THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND & WALES

Chartered Accountants' Hall, PO Box 433, Moorgate Place, London EC2P 2BJ
Tel 020 7920 8100. **Fax** 020 7920 0547

www.icaew.co.uk/review

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THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND & WALES

ACCOUNTS 2002

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Financial Review

These Accounts should be read in conjunction with the Annual Review.

Overview

The Institute's retained surplus for the year was £14.87 million compared with a retained deficit of £7.72 million (as restated for the reclassification of equities) in 2001. The retained surplus for 2002 includes the profit arising from the disposal of ABG Professional Information in January 2002 of £22.18 million and the associated corporation tax charge of £6.06 million. On an operational basis, the deficit for the year was £1.25 million compared with a planned deficit for the year of £1.49 million.

This result includes losses on the Institute's equity portfolio of £1.16 million in addition to the £0.90 million of losses (£0.69 million as restated) reported last year. For the second year we have again faced higher than expected case costs from the Joint Disciplinary Scheme in respect of both existing and newly referred cases, but this year there was an offset from fines and cost recoveries of £1.15 million, primarily from the completed investigations into Polly Peck and Barings.

The valuation of Chartered Accountants' Hall has fallen in 2002 by £2.78 million, reflecting a softer central London property market. This has not impacted on the Revenue Account, being dealt with as a reduction in revaluation reserves.

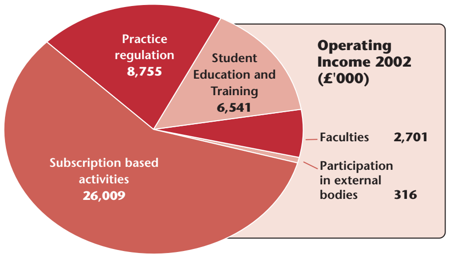
Subscriptions and Other Income

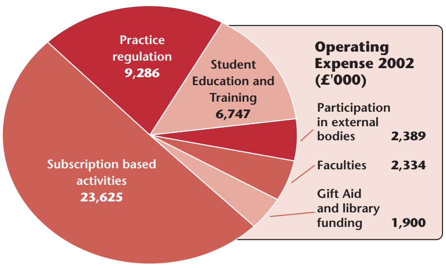
Subscriptions and fees increased by almost 5%, reflecting a 1.9% increase in membership numbers and the approved increase in rates for 2002. Membership numbers continue to increase and at the end of the year stood at 123,654.

Licence fee income amounted to £1.85 million in the year, arising from the new strategic alliance with Croner.CCH following the sale of the ABG business.

Operating Activities

We have continued to seek operating efficiencies and costs savings throughout the organisation. Average headcount has remained stable year on year after eliminating the effect of the ABG disposal. Actual headcount at the end of December 2002 was 42 lower than at the end of 2001 on the same basis. There were substantial savings in central and administration costs (down £1.98 million compared with 2001), resulting in lower overhead charges to the rest of the Institute (down £0.95 million). The Directorates themselves have also all made significant efforts to contain discretionary expenditure.





Note to charts above:
Participation in external bodies includes the costs of membership of the Consultative Committee of Accountancy Bodies (CCAB) and the International Federation of Accountants (IFAC), and funding for the Accountancy Foundation and the Joint Disciplinary Scheme.

Investment Income

Low interest rates continued to affect our investment income adversely during 2002. We have achieved non-equity investment returns of approaching 4% for the year as a whole, maintaining the majority of our funds available for investment in cash and near cash instruments, a position endorsed by our investment managers. Our equity portfolio yielded gross dividends of 3.4% (2001: 2.2%).

Taxation

The 2002 taxation charge includes £6.06 million arising from the sale of ABG, offset by tax losses crystallised on our equity portfolio. The Institute's normal tax charge on its non-mutual activities (investment and licence fee income and trading with non-members) has been wholly eliminated by Gift Aid payments to the Chartered Accountants' Trust for Education and Research.

Information Technology

A major IT investment to replace the existing membership system was approved in the summer of 2002. Implementation of the complete system is planned to take place over a number of years and will in time enable us to manage our whole relationship with members and firms more effectively. Phase 1 went live in November and was used for the 2003 membership subscriptions run. Future phases will encompass course and event bookings nationally and regionally, audit registration, student registrations and monitoring. Members will not necessarily notice any discernible change in the near term. However as our membership data improves and the phases roll out, service levels and support will improve tangibly.

Property Services and Facilities

Property Services and Facilities undertook essential repairs to the fabric of Chartered Accountants' Hall. Further development and marketing of our public facilities has been well received; room bookings have held up in difficult market conditions and our restaurant, esca, has continued to perform satisfactorily.

Michael Izza

Michael Izza

Executive Director, Finance and Operations

18 March 2003

Treasurer's Report

Overview

This year represented the third year of planned significant change for our Institute, funded partially from the reserves built up in earlier years.

Whilst it is pleasing to report a satisfactory financial outcome for the year as a whole, members will not be surprised to learn that the Institute once again faced substantial challenges during the year. Unbudgeted losses on our equity portfolio were coupled with lower than expected investment income. These, together with a second year of higher than expected case costs from the Joint Disciplinary Scheme in respect of both existing and newly referred cases and the substantial efforts required to respond to the issues for the profession arising from Enron, have reinforced the need for continued tight financial management.

At an operational level, we have made considerable advances this year implementing the new planning and budgeting processes established in 2001. The results have been encouraging in terms of the rigour of the processes, greater transparency and the involvement of Council at each key stage. We were very pleased to welcome Michael Izza, our new Executive Director, Finance and Operations, and Robin Fieth, our new Director of Finance, in the early part of the year, and to see immediate improvements in the effectiveness of the finance function.

ABG Professional Information

In January 2002, we announced the sale of our ABG Professional Information business to Wolters Kluwer/Croner.CCH for an initial consideration of £15 million with deferred consideration of a further £10 million over ten years. In addition, as part of a new strategic alliance with Wolters Kluwer/Croner.CCH, we expect to receive licence fee income of at least £18.5 million over a ten year period.

The surplus on disposal after costs and taxation was £16.1 million, which was £1.1 million better than the initial estimates of £15 million included in my report last year, and which has been added to our reserves during 2002.

The disposal of ABG Professional Information is expected to be broadly neutral on the Revenue Account going forward. The income previously received from ABG will be replaced by investment income on the net disposal surplus and the annual licence fees, offset by increases in irrecoverable VAT and corporation tax. We consider that the quality of the earnings going forward will be better than the income stream from the business sold, which in recent years had been under extreme external pressure and had fallen short of our expectations.

Accounting Policies and Treatments

In light of the ABG sale, we have taken the opportunity this year to refine a number of areas of accounting policy and treatment, focusing primarily on the treatment of our investments, the costs of IT development projects, improvements to our properties and aspects of cost and revenue recognition.

The outcome of this review is reflected in this year's financial statements. We have transferred the equity portfolio from current assets to fixed assets to reflect better the purpose of continuing to hold these investments. The net impact of this change of policy is to increase the retained surplus for 2002 by less than £0.1 million. The prior year's results have been restated to reflect this change of policy, the retained deficit for 2001 being reduced by £0.2 million. Net assets are not affected.

We have also taken £16.1 million to fixed assets comprising interest bearing securities to reflect our commitment to hold the surplus on disposal of the ABG business for the longer term to generate investment income.

