporting Council which provides independent public oversight of the profession.

All complaints by the public are taken seriously and fully assessed to see whether there is any case for investigation and disciplinary action. We receive some 1,700 complaints annually. Approximately 10% of these lead to some form of disciplinary action ranging from an unpublicised caution to exclusion from membership.

To protect the public, and as a service to members, we investigate complaints against individuals and organisations who misdescribe themselves as chartered accountants or use our designatory letters. We periodically publicise any action taken on the Institute's website.

Looking forward

In 2006, we hope to launch a public information campaign, in conjunction with the other UK professional accountancy bodies and HM Revenue and Customs, highlighting the different types of accountant in the market and the distinguishing features of a qualified professional.

Our contribution to society

Promoting financial literacy and encouraging tomorrow's business leaders

In 2005, we began negotiations with government agencies to launch a programme of teaching financial literacy in schools in 2006 using the internet and our younger volunteer members. Institute staff also volunteer their time to encourage reading literacy (as well as maths to support financial literacy) in schools. For the past five years staff have coached children at Lauriston School in Hackney, one of the most deprived boroughs in the UK.

2005 was the third year in which we sponsored the Young Enterprise Business Adviser Award. We have also sponsored a graduate award at the prestigious Collège d'Europe in Bruges since 2001 for the best thesis on the financial implications of European integration. In 2005, the £1,000 prize was awarded to an Italian student, Andrea Beltramello, for his outstanding thesis on European tax harmonisation.

Helping charities and local communities

The Institute has encouraged charities to develop financial best practice since 1982 when we launched the charities report and accounts awards with the Charities Aid Foundation. For the third year now, the awards have been for online accounts to recognise excellence and encourage best practice on the internet. As of 2005, winning charities in five categories receive £5,000.

Our Everybody Counts scheme, launched in 1999, links charities and community initiatives to chartered accountants who volunteer their time and financial expertise as trustees, treasurers and advisers. Four awards to recognise that contribution, co-sponsored by *Accountancy Age* magazine, provide £2,000 to the charities of winning advisers.

"Chartered accountants have a long tradition of giving back to the local communities from which we earn our living."

Helping developing economies

Through our membership of IFAC, and as its second largest contributor, we help and support the profession in developing and transitional economies. We are affiliated to and financially support the profession in Eastern and Central Africa and in the Caribbean. We are also part of the City of London placement programme for practitioners and regulators from new EU member states and accession countries. Discussions are ongoing with the Chinese Institute of Certified Public Accountants to build on the secondment scheme hosting their staff which we began in 2004.

Looking forward

Building on the success of our 125 Leadership Challenge (see box below), our Leadership Challenge in 2006 will teach the fundamentals of leadership to young professionals and offer a trip of a lifetime to support a rural community in South Africa.

The Institute will also aim to encourage greater diversity in the profession. In 2004-5, 41% of our new student intake was female. Our female membership, however, has remained static over the last seven years at 22% but will improve over time. We are working with the Commission for Racial Equality to improve our data capture of student and member ethnicity to benchmark against national figures. We will encourage wider participation from any groups who may be under-represented in the profession.

125 leadership challenge

Our 125 Leadership Challenge, part of our 125th anniversary activities, tested and developed leadership and motivational skills in 60 teams of young finance professionals from the UK. Four teams went through to a four-day grand final to give practical assistance to a remote village primary school in KwaZulu Natal, South Africa.

Teams fitted out a library, painted the buildings, taught English and installed an irrigation system for the school's vegetable patch. They also caught and recorded the markings on crocodiles as part of a conservation project. The final winners were Absolute Return, a team from PricewaterhouseCoopers.

The challenge helped to raise over £25,000 for the children's charity, Whizz-Kidz, which provides disabled children with customised mobility equipment.



Left: local school children with Clare Sparks from the Institute team, Girls on Top, which reached the final.

Right: headmistress of eMakhosini primary school with our volunteers painting the school.

Far right: members of PwC team Absolute Return secure a crocodile to record its markings.



Chartered Accountants' Hall in the Square Mile, City of London.

Reduce, reuse and recycle

Our environmental responsibility

The Institute is committed to continually improving our resource management and minimising our impact on the environment.