We have capitalised £0.7 million of costs associated with InBase, our major IT project to upgrade the Institute's systems for dealing with membership information, and £0.5 million for upgrading of infrastructure at Chartered Accountants' Hall.

With regard to revenue recognition, we have this year accrued £0.4 million of income in the Education and Training area to reflect that Training Office Authorisation Fees relate to an academic year rather than a financial year.

Pension Schemes

In common with many other organisations with defined benefit pension arrangements, we are facing increasing funding deficits, emphasised by the FRS 17 disclosures this year which show a deficit at 31 December 2002 of £22.2 million compared with £10.2 million at the end of 2001. As reported last year, we have agreed to increase employer cash contributions to the scheme by £1.3 million over the period 2002 – 2004. We have also taken a number of steps to restrict our liabilities. Firstly by closing the scheme to new members in July 2000 and with effect from the end of 2002, increasing employee contributions by 1% and limiting future pension entitlement for members with less than ten years' service.

The next full actuarial valuation of the scheme is due to take place in 2004 and, unless circumstances change dramatically, the advice from our actuaries is that we should contemplate the need to increase employer contributions by between £1.5 million and £2.5 million a year from 2005.

Outlook for 2003

The 2003 year will present further challenges for the Institute. I am delighted that the members approved the 2003 subscription increases. These will provide us with vital additional resources. In the post-Enron environment we must promote the importance and value of our profession. With the unprecedented pace of change in worldwide accounting standards, we must continue to provide technical thought leadership. We must also continue to develop important new services for our members regionally, nationally and internationally.

There remain considerable uncertainties in the regulatory regime and in the investment markets. Overall we plan to break even in 2003 whilst meeting these challenges and continuing to invest in the future of our Institute.

Peter Smith

Peter Smith

Treasurer

18 March 2003

Corporate Governance Statement

Constitution

The Institute of Chartered Accountants in England & Wales is the largest professional accountancy body in Europe with over 123,000 members, over 15,000 of whom live and work outside the UK. The Institute's powers and duties derive from its Royal Charter, originally awarded in 1880 and amended in 1948. The Charter establishes the Council as the Institute's supreme governing body. The majority of Council's members are elected from 22 constituencies covering England and Wales. A small number of members are co-opted to ensure that the main segments of the membership are represented. Other members are appointed by virtue of the positions they hold.

Corporate Governance

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 Council has monitored and assessed key risks in compliance with the guidance, *Internal Control: Guidance for Directors on the Combined Code* (the Turnbull guidance).

Composition of Council and Committees

Institute Meetings

The arrangements for resolutions, proxy votes and attendance at Institute annual and special meetings comply with the principles and provisions of the Combined Code. In accordance with Bye-law 12, the Institute sends notice of the meetings and related papers to members at least 21 clear days in advance of the meetings.

The Institute Council

The Council is responsible for the management of the affairs and business of the Institute in accordance with Charter Clause 2(a). It meets seven times a year. It considers, reviews and approves the overall Institute strategy and strategic plan, including the Institute budget. It scrutinises policies, policy changes and budgets proposed by the Executive and the Directorate Boards in support of the strategy. It also reviews the activities and performance of the Directorate Boards. It represents and articulates the views of members on all these matters and otherwise delegates the powers and authorities conferred on it by the Charter and Bye-laws.

As at 31 December 2002, the Council comprised 95 members as follows:

- 70 members elected by the membership at large from 22 constituencies (which have the same boundaries as the District Societies);
- 15 members co-opted on the recommendation of the Nominating Committee in order to preserve a balance between the various interests requiring representation on Council and to provide seats for members with specialist skills or experience;
- 10 members *ex officio* (the Office-Holders (President, Deputy-President and Vice-President), the two immediate Past-Presidents, and the elected Faculty Committee Chairmen).

Elections

The Institute conducts elections to the Council in alternate years when one half of the elected members retire by rotation. In the intervening years, the Institute conducts bye-elections required as a result of resignations. Any member with a registered address in a constituency may stand or join in nominating a member for, or vote in an, election to the Council in the constituency concerned. Members are usually elected for four-year terms, beginning and ending after the Annual Meeting in the year in question.

Council members choose the incoming Institute Vice-President by ballot in January each year. The Council then formally elects each of the Office-Holders at its first meeting after the Annual Meeting each year. In the normal course of events, the Council elects the Vice-President in the two succeeding years to serve as Deputy-President and then President of the Institute.

The Council elects its own Chairman annually from amongst its members.

The President and Secretary General

The President and other Office-Holders act as the leading ambassadors of the Institute. They represent the views of Council and the wider membership to ensure that they are fully taken into account in the development of Institute strategy and policies. They counsel and advise the Secretary General. The President, in particular, represents the Institute at home and abroad, presents the views of Council to Government, other public bodies and the public, and acts as Chairman of Institute meetings and the CCAB.

The Secretary General is responsible to the Council for the development, promotion and management of the Institute in order to achieve the strategy set by the Council. He is responsible for the management of the staff and for ensuring that the Institute operates effectively and efficiently. The Council has agreed, subject to approval by members at the Special Meeting on 3 June 2003, that the title of the Secretary General should be changed to Chief Executive.

Corporate Governance Statement

The Executive

The Executive meets ten times a year. It is responsible, on behalf of Council, for all matters relating to the development and implementation of the Institute strategy, to policy in support of the strategy, and to Institute resources, together with other matters delegated by Council. The Executive reports to each meeting of Council on its activities. The Council has agreed that the title of the Executive should be changed to the Executive Board from June 2003.

The membership of the Executive is largely *ex officio* and comprises both volunteers and senior staff. The President chairs the Executive. The Council also elects two members from amongst its membership for terms of two years.

Sally Hinkley joined the Institute as Executive Director for the Institute's Professional Standards Directorate post year end, starting on 10 February 2003, following the earlier promotion of Peter Owen to the post of Secretary General.

The members of the Executive during 2002 were:

	Position	Appointed	Retired
Ian Cherry	*Elected by Council*		
Brian Chiplin	*Executive Director, Education and Training*		
John Collier	*Secretary General*		6 March
Paul Druckman	*Vice-President*	12 June	
Maurice Ede	*Chairman, Professional Standards Board*		
Bruce Gray	*Chairman, Member Services Board*	12 June	
Michael Groom	*President and Chairman to 12 June*		12 June
Richard Harwood	*Elected by Council*		18 June
David Illingworth	*Vice-President to 12 June, Deputy-President from 12 June*		
Michael Izza	*Executive Director, Finance and Operations*	2 January	
Peter Owen CB	*Executive Director, Professional Standards; Secretary General from 6 March*		
Nick Parker	*Chairman, Members Directorate*		12 June
Peter Smith	*Treasurer*		
Mark Spofforth	*Chairman, Education and Training Board*		
Nigel Turnbull	*Chairman, Technical Strategy Board*		
Robert Webb	*Elected by Council*	18 June	
Peter Wyman	*Deputy-President to 12 June; President and Chairman from 12 June*		

Audit Committee

The Audit Committee is responsible, on behalf of Council, for ensuring that all activities of the Institute are subject to independent review and audit, and for monitoring, on behalf of Council, the Institute's relationship with its auditors. None of its members are members of the Executive and at least one member must be a non-Council member. It meets at least three times a year. Both the internal and external auditors attend its meetings and have direct access to its Chairman.