We set targets for our energy consumption, planning savings by investing in new plant such as, in 2005, beginning installation of new modern energy-efficient lifts. Careful overall energy management has offset the rises in prices in 2005 for gas and electricity.

We recycle paper and toner cartridges, computers and mobile phones. We know that we need to do more on organic waste disposal – Chartered Accountants' Hall contains a restaurant – and are consulting on how best to manage this. We are part of the City of London's Clean City Awards scheme. In July 2005, we were awarded the highest score under the scheme on our waste storage categories but not for waste minimisation and recycling operations. These are areas we will improve on during 2006 as well as formalising our environmental policy.

Highlighting the social cost of fraud

The Institute is the primary supporter of the Fraud Advisory Panel which we founded in 1998. Today, the panel is a registered charity and independent body of expert volunteers from every sector. The panel highlights the immense social and economic damage caused by fraud and helps business and society to fight back.

Its annual review in 2005 *The human cost of fraud* focused on the emotional and financial cost of identity fraud, a rising area of crime with around 100,000 victims a year.

"Losing one's life savings through fraud is every bit as devastating as a burglary or a street robbery. Fraud is a national issue and the response to it needs to be co-ordinated and galvanised at a high level."

**Rosalind Wright CB, chairman
Fraud Advisory Panel**



"We all felt we were winners, having achieved all the community challenges we faced and providing a real contribution to people's lives."

Girls on Top



Financial and operating statement

Efficiency, value and progress

The Institute maintains a strong emphasis on operating efficiency, value for money and cost savings in support activities. This approach, together with fee increases approved by our members for 2005, has enabled us to make considerable progress on activities aligned with our strategic objectives.

Institute's results ahead of expectations

The Institute achieved a surplus of £0.40m for 2005 compared with a planned deficit for the year of £1.39m. Gross income increased by 13.8% to £60.86m. Net cash inflow for the year was £4.11m – well ahead of expectations – and the balance sheet remained strong with net assets of £19.67m.

The principal contributors to the positive result for the year were higher than expected investment income and gains on our equity portfolio, and lower than anticipated expenditure on some of our strategically-driven activities. We also conducted a comprehensive cost-savings review and identified a further £1.50m in operational and efficiency savings to be delivered over the next two years, bringing total savings since 2003 to £5.30m. As a result, we have frozen most regulatory fees for 2006 and will be proposing to limit subscription increases to 4% in 2007, reflecting anticipated wage inflation.

Focusing on strategy implementation

2005 was the first full year of implementing the Institute's strategy following our 2004 strategic review. We approved substantial investment programmes to develop the next generation of the ACA qualification, develop packages of services relevant to members working in all sectors and improve our international profile.

Major new investment in 2005

	£m
New corporate finance qualification	0.40
Implementation of new CPD scheme	0.28
Implementation of practice assurance	1.36
International partnerships	0.41
Development of new ACA	0.60

Where our money came from

Income from:	2005 £m	2004 £m	% increase
Subscriptions and fees	28.19	26.01	8.4%
Student education, practice regulation, faculties	21.29	17.88	19.1%
Subscription based services and commercial activities	6.79	5.53	22.8%
Investment and equity portfolio	2.58	2.05	25.8%
Licence fee from strategic partner (Wolters Kluwer)	1.85	1.85	–
External bodies	0.16	0.15	6.7%
	60.86	53.47	13.8%

We also spent £0.93m to develop proposals for integration with CIPFA and communicate these to members leading up to and including the special meeting held in November. While the proposal failed to achieve a two-thirds majority approval, we succeeded in engaging more members than ever before during the campaign. We will continue to invest in strategic partnerships at home and abroad.

In 2005, we achieved a 9.1% increase in the number of students to 12,311 at the end of the year, just short of projections. Membership numbers grew by 0.97% to 127,826.

Transition to international financial reporting standards

In 2005, after two years' planning, the Institute adopted international financial reporting standards (IFRS). We published case studies at the end of 2003 and 2004 and our budgets from the start of 2005 were prepared on an IFRS basis.

A significant change in financial reporting, this is the first time we have presented consolidated financial statements, including the activities of our charitable trusts. While these funds are held separately from those of the Institute, their trustees are appointed by the Institute's nominating committee and they are therefore treated as subsidiaries under IAS 27 – Consolidated and Separate Financial Statements.