The members of the Audit Committee during 2002 were:

	Position	Appointed	Retired
Gerry Acher CBE	*Non-Council member*		
John Anderson OBE		12 June	
Arthur Bailey	*Chairman from 12 June*		
Phillip Day	*Non-Council member from 11 June*		
Roger Gould	*Non-Council member*		
Philip Hollins			
Clive Parritt	*Chairman to 12 June*		
George Ridgway	*Non-Council member*	12 June	

Remuneration Committee

The Remuneration Committee keeps under review, on behalf of the Executive, the elements of remuneration packages provided for Institute staff, including the Secretary General and Executive Directors. Staff are remunerated with reference to their annual performance rating and to market benchmark salaries. None of the members of Council receive remuneration for services to the Institute, other than reimbursement of out of pocket expenses and payments on a normal commercial basis, in particular in connection with lecturing and writing.

The members of the Remuneration Committee during 2002 were:

	Position	Appointed	Retired
Mark Spofforth	*Chairman*		
Dennis Cox			
David Illingworth		12 June	
David McBride			
Peter Wyman			12 June

Corporate Governance Statement

Nominating Committee

The Nominating Committee is responsible for recommending the appointment of co-options and of committee chairmen to Council and for all matters relating to other appointments to committees etc. The Nominating Committee deals with much of its business by correspondence and meets only as required. Its membership is largely *ex officio*, including the two most recent Past-Presidents, but also includes two members elected for terms of two years by the Council from amongst its members.

The Nominating Committee members during 2002 were:

	Position	Appointed	Retired
Paul Druckman	*Vice-President*	12 June	
Stella Fearnley	*Elected by Council*		
Michael Groom	*President and Chairman to 12 June; Past-President from 12 June*		
David Illingworth	*Vice-President to 12 June, Deputy-President from 12 June*		
The Baroness Noakes DBE	*Past-President*		12 June
Peter Rosewell	*Elected by Council*		
Graham Ward	*Past-President*		
Peter Wyman	*Deputy-President to 12 June; President and Chairman from 12 June*		

Senior Staff Appointments Committee

The Council established in 2002 a Senior Staff Appointments Committee with responsibility for all matters relating to the recruitment and appointment of the Secretary General and Executive Directors. The Committee meets as required.

Directorate Boards

Four Boards steer the development of policy for the Institute's member-facing functions. The Boards also exercise a general oversight of the work programmes of the Institute's member-facing Directorates through their involvement in the planning and budgeting process.

The Boards and their Chairmen in 2002 were:

Board	Chairman 2002
Education and Training	Mark Spofforth
Member Services	Nick Parker (to 12 June[1]); Bruce Gray (from 12 June)
Professional Standards	Maurice Ede
Technical Strategy (established 12 June 2002)	Nigel Turnbull (from 12 June)

[1]Chairman of Members Directorate

The full membership of the Boards is available on the Institute website.

Employees

The Institute is committed to equal opportunities for all its staff and it is the Institute's policy not to discriminate on the grounds of race, sex, sexual orientation or disability. Should existing employees suffer a disability it is the Institute's policy to do all it can to accommodate that disability and to assist the employee to continue their career with the Institute in their existing role where possible or in an alternative position.

The Institute is committed to training and developing all its staff to enable them to develop their potential to the full and to contribute their best to the success of the Institute.

The Institute is also committed to flexible working arrangements for staff wherever practicable and encourages all employees to participate in the Institute's future. Employees are provided with information on developments within the Institute on a regular basis both through its in-house newsletter, *i magazine*, and through an intranet. The Secretary General holds open house sessions to provide employees with opportunities to express their views directly.

Creditor Payment Policy

It is the Institute's policy to agree and communicate clearly the terms of payment as part of the commercial arrangements negotiated with suppliers and then to pay according to those terms based upon the timely receipt of an accurate invoice. Trade creditor days at 31 December 2002 were 5 days (31 December 2001: 5 days).

Corporate Governance Statement

Going Concern

The financial statements have been prepared on a going concern basis since, having made relevant enquiries, the Council has a reasonable expectation that the Institute has adequate resources to continue in operational existence for the foreseeable future.

Internal Control

The Council is responsible for the Institute's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

Wider Aspects of Internal Control

The Council, through the Executive, Secretary General and Executive Directors, has an established ongoing process for identifying, evaluating and managing the significant risks faced by the Institute.

Each Directorate identifies and reviews the risks faced by the Institute and assesses the controls in place and key actions required to manage the significant risks. The key risk assessments are reported three times a year to the Management Team, Executive and Council.

The ongoing assessment of the risks is linked with the evolving Institute strategy in compliance with the guidance *Internal Control: Guidance for Directors on the Combined Code.*

In March 2003 Council undertook its third annual review to consider:

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

The key elements of the system of internal control are:

Delegation

The overall objectives of the Institute are agreed by Council, which delegates day to day management responsibility to the Executive and staff. There is a clear organisational structure, detailing lines of authority and control responsibilities. There are defined revenue and capital spend authorisation limits in place.

Budgets

Detailed annual budgets are prepared by the staff for approval by the Executive and Council. Actual results are compared to approved budgets on a monthly basis and reported to each meeting of the Executive and Council. Revised annual forecasts are also prepared and reported quarterly. A summary of both the monthly results, and quarterly forecast reviews is posted on the Council Members' website.

Competence

Staff skills are maintained both by a formal recruitment process and a performance appraisal system, which identifies necessary training needs. The Institute is committed to the core values of integrity, openness, mutual respect and teamwork and excellence and professionalism.

Internal Audit

The Internal Audit department assesses risk and reviews controls, based on a four year risk-based plan with more frequent reviews where necessary. The department ensures that recommendations to improve controls are followed up by management. The Internal Audit department reports formally to the Audit Committee which reviews the risk analysis and testing of the system of internal financial and wider controls. The Committee also receives reports from the staff and the external auditors on important control matters.

Review

Council, through the reports it receives from the Executive and through the Audit Committee, has reviewed the effectiveness of the Institute's system of internal control in operation during 2002.

Responsibilities of Council

Bye-law 12(a) requires the Council to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Institute and of the surplus or deficit for the Institute for that period. Council has delegated these responsibilities to the Executive. In preparing these financial statements, the Executive has on behalf of Council:

- selected suitable accounting policies and applied them consistently;
- made judgements and estimates that are reasonable and prudent;
- followed applicable accounting standards; and
- prepared the financial statements on the going concern basis.

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

Independent Auditors' Report

to the Members of The Institute of Chartered Accountants in England & Wales

We have audited the financial statements on pages 9 to 32. 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 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 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's responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom Accounting Standards are set out in the Statement of Responsibilities of Council.

Our responsibility is to audit the financial statements in accordance with relevant legal requirements and United Kingdom Auditing Standards. We report to you our opinion as to whether the financial statements give a true and fair view. We also report to you if, in our opinion, the Council's report is not consistent with the financial statements, if the Institute has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We review whether the Corporate Governance Statement reflects the Institute's compliance with the seven provisions of the Combined Code specified for our review, (A1.2, 1.3, 6.1, 6.2 and D1.1, 2.1 and 3.1), and we report if it does not. We are not required to consider whether the Council's statements on internal control cover all risks and controls or form an opinion on the effectiveness of the Institute's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any information outside the Annual Report.