On a consolidated basis we achieved a surplus of £0.41m for 2005 compared with £0.27m in 2004 on gross income of £60.64m. Consolidated net assets were £28.48m (2004: £25.93m) and net cash inflow for the year was £4.09m (2004: £0.43m).

Impact of IFRS

The main impact of IFRS for the Institute has been in pensions accounting, although this would have occurred anyway with the full adoption of FRS 17 – Retirement Benefits. Other notable differences are in the basis of revaluation and the provision of deferred tax covering the Institute's freehold land, buildings and collections. We have provided reconciliations from UK GAAP to IFRS within the full financial statements.

Protecting our reputation and the cost of regulation

The Institute contributes to the costs of the UK and international professional collaborations including the CCAB (the profession's umbrella body in the UK), IFAC and FEE. We are also required to bear a share of the costs of the profession's Joint Disciplinary Scheme (JDS) and the various activities of the Financial Reporting Council, including the Accountancy Investigation and Discipline Board (AIDB).

In 2005, provisions for funding the costs of investigations by the JDS and AIDB increased by £1.91m to £4.41m.

Impact of IFRS on the Institute's results

	2004 UK GAAP £m	Group 2004 IFRS £m	2004 UK GAAP £m	Institute 2004 IFRS £m
Non-current assets	55	56	46	47
Current assets	16	16	16	16
Current liabilities	(17)	(17)	(17)	(17)
Non-current liabilities	(9)	(29)	(8)	(28)
Net assets	45	26	37	18

Membership and student growth 2001-2005

	Members	Students
2001	121,356	13,075
2002	123,719	11,595
2003	125,655	11,306
2004	126,490	11,286
2005	127,826	12,311

Supporting our human capital

Institute staff, as well as volunteers, are central to our intellectual capital. During 2005, we recruited 84 staff. New posts included a director of marketing, chief economist, corporate responsibility manager, international relationships manager and a range of additional posts to support extensive development work undertaken by our newly appointed executive director of learning and professional development.

We are an equal opportunities employer and strive to retain skilled and motivated employees: 13 staff were promoted during the year. We are committed to training and development for all staff, investing £0.35m in these activities in 2005. This included supporting 30 staff taking our IFRS qualification, two studying the ACA and 14 studying a variety of other professional qualifications.

Did you know?
In 2005, our members registration team handled some 48,000 calls, 21,000 emails and 89,000 changes to member and firm records.

Clockwise from top left: Vernon Soare, executive director, professional standards; Sue Best, director of marketing; Elaine Hong, international business development manager based in Malaysia.



Pensions provision

The Institute's defined benefit pension scheme was closed to new members in 2000. The scheme's trustees, with the agreement of the Institute, continued to follow an investment policy weighted towards equities which, together with a lump sum contribution of £5m from the Institute, contributed to a 30.8% increase in fund assets to £80.03m in the year. Fund liabilities increased by 17.4% to £102.16m, largely as a result of deteriorating bond yields. Had discounts remained stable year on year, we estimate that the IAS 19 – Employee Benefits deficit at 31 December 2005 would have fallen to £12.4m compared with the reported scheme deficit of £22.13m.

Following the introduction of new pensions regulations in September 2005, we identified a concern that our defined contribution scheme has some elements of a defined benefit nature. A review is ongoing with a view to terminating the current arrangements and replacing them with a straightforward defined contribution plan.

Looking forward

The Institute's strategy roll-out will continue into 2006 within our planned outcome of break-even for the coming year. Our financial management will support our focus on expanding the influence and scope of our Institute, delivering increased value to members and preserving the reputation and standing that our brand enjoys.

Further information

Full financial statements are available at

www.icaew.co.uk/review

or on request by emailing
fullaccounts@icaew.co.uk

or by writing to the communications department at
Chartered Accountants' Hall at the address listed on the back cover of this review.