Basis of Audit Opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Council in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Institute's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Institute as at 31 December 2002 and of its surplus for the year then ended.

RSM Robson Rhodes

Chartered Accountants and Registered Auditors

London

18 March 2003

Revenue Account

for the year ended 31 December 2002

Note		Income £'000	Expenditure £'000	2002 Net £'000	2001 As restated Net £'000
	Subscriptions and other income				
	Subscriptions and fees	**19,772**	-	**19,772**	18,835
	Licence and data access fees	**1,850**	-	**1,850**	-
		21,622	-	**21,622**	18,835
	Subscription based services				
1	Members' Education and Training	**570**	**1,955**	**(1,385)**	(1,901)
2	Professional Standards	**584**	**2,738**	**(2,154)**	(2,904)
3	Member Services	**1,707**	**7,543**	**(5,836)**	(6,771)
4	Technical Strategy	**273**	**2,821**	**(2,548)**	(2,968)
5	Central Activities	**1,253**	**8,568**	**(7,315)**	(8,342)
		4,387	**23,625**	**(19,238)**	(22,886)
	Self financing activities				
6	Student Education and Training	**6,541**	**6,747**	**(206)**	(1,006)
7	Practice Regulation	**8,755**	**9,286**	**(531)**	382
8	Faculties	**2,701**	**2,334**	**367**	223
		17,997	**18,367**	**(370)**	(401)
9	**Participation in External Bodies**	**316**	**2,389**	**(2,073)**	(3,592)
10	**ABG Professional Information - discontinued operations**	-	-	-	1,333
11	**Gift Aid and Library funding**	-	**1,900**	**(1,900)**	(1,600)
	Totals of income and expenditure	**44,322**	**46,281**		
	(2001 Totals of income and expenditure	*53,755*	*62,066)*		
12	**Operating deficit**			**(1,959)**	(8,311)
10	Sale of ABG Professional Information - discontinued operations			**22,181**	-
	Net realised losses on listed investments			**(1,069)**	(618)
	Unrealised losses on listed investments			**(89)**	(73)
13	Investment income			**953**	849
	Surplus/(deficit) before taxation			**20,017**	(8,153)
14	Taxation			**(5,522)**	37
	Net surplus/(deficit) after taxation			**14,495**	(8,116)
	Add back: deficit attributable to self financing activities			**370**	401
27	**Net surplus/(deficit) transferred to/(from) accumulated fund**			**14,865**	(7,715)

Additional Statements
for the year ended 31 December 2002

	2002 £'000	2001 As restated £'000
Statement of total recognised gains and losses		
Net surplus/(deficit) transferred to/(from) accumulated fund	**14,865**	(7,715)
Net surpluses/(deficits) transferred to/(from) self financing activities		
Student Education and Training deficit for the financial year	**(206)**	(1,006)
Practice Regulation (deficits)/surpluses for the financial year	**(531)**	382
Faculty surpluses for the financial year	**367**	223
	(370)	(401)
Net surplus/(deficit) after taxation	**14,495**	(8,116)
Unrealised deficit on the revaluation of tangible fixed assets	**(2,993)**	(270)
Unrealised surplus/(deficit) on the revaluation of fixed asset investments	**208**	(210)
Current and deferred tax on revaluation of fixed asset investments	**(62)**	63
Total recognised gains and losses relating to the year	**11,648**	(8,533)

	2002 £'000	2001 As restated £'000
Note of historical cost surplus		
Net surplus/(deficit) before taxation	**20,017**	(8,153)
Shortfall of actual depreciation charge over historical cost depreciation	**(189)**	(151)
Decrease in market value of short-term investments over cost	**51**	184
Historical cost surplus/(deficit) before taxation	**19,879**	(8,120)
Taxation	**(5,538)**	(18)
Historical cost surplus/(deficit) after taxation	**14,341**	(8,138)

	2002 £'000	2001 As restated £'000
Reconciliation of movements in total reserves		
Net surplus/(deficit) after taxation for the year	**14,495**	(8,116)
Unrealised deficit on the revaluation of tangible fixed assets	**(2,993)**	(270)
Change in market value of investments net of tax	**146**	(147)
Net increase/(decrease) in reserves	**11,648**	(8,533)
Reserves at 1 January	**26,237**	34,770
Reserves at 31 December	**37,885**	26,237

Balance Sheet

at 31 December 2002

Note		2002 £'000	2001 As restated £'000
	Fixed assets		
15	Tangible fixed assets	**18,571**	21,928
16	Investments in subsidiary and related undertakings	**3**	3
17	Other investments	**19,403**	4,322
		37,977	26,253
	Current assets		
18	Stocks	**666**	1,000
19	Debtors: amounts receivable within one year	**8,929**	7,683
20	Debtors: amounts receivable after more than one year	**8,500**	-
21	Short-term investments	**14,491**	15,618
	Cash on short-term deposit, at bank and in hand	**1,409**	1,565
		33,995	25,866
22	**Creditors:** amounts falling due within one year	**25,659**	17,030
	Net current assets	**8,336**	8,836
	Total assets less current liabilities	**46,313**	35,089
	Provisions for liabilities and charges		
23	Staff Pensions Fund	**2,680**	3,202
25	Joint Disciplinary Scheme	**3,196**	3,806
26	Chartered Accountants' Compensation Scheme	**2,552**	1,844
		8,428	8,852
		37,885	26,237
	Reserves		
27	Revaluation reserve	**9,942**	12,746
27	Investment revaluation reserve	**300**	249
27	Accumulated fund	**20,183**	5,412
		30,425	18,407
	Reserves retained by self financing activities		
6	Student Education and Training	**1,344**	1,550
7	Practice Regulation	**4,669**	5,200
8	Faculties	**1,447**	1,080
		7,460	7,830
		37,885	26,237

Approved on behalf of the Council

Peter Wyman
President

Peter Smith
Treasurer

18 March 2003

Cash Flow Statement

for the year ended 31 December 2002

Note		2002 £'000	2002 £'000	2001 As restated £'000	2001 As restated £'000
	Cash flow from operating activities		**4,266**		(4,496)
	Returns on investment and servicing of finance:				
	Income received on investments		**200**		1,065
	Taxation		**(199)**		(137)
	Capital expenditure and financial investment:				
	Purchase of tangible fixed assets	**(1,097)**		(1,818)	
	Sale of tangible fixed assets	**16**		17	
	Purchase of long-term investments	**(19,560)**		(2,154)	
	Realisation of long-term investments	**3,529**		2,267	
	Net cash outflow for capital expenditure and financial investment		**(17,112)**		(1,688)
10	**Sale of ABG Professional Information**				
	Consideration for sale	**15,500**		-	
	Payment in consideration for transfer of net liabilities	**(2,181)**		-	
	Costs of the transaction	**(1,706)**		-	
			11,613		-
	Cash flow before management of liquid resources and financing		**(1,232)**		(5,256)
	Management of liquid resources:				
	Purchase of short-term investments	**(197,649)**		(171,391)	
	Realisation of short-term investments	**198,725**		177,365	
			1,076		5,974
33	**Net (decrease)/increase in cash in the year**		**(156)**		718