Summary group income statement

for the year ended 31 December 2005

	Income £'000	Expenditure £'000	2005 Net £'000	Income £'000	Expenditure £'000	2004 Net £'000
Subscriptions and other income	30,036	–	30,036	27,864	–	27,864
Subscription based services						
Members' learning & professional development	482	(5,143)	(4,661)	119	(3,862)	(3,743)
Professional standards	1,285	(3,760)	(2,475)	793	(3,590)	(2,797)
Member services	2,525	(9,360)	(6,835)	2,434	(8,510)	(6,076)
Technical strategy	8	(4,562)	(4,554)	10	(3,832)	(3,822)
Central activities	1,498	(10,594)	(9,096)	1,194	(10,200)	(9,006)
	5,798	(33,419)	(27,621)	4,550	(29,994)	(25,444)
Self financing and charitable activities						
Student learning & professional development	6,635	(5,464)	1,171	6,240	(5,416)	824
Practice regulation	12,003	(10,782)	1,221	8,920	(9,823)	(903)
Faculties	2,647	(3,014)	(367)	2,722	(2,886)	(164)
Charitable grant payments	39	(1,052)	(1,013)	40	(1,348)	(1,308)
	21,324	(20,312)	1,012	17,922	(19,473)	(1,551)
Participation in external bodies	158	(3,336)	(3,178)	151	(2,878)	(2,727)
Operating result	57,316	(57,067)	249	50,487	(52,345)	(1,858)
Investment income	3,316	–	3,316	2,287	–	2,287
Group share of associates' results after tax	9	–	9	11	–	11
Result before taxation	60,641	(57,067)	3,574	52,785	(52,345)	440
Taxation			8			(344)
Net result after taxation			3,582			96
Result attributable to self financing and charitable activities			(3,175)			176
Net result transferred to accumulated fund			407			272

Summary Institute income statement

for the year ended 31 December 2005

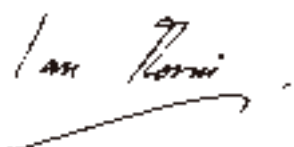
	Income £'000	Expenditure £'000	2005 Net £'000	Income £'000	Expenditure £'000	2004 Net £'000
Subscriptions and other income	30,036	–	30,036	27,864	–	27,864
Subscription based services						
Members' learning & professional development	1,030	(5,143)	(4,113)	598	(3,862)	(3,264)
Professional standards	1,285	(3,760)	(2,475)	793	(3,590)	(2,797)
Member services	2,525	(9,360)	(6,835)	2,434	(8,510)	(6,076)
Technical strategy	458	(4,562)	(4,104)	508	(3,832)	(3,324)
Central activities	1,498	(10,155)	(8,657)	1,194	(9,924)	(8,730)
	6,796	(32,980)	(26,184)	5,527	(29,718)	(24,191)
Self financing activities						
Student learning & professional development	6,635	(5,464)	1,171	6,240	(5,416)	824
Practice regulation	12,003	(10,782)	1,221	8,920	(9,823)	(903)
Faculties	2,647	(3,014)	(367)	2,722	(2,886)	(164)
	21,285	(19,260)	2,025	17,882	(18,125)	(243)
Participation in external bodies	158	(3,336)	(3,178)	151	(2,878)	(2,727)
Gift aid and library funding	–	(2,475)	(2,475)	–	(1,910)	(1,910)
Operating result	58,275	(58,051)	224	51,424	(52,631)	(1,207)
Investment income	2,587	–	2,587	2,046	–	2,046
Result before taxation	60,862	(58,051)	2,811	53,470	(52,631)	839
Taxation			8			(344)
Net result after taxation			2,819			495
Result attributable to self financing activities			(2,421)			(234)
Net result transferred to accumulated fund			398			261

Summary balance sheets

as at 31 December 2005

	Note	2005 £'000	Group 2004 £'000	2005 £'000	Institute 2004 £'000
Assets					
Non-current assets	2	57,815	55,710	47,806	46,847
Current assets		20,725	15,826	20,878	15,948
Total assets		78,540	71,536	68,684	62,795
Liabilities					
Current liabilities		(23,129)	(17,006)	(22,820)	(16,604)
Non-current liabilities		(26,933)	(28,602)	(26,194)	(27,886)
Total liabilities		(50,062)	(45,608)	(49,014)	(44,490)
Total net assets		28,478	25,928	19,670	18,305
Reserves					
Revaluation reserve		7,358	8,025	7,358	8,025
Investment revaluation reserve		620	427	620	427
Accumulated fund		6,787	6,683	6,726	6,631
		14,765	15,135	14,704	15,083
Reserves retained by self financing activities and charitable trusts					
Self financing activities		4,966	3,222	4,966	3,222
Charitable trusts		8,747	7,571	–	–
		13,713	10,793	4,966	3,222
		28,478	25,928	19,670	18,305