Reconciliation of operating deficit to cash flow from operating activities

	2002 £'000	2001 As restated £'000
Operating deficit	**(1,959)**	(8,311)
Interest allocated to self financing activities	**(303)**	(723)
	(2,262)	(9,034)
Depreciation	**1,093**	1,548
Decrease/(increase) in stocks	**145**	(395)
(Increase)/decrease in current debtors	**(2,310)**	1,612
Increase/(decrease) in creditors	**6,822**	(1,181)
(Decrease)/increase in provisions	**(424)**	2,202
Loss on disposals of tangible fixed assets	**44**	61
Loss on disposals and write downs of other fixed asset investments	**1,158**	691
Cash flow from operating activities	**4,266**	(4,496)

Reconciliation of net cash flow to change in net funds

Note		2002 £'000	2001 As restated £'000
	(Decrease)/increase in cash in the year	**(156)**	718
	Decrease in liquid resources	**(1,076)**	(5,974)
	Net change in market value of short-term investments over cost	**(51)**	(184)
	Change in net funds	**(1,283)**	(5,440)
	Net funds at 1 January	**17,183**	22,623
33	Net funds at 31 December	**15,900**	17,183

Accounting Policies

I Convention

The financial statements are prepared in accordance with applicable accounting standards in the United Kingdom and under the historical cost convention as modified by the revaluation of freehold properties, collections and other investments and on a going concern basis.

II Revenue Account Formats

The format of the Revenue Account has been altered for 2002 to reflect the Institute's activities more clearly. Corresponding amounts for 2001 have been re-categorised accordingly.

III Income

Income from fees and subscriptions is recognised in the accounting period to which the services covered by those subscriptions relates, and is stated net of VAT where applicable. Fees and subscriptions received in advance are included within creditors.

Other income, including licence fees and income in association with the professional conduct and joint disciplinary schemes, is recognised when receivable.

IV Tangible Fixed Assets and Depreciation

Freehold Properties

Freehold properties are revalued periodically on an existing use basis and are included in the Balance Sheet at their revalued amounts. Surpluses on revaluations are transferred to the revaluation reserve. Deficits on revaluations are charged against the revaluation reserve to the extent that there are available surpluses relating to the same asset and are otherwise charged to the Revenue Account.

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

Depreciation is not charged on freehold land. Depreciation is charged on the revalued amount of freehold buildings at 2% per annum. A transfer is made annually from the revaluation reserve to the accumulated fund for the difference between the amount of depreciation charged on the revalued amount and that charged on an historical cost basis.

Leasehold Improvements

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

Silver Collection and Antiques

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

Other Tangible Fixed Assets

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

The impairment of fixed assets is considered annually and provisions made where necessary.

V Investments

Investments in subsidiary and related undertakings are stated at cost, subject to provisions for permanent diminution in value. To the extent that the Institute bears costs arising from these activities, they appear within the appropriate cost headings in the Revenue Account. Subsidiary and related undertakings are not consolidated on the basis that any changes that would result from consolidation would be immaterial.

Sterling fixed and floating rate securities, equities and unit trusts held for the purposes of generating long term investment income are treated as fixed asset investments and are included in fixed assets at market value. Realised gains and losses are dealt with in the Revenue Account. Unrealised gains are transferred to an investment revaluation reserve. Unrealised losses are charged against the investment revaluation reserve to the extent that there are available surpluses relating to the same asset and are otherwise charged to the Revenue Account. This represents a change of accounting policy in respect of equities and unit trusts, which were previously held as current assets, and is considered to reflect better the purpose of continuing to hold such investments in light of the changes to the Institute's activities

Accounting Policies

following the disposal of the business of ABG Professional Information in January 2002. Comparative amounts have been restated accordingly. The impact of the change in policy is dealt with in note 17.

Sterling fixed and floating rate securities held as part of the Institute's working capital funds are treated as current investments and are included in current assets at market value. Realised and unrealised gains and losses are dealt with in the Revenue Account.

VI Stocks

Stocks are stated at the lower of cost and net realisable value.

VII Operating Leases

Premiums on leasehold properties are capitalised and are amortised on a straight line basis over the shorter of the lease term and the period until a review date on which the rent is first adjusted to the prevailing market rate.

Other operating lease costs are charged to the Revenue Account on a straight line basis over the period of the relevant agreement.

VIII Grants

Revenue grants receivable are recognised in the period to which they relate.

IX Pensions

Defined Benefit Scheme

The expected costs of providing pensions under the Institute's defined benefit staff pension fund, as calculated periodically by qualified actuaries, is charged to the Revenue Account so as to spread the cost over the service lives of employees in the scheme in such a way that the pension cost is a substantially level percentage of current and expected future pensionable payroll.

Defined Contribution Schemes

Contributions under defined contribution schemes are charged to the Revenue Account as incurred.

X Deferred Taxation

Deferred taxation is provided in full, without discounting, on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred taxation is not provided on the revaluation of properties and collections unless there is a binding agreement to sell them at the balance sheet date. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

XI Professional Conduct and Joint Disciplinary Scheme

Provision is made for the estimated future external costs of major disciplinary cases relating to events which occurred prior to the balance sheet date.

XII Foreign Currencies

Transactions in foreign currencies are translated into Sterling at actual rate at the time of the transactions. Differences arising on foreign currencies are dealt with in the Revenue Account.

XIII Self Financing Activities

It is the intention of Council that, taking one year with another, the costs of self financing activities should be borne by those members and/or firms deriving benefit from such areas. In calculating the surplus or deficit to be taken to reserves, account has been taken of a share of central activities costs and other indirect costs and an allocation of investment income.

Notes to the Financial Statements

for the year ended 31 December 2002

1 Members' Education and Training

The Members' Education and Training Directorate has received grants from the Chartered Accountants' Trust for Education and Research totalling £520,000 (2001: £439,000).

2 Professional Standards

	2002	2002	2002	2001
				As restated
	Income	Expenditure	Net	Net
	£'000	£'000	£'000	£'000
Disciplinary	440	2,729	(2,289)	(3,064)
Practice Regulation	144	9	135	160
	584	2,738	(2,154)	(2,904)

3 Member Services

	2002	2002	2002	2001
				As restated
	Income	Expenditure	Net	Net
	£'000	£'000	£'000	£'000
Enterprises	869	792	77	171
Local and Regional Services	448	3,596	(3,148)	(3,473)
Focuses and Research Unit	4	750	(746)	(1,363)
Advisory and other Member Services	386	1,842	(1,456)	(1,488)
Member Services administration	-	563	(563)	(618)
	1,707	7,543	(5,836)	(6,771)

4 Technical Strategy

	2002	2002	2002	2001
				As restated
	Income	Expenditure	Net	Net
	£'000	£'000	£'000	£'000
International	2	315	(313)	(217)
Faculties - Institute funded	35	824	(789)	(778)
Centre for Business Performance	15	779	(764)	(1,170)
Centre for Business Performance - grants receivable	221	-	221	334
Other	-	903	(903)	(1,137)
	273	2,821	(2,548)	(2,968)

During the year the Centre for Business Performance, whose income and expenditure is included in Technical Strategy, administered research projects which were funded by the PD Leake Trust. Funding paid to third parties by the Trust in 2002 amounted to £343,000 (2001: £252,000) and has not been included in these financial statements.

Notes to the Financial Statements
for the year ended 31 December 2002

5 Central Activities

	2002 Income £'000	2002 Expenditure £'000	2002 Net £'000	2001 As restated Net £'000
Accommodation	67	2,532	(2,465)	(2,360)
Common Office Services	10	3,299	(3,289)	(3,397)
Membership Records	129	819	(690)	(824)
Communications	141	2,980	(2,839)	(3,171)
Information Technology Directorate	28	3,029	(3,001)	(4,191)
Finance and Accounting	-	1,156	(1,156)	(1,345)
Council	-	200	(200)	(328)
Members' Facilities	877	2,029	(1,152)	(1,344)
Executive and Administration	1	1,259	(1,258)	(1,068)
	1,253	17,303	(16,050)	(18,028)
Less: Allocated to other activities or recovered from outside bodies (including notional rent of £731,000 (2001: £742,000))	-	(8,735)	8,735	9,686
	1,253	8,568	(7,315)	(8,342)

6 Student Education and Training - self financing

Costs which are directly attributable to the education and training of students are funded from examination and authorisation fees. The accumulated surplus from those fees is held in a separate account by Chartered Accountants' Trustees Limited to meet any future shortfalls.

	2002 £'000	2001 £'000
Income	6,541	5,189
Expenditure	6,747	6,195
Deficit for the year	(206)	(1,006)
Reserves at 1 January	1,550	2,556
Reserves at 31 December	1,344	1,550

7 Practice Regulation - self financing

	Authorisation of Investment Business £'000	Audit Regulation £'000	Insolvency Licensing £'000	Total 2002 £'000	Total 2001 £'000
Income	3,291	4,588	876	8,755	9,637
Expenditure	2,689	5,628	969	9,286	9,255
Surplus/(deficit) for the year	602	(1,040)	(93)	(531)	382
Reserves at 1 January	2,956	2,091	153	5,200	4,818
Reserves at 31 December	3,558	1,051	60	4,669	5,200

Notes to the Financial Statements

for the year ended 31 December 2002

8 Faculties

	Faculty of Taxation £'000	Faculty of Information Technology £'000	Faculty of Finance and Management £'000	Audit and Assurance Faculty £'000	Corporate Finance Faculty £'000	Total 2002 £'000	Total 2001 £'000
Income	**676**	**463**	**659**	**505**	**398**	**2,701**	2,567
Expenditure	**841**	**548**	**639**	**679**	**416**	**3,123**	3,122
Less funded by general membership subscriptions	**(224)**	**(97)**	**(89)**	**(276)**	**(103)**	**(789)**	(778)
	617	**451**	**550**	**403**	**313**	**2,334**	2,344
Surplus for the year	**59**	**12**	**109**	**102**	**85**	**367**	223
Reserves at 1 January	**291**	**184**	**304**	**315**	**(14)**	**1,080**	857
Reserves at 31 December	**350**	**196**	**413**	**417**	**71**	**1,447**	1,080

Costs attributable to work carried out by the Faculties on behalf of the general membership of the Institute are funded from Institute members' subscriptions.

9 Participation in External Bodies

	2002 Total Cost to the Institute £'000	2002 Borne by self financing activities £'000	2002 Net £'000	2001 As restated Net £'000
Accountancy Foundation	**(1,210)**	**(570)**	**(640)**	(710)
Consultative Committee of Accountancy Bodies	**(538)**	**-**	**(538)**	(832)
International Federation of Accountants	**(191)**	**-**	**(191)**	-
Joint Disciplinary Scheme	**(1,850)**	**-**	**(1,850)**	(2,050)
Joint Disciplinary Scheme Fines and Costs Recovered	**1,146**	**-**	**1,146**	-
	(2,643)	**(570)**	**(2,073)**	(3,592)

10 Sale of ABG Professional Information

The net assets and publishing business of ABG Professional Information were sold to Wolters Kluwer/Croner.CCH on 16 January 2002, effective from 1 January 2002, for a cash consideration of £25 million of which £15 million was received on completion and £10 million is receivable in 20 equal semi-annual installments of £0.5 million which commenced on 16 July 2002. In addition the Institute has entered Licensing and Data Access agreements with Croner.CCH Limited for a period of 10 years anticipated to generate income for the Institute of £18.5 million over that period. Both the deferred consideration and the payments in respect of the Licensing and Data Access agreements are subject to annual indexation capped at 5%. Amounts received in respect of indexation are treated as other financial income.

Notes to the Financial Statements
for the year ended 31 December 2002

10 Sale of ABG Professional Information (continued)

The surplus arising on the sale of ABG Professional Information comprises:

	2002 £'000
Sale proceeds	15,000
Deferred consideration	10,000
	25,000
Costs of the transaction	(971)
Closure costs and onerous lease provision	(1,848)
Surplus before tax	22,181
Corporation tax	(6,055)
Net surplus	16,126

The cash flows arising from the sale of the publishing business of ABG Professional Information were:

	2002 £'000	2002 £'000
Net liabilities disposed of:		
Fixed assets		429
Stocks		189
Debtors		2,426
Creditors		(5,225)
		(2,181)
Cash transferred to cover net liabilities		2,181
Sales proceeds before costs		25,000
		25,000
Satisfied by:		
Cash		15,000
Deferred Consideration:		
Received during year	500	
Included in debtors: amounts receivable within one year	1,000	
Included in debtors: amounts receivable after more than one year	8,500	
		10,000
		25,000

The net profit arising from the ABG Professional Information business in the year ended 31 December 2001 was:

	2001 Net £'000
Accountancy Magazine	2,496
ABG Publications	1,665
ABG Courses and Conferences	470
Other products	(429)
Management and administration	(2,869)
	1,333

Notes to the Financial Statements
for the year ended 31 December 2002

11 Gift Aid

Payments of £1,900,000 (2001: £1,600,000) were made in the year under gift aid to the Chartered Accountants' Trust for Education and Research, which funds the Institute Library and education in the field of accountancy and related subjects.

12 Operating Deficit

The operating deficit of £1,959,000 (2001: £8,311,000) is stated after charging:

	2002 £'000	2001 £'000
Staff costs	**16,453**	19,538
Depreciation	**1,093**	1,548
Loss on disposal of tangible fixed assets	**44**	61
Amounts payable under operating leases	**1,036**	894
Audit fees	**43**	53
Other payments to auditors	**18**	31

In addition, an amount of £7,000 (2001: £Nil) was paid to the auditors in relation to the disposal of the business of ABG Professional Information and depreciation amounting to £338,000 (2001: £Nil) has been included within closure costs in calculating the surplus on disposal of ABG Professional Information.

The operating deficit includes payments on a normal commercial basis to members and member firms for services, in particular in connection with lecturing and writing. In 2002 these payments amounted to £2,044,000 (2001: £2,684,000). Of this amount £185,000 (2001: £369,000) was in relation to member firms who have a partner or employee who is also a member of Council. The amounts paid to individual Council members for such services amounted to less than £70,000 (2001: £35,000) in total.

13 Investment Income

	2002 £'000	2001 As restated £'000
Bank interest receivable	**67**	135
Realised gains from certificates of deposit	**1,126**	1,528
Other financial income	**71**	-
Dividend income	**94**	93
	1,358	1,756
Net change in market value of certificates of deposit over cost	**(51)**	(184)
	1,307	1,572
Reallocated to self financing activities	**(303)**	(723)
Interest payable	**(51)**	-
Net investment gains and income	**953**	849

Notes to the Financial Statements

for the year ended 31 December 2002

14 Taxation

	2002	2001
		As restated
	£'000	£'000
UK corporation tax:		
On income for the year	(109)	100
On sale of the publishing business of ABG Professional Information	6,055	-
Adjustment for previous periods	(81)	70
	5,865	170
Deferred tax:		
Origination and reversal of timing differences	(343)	(207)
Tax on profit on operating surplus/(deficit)	5,522	(37)

The Institute is chargeable to corporation tax on investment income and gains and on net surpluses arising from certain services to the extent that they relate to transactions with non-members. The liability has been reduced by payments made under gift aid to the Chartered Accountants' Trust for Education and Research, which funds education in the field of accountancy and related subjects, including the administration of the Library.