Approved on behalf of the council



Ian Morris
President
21 March 2006



Eric Anstee
Chief executive

Summary cash flow statements

for the year ended 31 December 2005

	Group		Institute	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Cash generated from operations	11,835	4,012	11,918	2,773
Income taxes paid	(345)	(121)	(345)	(121)
Cash outflow on staff pension fund provision	(6,414)	(400)	(6,414)	(400)
Cash outflow on JDS and AIDB provisions	(1,748)	(2,804)	(1,748)	(2,804)
Purchase of property, plant and equipment	(722)	(1,398)	(711)	(1,383)
Purchase of intangible assets	(811)	(918)	(811)	(918)
Deferred consideration received	1,000	1,000	1,000	1,000
Net purchases of available for sale investments	(333)	(180)	(54)	(161)
Investment income received	1,626	1,239	1,276	1,026
Transfer from Chartered Accountants Trustees Limited	–	–	–	1,405
Net increase in cash and cash equivalents in the year	4,088	430	4,111	417
Net cash and cash equivalents at 1 January	4,848	4,418	4,742	4,325
Net cash and cash equivalents at 31 December	8,936	4,848	8,853	4,742

Notes to the summary financial statements

for the year ended 31 December 2005

1 Basis of preparation

As part of the adoption of IFRS, the Institute has produced consolidated summary financial statements for the first time including the results of its subsidiaries and associates and its charitable trusts. Previously subsidiaries and associates were not consolidated on the grounds of immateriality and the charitable trusts were excluded on the basis that their assets were held separately from those of the Institute under the custodianship of appointed trustee directors. IAS 27 – Consolidated and Separate Financial Statements, requires the Institute to consolidate the charitable trusts as the Institute, through its nominating committee, controls the appointment of trustee directors.

2 Non-current assets

	Group		Institute	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Net book amounts				
Property, plant and equipment	15,821	15,697	15,799	15,674
Intangible assets	2,244	2,034	2,244	2,034
Available for sale investments	33,237	30,448	23,311	21,660
Deferred consideration receivable	5,500	6,500	5,500	6,500
Investments in associated undertakings	64	55	3	3
Deferred tax asset	949	976	949	976
	57,815	55,710	47,806	46,847

Summary corporate governance statement

The council has adopted the provisions of Section 1 of the *Combined code* prepared by the Committee on Corporate Governance, to the extent appropriate. During the year, the council has monitored and assessed key

risks in compliance with the guidance *Internal control: guidance for directors on the combined code*. The full corporate governance statement is set out in the financial statements for the year ended 31 December 2005.

Independent auditors' statement to the members of The Institute of Chartered Accountants in England & Wales

We have examined the group and Institute summary financial statements, which comprise the summary income statements, balance sheets, cash flow statements and notes to the summary financial statements. This report is made solely to the Institute's members, as a body. Our audit work has been undertaken so that we might state to the Institute's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Institute and the Institute's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of council and auditors

The council is responsible for preparing the annual review and the summary financial statements. Our responsibility is to report to you our opinion on the consistency of the summary financial statements within the annual review with the full annual report and financial statements. We also read the other information contained in the annual 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 audit opinion

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

Opinion

In our opinion, the summary financial statements are consistent with the full financial statements of The Institute of Chartered Accountants in England & Wales for the year ended 31 December 2005.



RSM Robson Rhodes LLP

Chartered accountants and registered auditors
London, England
21 March 2006

List of council members

for the year ended 31 December 2005

NB: The attendance record at meetings of council in 2005 is shown alongside each member (actual/possible).