Factors affecting the tax charge for the year

	2002	2001
		As restated
	£'000	£'000
Net surplus/(deficit) before taxation	20,017	(8,153)
Add back: deficit on transactions with members	4,025	7,598
	24,042	(555)
Net surplus/(deficit) attributable to investment gains and income and transactions with non-members multiplied by standard rate of corporation tax in the UK of 30%	7,213	(167)
Effects of:		
Capital allowances for period in excess of depreciation charged	(18)	(46)
Capital losses and unrealised capital gains on equities and unit trusts	(165)	207
Inflationary element of deferred consideration on disposal of ABG Professional Information	508	-
Indexed 1982 valuation of ABG Professional Information	(1,707)	-
Losses not utilised	65	45
Net expenses not deductible for tax purposes	33	118
Franked investment income not taxable	(28)	(28)
Other adjustments, including marginal relief	45	(29)
Adjustments in respect of prior years	(81)	70
	5,865	170

The Institute anticipates that future tax charges may be affected by continued donations under gift aid to the Chartered Accountants' Trust for Education and Research in future years.

No provision has been made for deferred tax on gains arising from the revaluation of the Institute's silver collection and antiques as a tax liability would only crystallise if items from the collections were sold. There is no intention to dispose of these assets.

A deferred tax asset of £167,000 (2001: £182,000) relating to non-trade losses has not been recognised as its future recovery is uncertain. Deferred tax assets relating to capital allowances and pension contributions have not been recognised as they are not material.

Notes to the Financial Statements

for the year ended 31 December 2002

15 Tangible Fixed Assets

	Freehold Property £'000	Short Leasehold Property £'000	Silver Collection and Antiques £'000	Furniture Computers and Equipment £'000	Total £'000
Cost or valuation					
At 1 January 2002	15,353	810	3,277	9,364	28,804
Additions at cost	505	-	-	1,051	1,556
Disposals at cost or valuation	-	-	-	(2,607)	(2,607)
Deficit on revaluation	(2,877)	-	(218)	-	(3,095)
At 31 December 2002	12,981	810	3,059	7,808	24,658
At valuation	12,981	-	3,059	-	16,040
At cost	-	810	-	7,808	8,618
	12,981	810	3,059	7,808	24,658
Accumulated depreciation					
At 1 January 2002	3	472	-	6,401	6,876
Depreciation for the year	163	249	-	1,019	1,431
Depreciation on disposals	-	-	-	(2,118)	(2,118)
Adjustment on revaluation	(102)	-	-	-	(102)
At 31 December 2002	64	721	-	5,302	6,087
Net book amount at 31 December 2002	12,917	89	3,059	2,506	18,571
Net book amount at 31 December 2001	15,350	338	3,277	2,963	21,928
On an historical cost basis the comparable amounts for tangible fixed assets are:					
Cost	10,458	810	158	7,808	19,234
Accumulated depreciation	4,580	721	-	5,302	10,603
Net historical cost at 31 December 2002	5,878	89	158	2,506	8,631
Net historical cost at 31 December 2001	5,724	338	158	2,963	9,183

The valuations of the freehold properties, Chartered Accountants' Hall, London, and Gloucester House, Milton Keynes, have been reviewed by Insignia Richard Ellis, Chartered Surveyors on the basis of their existing use at 31 December 2002. The freehold properties were last fully revalued at 31 December 2001. Surpluses on revaluation over the original net historical cost have been credited to the revaluation reserve.

The historical cost of the Institute's silver collection and antiques represents only the cost of items purchased by the Institute. The valuations in respect of these collections also include substantial donations and bequests received by the Institute.

The valuations at 31 December 2002 were carried out by Professor Gerald Benney *(the Benney silver collection)*; William Walter Antiques Limited (*other silver*); John Drury Rare Books *(rare books)*; Christies and The Fine Art Society *(period furniture, pictures and sculptures)*. Surpluses on revaluation over the original net historical cost have been credited to the revaluation reserve.

There were no contracts for capital expenditure not provided for in these financial statements at 31 December 2002 (2001: £Nil).

Notes to the Financial Statements

for the year ended 31 December 2002

16 Investments in subsidiary and related undertakings

The Institute has the following interests in subsidiary and related undertakings:

Subsidiary Undertakings	Shareholding and Voting %	**2002 Cost £**	Institute interest in net assets £	Activity	2001 Cost £
CCAB Limited	51.7	**517**	517	Undertakes activities of mutual interest to the six major accountancy bodies in the British Isles.	517
Consultative Committee of Accountancy Bodies Limited	50.0	**1**	1	Protects a name relevant to CCAB Limited.	1
Joint Monitoring Unit Limited	80.0	**800**	800	Monitors compliance with Investment Business Regulations under the Financial Services and Markets Act 2000 and with Audit Regulations under the Companies Act 1989 on behalf of the Institute and other professional bodies.	800
Chartered Accountants' Compensation Scheme Limited	80.0	**800**	800	Evaluates and administers claims for compensation arising from the Institute's obligations as a Recognised Professional Body under the Financial Services Act 1986 and as a Designated Professional Body under the Financial Services and Markets Act 2000.	800
Chartered Accountants' Independent Financial Services Limited	100.0	**1**	1	Protects a name relevant to the Institute.	1
CAIFS Limited	100.0	**1**	1	Protects a name relevant to the Institute.	-
Chartered Accountants' Trustees Limited	100.0	**100**	100	Acts as corporate trustee of the various charitable trusts connected with the Institute.	100
F.C.A. Limited	100.0	**100**	100	Acts as corporate trustee of the Institute of Chartered Accountants' Staff Pensions Fund.	100
A.C.A. Limited	100.0	**100**	100	Acts as corporate trustee of the Chartered Accountants Employees' Superannuation Scheme.	100
ETC Projects Limited	-	**-**	-	Held the lease of the Brussels office. (Struck off 22 October 2002.)	2
The Society of Incorporated Accountants Limited	100.0	**100**	100	Protects a name relevant to the Institute.	100
ICAEW Limited	100.0	**1**	1	Protects a name relevant to the Institute.	1
Chartac Limited	100.0	**2**	2	Protects a name relevant to the Institute.	2
ABG Professional Information Limited	-	**-**	-	Protects a name relevant to the Institute. (Sold 16 January 2002.)	1
Related Undertakings					
Accountancy and Financial Publishing Limited	50.0	**100**	5,290	Prepares learning materials for use in the Institute's examinations.	100
The Joint Insolvency Examination Board (A company limited by guarantee)	-	-	-	Conducts examinations in insolvency practice to meet the education requirements of the Insolvency Act 1986. The Institute is one of seven subscribers each of whom has guaranteed £1 in the event of the company being wound up.	-
The Foundation for Accountancy and Financial Management (A company limited by guarantee)	-	-	-	Promotes education and training in accountancy and financial management to the developing countries in Central and Eastern Europe. The Institute is one of four subscribers each of whom has guaranteed £1 in the event of the company being wound up.	-
Joint Insolvency Monitoring Unit (A company limited by guarantee)	-	-	-	Monitors compliance of insolvency practitioners with the Insolvency Act 1986 on behalf of the Institute and other professional bodies. The Institute is one of two subscribers each of whom has guaranteed £10 in the event of the company being wound up.	-
Chartered Accountants' Property Leasing (A company limited by guarantee)	-	-	-	Holds the leases of premises occupied by District Societies. The Institute as subscriber has guaranteed £250,000 in the event of the company being wound up.	-
		2,623			2,625

The undertakings are all registered in England and Wales or Scotland, and operate on a not for profit basis.