President
Ian Morris (8/8)
Partner, Morris & Co and Turner Peachey

Deputy-president
Graham Durgan (8/8)
Chairman, Emile Woolf International

Vice-president
Richard Dyson (7/8)
Member, Ernst & Young LLP

Jérôme Adam (2/5)
Co-opted, member in EU
Executive partner,
Moores Rowland International Europe

Barry Alexander (2/8)
Elected, London
Director, Fisher Corporate plc

Michael Arnold (3/3) ^{See note 1}
Elected, South Eastern
Interim finance director, ACS Management Ltd

Malcolm Bacchus (5/5)
Elected, London
Finance director, various companies and principal,
Bacma Consulting

Andrew Baigent (8/8)
Elected, London
Director, National Audit Office

Arthur Bailey (7/8)
Elected, Staffs Salop & Wolverhampton
Consultant

Paul Beeson (5/8)
Elected, Sheffield
Partner, Shorts

Tony Bennewith (6/8)
Elected, South Eastern
Sole practitioner, A J Bennewith and Co

Peter Blackie (8/8)
Co-opted, chairman, international focus directing group
Adviser on EU affairs

Lee Blunden (6/6) ^{See note 2}
Elected, Southern
Finance director, Britannia Parking Ltd

Brian Boswell (7/8)
Elected, Birmingham & West Midlands
Chief executive, Meridian Resources

Evie Bowyer (6/8)
Elected, London
Director, EVB Training Consultancy Ltd

Rob Bryant (8/8)
Elected, London
Sole practitioner

Richard Chapman (7/8)
Elected, Staffs Salop & Wolverhampton
Managing director, Paterson Photographic Ltd
and various engineering companies

Ian Cherry (7/8)
Elected, North West
Director, A I Cherry Ltd

David Chitty (8/8)
Elected, Croydon
Partner, Chantrey Vellacott DFK

John Clements (8/8)
Elected, East Anglian
Non-executive director

Michael Colin (5/5)
Elected, Manchester
Independent consultant

John Collier (5/8)
Elected, London
Director, Clive & Stokes International

Tony Cooper (7/8)
Elected, Sheffield
Group finance director and company secretary,
Henry Boot plc

Dennis Cox (6/8)
Elected, London
CEO, Risk Reward Limited, ComplySmart Limited,
Auxetica Limited, Europa International Holdings Ltd
and a number of other companies

Nick Cudmore (6/8)
Elected, Humberside & District
Partner, Oxley Coxon

Paul Druckman (6/8)
Ex officio, past-president
Chairman and non-executive director,
various companies

Maurice Ede (6/8)
Elected, South Eastern
Director, Network 4M Ltd

Keith Ferguson (4/5)
Elected, South Wales
Director, KB Ferguson Ltd, Chartered Accountants

Owen Finn (4/5)
Elected, Humberside & District
Managing director, Premier Building & Engineering
Services UK Ltd

David Furst (7/8)
Co-opted, senior partner of a Group A firm
Chairman, Horwath Clark Whitehill LLP

Graeme Gordon (6/8)
Elected, Thames Valley
Group finance director, Macro 4 plc

Bill Graham (6/8)
Elected, Northern
Director, Applied Technology Monitoring PLC

Bruce Gray (4/8)
Elected, Croydon
Sole practitioner

Michael Greenwood (7/8)
Elected, North West
Business manager

Howard Gross (6/8)
Elected, London
Chief executive, Gross Klein

Martin Hagen (8/8)
Elected, West of England
Non-executive director

Barrie Harding (8/8)
Elected, South Essex
Sole practitioner

Richard Harwood (7/8)
Elected, Birmingham & West Midlands
Principal, Harwoods

Michael Hawley (8/8)
Elected, Nottingham Derby & Lincoln
Principal lecturer in accounting,
Nottingham Trent University

Ian Hayes (6/8)
Elected, London
Consultant, Buzzacott

John Hilton (5/5)
Elected, West of England
Director of management and finance,
Thring Townsend, Solicitors

Marion Hodgkiss (4/8)
Elected, Liverpool
The Financial Training Co Ltd

John Holdstock (6/8)
Elected, Beds Bucks & Herts
Director, Yardbase Ltd

Peter Holgate (4/8)
Elected, London
Partner, Kingston Smith

Philip Hollins (8/8)
Elected, London
Partner, UHY Hacker Young

Alistair Hollows (8/8)
Elected, Manchester
Director, IFA Mentor Ltd

Nigel Hughes (4/8)
Elected, Beds Bucks & Herts
Managing director, Totteridge Associates Ltd

Chris Humphrey (7/8)
Co-opted, academic
Professor of accounting and head of the Manchester
Accounting and Finance Group (MAFG),
Manchester Business School

David Hunt (7/8)
Elected, Nottingham Derby & Lincoln
Principal, La Chasse Management Development
Company and visiting professor,
Nottingham Business School

David Illingworth (7/8)
Ex officio, past-president
Board member, Nuclear Decommissioning Authority

Peter Jenkins (7/8)
Elected, London
Director, demyst Ltd

Helen Jesson (2/4) ^{See note 3}
Ex officio, chairman, Faculty of Finance and Management
Interim change manager

Neeraj Kapur (0/0) ^{See note 4}
Co-opted, member in financial institution
Head of group finance business development,
RBS Group

Surinder Kaul (5/8)
Elected, London
Sole practitioner, Wular Kaul & Co

Adrian Keene (7/8)
Elected, Leics & Northants
Managing director, Mutual Clothing & Supply Co Ltd

Eric Kench (8/8)
Ex officio, chairman, Practice Society
Partner, EA Kench & Co

Francesca Lagerberg (3/6) ^{See note 5}
Ex officio, chairman, Tax Faculty
National tax director, Smith & Williamson Ltd

Richard Lassen (2/5)
Co-opted, chairman, business focus directing group
Independent consultant

Neil Lerner (1/8)
Co-opted, chairman, ethics standards committee
UK head of risk management, KPMG LLP

Robin Liddell (8/8)
Elected, Northern
Director, RS Liddell Consulting Ltd.

Hilary Lindsay (8/8)
Elected, Leics & Northants
Business school lecturer and e-learning consultant

Alan Lindsey (6/8)
Elected, London
Sole practitioner, Alan Lindsey and Co

Alan Livesey (5/5)
Co-opted, Institute member in Scotland
Managing director, Data Analysis, Training and
Acquisition Services Ltd

Tony Lomas (3/8)
Co-opted, chairman, insolvency practitioners
committee
Deputy leader, Business Recovery Services Division,
PricewaterhouseCoopers LLP

David McBride (8/8)
Elected, London
Deputy director general, Institute of Quality Assurance

Cameron Maxwell (8/8)
Elected, South Essex
Executive director, InvestinMedia plc

Robert Millea (5/8)
Elected, East Anglian
Clerk, South East Essex College and member,
General Teaching Council for England

Peter Mitchell (7/8)
Elected, Beds Bucks & Herts
Senior partner, Peter Mitchell & Co and chairman,
Society of Professional Accountants

Sheilagh Moffat (8/8)
Elected, Birmingham & West Midlands
Partner, Moffat Gilbert

Alun Morgan (4/8)
Elected, South Wales
Director, PCP Limited

Nick Parker (7/8)
Elected, Southern
Regional director of tax, Tenon

Clive Parritt (5/8)
Elected, London
Chairman Baronsmead VCT 2 plc and non-executive
director, London & Associated Properties plc and
other companies

Michael Pavia (6/8)
Co-opted, senior member in business
Consultant

Philip Pawson (8/8)
Elected, West Yorkshire
Barrister, lecturer and consultant

Geoffrey Piper (5/8)
Elected, Liverpool
Chief executive,
The North West Business Leadership Team

Andrew Ratcliffe (3/8) ^{See note 6}
Co-opted, chairman, technical strategy board
Partner, PricewaterhouseCoopers LLP

Nigel Richens (2/8)
Elected, Manchester
Member, PricewaterhouseCoopers LLP

Gerald Russell (2/5) ^{See note 7}
Ex officio, chairman, Audit and Assurance Faculty
Senior partner, London office, Ernst & Young LLP

Michael Sherry (5/8)
Elected, London
Tax counsel, 3 Temple Gardens Tax Chambers

Mark Spofforth (8/8)
Elected, South Eastern
Partner, Spofforths

Nicos Syrimis (6/8)
Co-opted, member in EU
Chairman, KPMG, Cyprus

Victoria Tait (8/8)
Co-opted, younger member
Accounts senior, Dodd & Co

Bill Telford (5/5)
Elected, South Eastern
National training director, Baker Tilly

Jonathan Teller (3/5) ^{See note 8}
Ex officio, chairman, Faculty of Information Technology
Director, Vantis plc

John Tiernay (5/5)
Elected, Liverpool
Partner, TiernayFedrick

Michael Trigg (4/8)
Elected, South Western
Lecturer, Exeter Business School

Paul Wagstaff (6/8)
Elected, Thames Valley
Client partner, VantisWagstaffs, Thames Valley Office

David Walker (8/8)
Elected, West Yorkshire
Finance & operations director, D&D Homecare Ltd

Chris Ward (5/8)
Ex officio, chairman, Corporate Finance Faculty
Member, Deloitte.LLP

Jatinder Wasu (4/8)
Elected, London
Principal, Sterling Hay

Robert Webb (7/8)
Elected, West Yorkshire
Director and consultant

Jan Weber (8/8) ^{See note 9}
Elected, London
Finance director, DIAM International

Lizzy Whitlock (2/5)
Co-opted, younger member
Taxation adviser, 3i plc

Eric Wiles (4/8)
Elected, Birmingham & West Midlands
Business development manager, HSBC Rail (UK) Ltd

Fiona Wilkinson (8/8)
Elected, South Western
Principal, Wilkinsons

Peter Wong (4/5)
Co-opted, HKICPA representative
Consultant, Deloitte Touche Tohmatsu, Hong Kong

Peter Wyman (8/8) ^{See note 10}
Co-opted, senior partner in a Big Four firm
Member, PricewaterhouseCoopers LLP

- Notes
- Elected with effect from 27 September 2005
 - Elected with effect from 21 March 2005
 - Ex officio member with effect from 15 June 2005
 - Co-opted with effect from 7 December 2005
 - Ex officio member with effect from 12 April 2005
 - Ex officio member as chairman, Audit and Assurance Faculty to 13 July 2005
 - Ex officio member as chairman, Audit and Assurance Faculty with effect from 13 July 2005 (attendance record includes attendance as an observer)
 - Ex officio member with effect from 12 May 2005
 - Co-opted, chairman, business focus directing group to 7 June 2005
 - Ex officio member as past-president to 7 June 2005

The following were also members of council during the year 2005

Resigned with effect from 2 February 2005
Jeremy Knight (0/1)
Elected, South Eastern
Sole practitioner

Retired with effect from 12 April 2005
Mark Lee (2/2)
Ex officio, chairman, Tax Faculty
Managing director, London office, Shaw & Co,
Chartered Tax Advisers

Retired with effect from 7 June 2005
Debbie Anthony (2/3)
Co-opted, chairman, education and training board
Member, Deloitte.LLP

Carl Bayley (0/3)
Co-opted, member in Scotland
Partner, Bayley Consulting

David Brigham (3/3)
Elected, Humberside & District
Group financial controller, East Riding Holdings
Company

Gavin Casey (1/3)
Co-opted, senior member in business
Chairman, Tragus Holdings Ltd

Aubrey Davies (3/3)
Elected, Liverpool
Partner, Aston Hughes & Co

Paul Hubbard (3/3)
Co-opted, member in EU
Audit director, KPMG LLP

Simon Hurst (3/3)
Ex officio, chairman, Faculty of Information Technology
Proprietor, The Knowledge Base

Tony Morwood-Leyland (3/3)
Elected, London
Senior operational accountant, Audit Service,
HM Revenue and Customs

Sam Narula (0/3)
Elected, South Eastern
Sole practitioner

Geoff Norman (1/3)
Co-opted, senior partner in Big Four firm
Member, Ernst & Young LLP

Gerald Robinson (3/3)
Elected, South Wales
Consultant

Peter Rosewell (3/3)
Elected, West of England
Consultant

Harry Stern (3/3) ^{See note 1}
Elected, London
Consultant, FSPG

Resigned with effect from 8 June 2005
Tim Bush (1/3)
Co-opted, member in City financial institution
Director, Hermes Focus Asset Management Ltd

Retired with effect from 15 June 2005
Chris Pearce (2/4)
Ex officio, chairman, Faculty of Finance and Management
Chairman, GlaxoSmithKline Pension Trustees

Note 1 Ineligible for re-election in accordance with
Principal Bye-law 35(d)(over age for re-election)

SENIOR MANAGEMENT TEAM 2005

Eric Anstee
Chief executive

Michael Izza
Chief operating officer

Sally Hinkley CBE
(resigned with effect from 14 October 2005)
Executive director, professional standards

Robert Hodgkinson
(with effect from 4 May 2005)
Executive director, technical strategy

Dr Raymond Madden
(with effect from 6 June 2005)
Executive director, learning & professional development