Notes to the Financial Statements
for the year ended 31 December 2002

16 Investments in subsidiary and related undertakings (continued)

The Institute incurs administrative expenses on behalf of the subsidiary and related undertakings. The Institute's share of the annual costs of each subsidiary or related undertaking is included in the Revenue Account.

The balances due to/(from) the subsidiary undertakings as at 31 December were:

	2002 £'000	2001 £'000
CCAB Limited	(210)	(462)
Joint Monitoring Unit Limited	391	706
Chartered Accountants' Compensation Scheme Limited	(16)	20

17 Other investments

	Fixed and Floating Interest Securities £'000	Equities and Unit Trusts £'000	Total £'000
Market value			
At 1 January 2002 (as restated)	-	4,322	4,322
Additions	15,856	3,704	19,560
Disposal proceeds	-	(3,529)	(3,529)
Realised losses	-	(1,069)	(1,069)
Change in market value of investments:			
Charged to Revenue Account	-	(89)	(89)
Recognised in statement of total recognised gains and losses	270	(62)	208
At 31 December 2002	16,126	3,277	19,403
On an historical cost basis the comparable amounts of investments are:			
At 31 December 2002	15,856	3,207	19,063
At 31 December 2001	-	4,065	4,065

Following the sale of the business of ABG Professional Information, the Executive has re-appraised the nature of the Institute's investment portfolio and has concluded that, for the foreseeable future, a substantial portion of the investment portfolio is beyond that necessary to cover normal working capital requirements, and is to be held for the purpose of generating investment income to contribute to the financing of the Institute's activities. Accordingly, funds amounting to £19,403,000 have been established within fixed assets at 31 December 2002 comprising equities and unit trusts together with fixed and floating interest securities.

The transfer of equities to fixed assets from current assets represents a change of accounting policy. Comparative amounts have been restated accordingly. The impact on the results for the year ended 31 December 2002 is to increase the retained surplus for the year by £43,000 (2001: reduce the net deficit for the year by £147,000). There is no impact on net asset values nor on cash flows.

Fixed and floating interest securities (including certificates of deposit) are held through an independent custodian and equities and unit trusts are held by an investment management company.

18 Stocks

	2002 £'000	2001 £'000
Paper and stationery	16	26
Publications, other products and sundry stocks	650	974
	666	1,000

Notes to the Financial Statements
for the year ended 31 December 2002

19 Debtors: amounts receivable within one year

	2002 £'000	2001 £'000
Other debtors	3,459	4,415
Deferred consideration receivable (see note 20)	1,000	-
Prepayments	1,296	1,593
Chartered Accountants' Trustees Limited	1,344	1,550
Deferred Taxation (see note 24)	487	125
Accrued income	1,343	-
	8,929	7,683

20 Debtors: amounts falling due after more than one year

	2002 £'000	2001 £'000
Deferred consideration receivable	8,500	-

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

	2002 £'000	2001 £'000
Within one year	1,000	-
Within two to five years	4,000	-
After more than five years	4,500	-
	9,500	-

21 Short-term Investments

	Market Value 2002 £'000	Cost 2002 £'000	Market Value 2001 As restated £'000	Cost 2001 As restated £'000
Fixed and floating interest securities	14,491	14,452	15,618	15,527

Fixed and floating interest securities are held through an independent custodian.

22 Creditors: amounts falling due within one year

	2002 £'000	2001 £'000
Subscriptions and admission fees in advance	10,466	3,714
Other income in advance	2,368	6,913
Trade creditors	1,278	1,978
Corporation tax	6,080	333
Income tax and social security payments	591	693
Accruals	4,876	3,399
	25,659	17,030

Notes to the Financial Statements

for the year ended 31 December 2002

23 Staff Pensions Funds

Defined Benefit Scheme

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

The level of contributions required to fund the scheme is assessed by a qualified actuary on a triennial basis using the projected unit method. The Institute's share of contributions is charged to the Revenue Account so as to spread these costs over the average remaining service lives of participating employees.

Pension costs under SSAP 24

The most recent valuation of the fund was carried out by Bacon & Woodrow Limited as at 5 April 2001 and was based on the following principal annual assumptions:

Price inflation	2.4% p.a.
Increase in pensionable earnings	4.4% p.a.
Increase in pensions payable	2.4% p.a.
Investment rates of return and rates used to discount scheme liabilities:	
Pre-retirement	6.8% p.a.
Post-retirement	5.3% p.a.

At the valuation date, the market value of the assets of the fund was £53.6 million and the actuarial value of those assets represented 102% of the value of the benefits that had accrued to members, after allowing for expected future increases in earnings.

On the basis of the most recent valuation the agreed rate of employer's contribution is currently 15.7% of pensionable earnings for participating employees with less than ten years' service with the Institute and 22.5% for employees with more than ten years' service. Until 31 December 2002, employee contributions ranged from 5% to 6%. With effect from 1 January 2003, employee contributions have increased by 1% to between 6% and 7%. The Institute has agreed to make additional employer contributions of £400,000, £500,000 and £400,000 in respect of the years ended 31 December 2002, 2003 and 2004 respectively in respect of back-dated benefits awarded to participating employees attaining ten years' service with the Institute during that period.

The pension costs for the period for this scheme were £1,178,000 (2001: £1,632,000). This was after deducting £188,000 (2001: £245,000) in respect of the amortisation of experience surpluses that are being recognised over 14 years, the average remaining service lives of employees.

The movement on the Staff Pensions Fund account was:

	2002 £'000	2001 £'000
Pension costs	1,178	1,632
Contributions paid	(1,700)	(1,685)
	(522)	(53)
Provision at 1 January	3,202	3,255
Provision at 31 December	2,680	3,202

The balance on the Staff Pensions Fund represents the excess of employer pension costs charged to the Revenue Account in previous periods under SSAP 24 over the actual contributions paid to the fund in accordance with the advice of the scheme's actuaries. This balance is being amortised over the average expected remaining service lives of participating employees.

Notes to the Financial Statements
for the year ended 31 December 2002

23 Staff Pension Funds (continued)

Pension costs under FRS 17

The following additional disclosures are presented in respect of the defined benefit scheme under the transitional requirements of Financial Reporting Standard 17: Retirement Benefits on the basis of the actuarial valuation of the fund carried out by Bacon & Woodrow Limited as at 5 April 2001, updated to 31 December 2002 by Hymans Robertson:

	2002 £'000	2001 £'000
The fair value of the assets		
Equities	32,112	35,735
Corporate bonds	928	955
Government bonds	10,225	10,253
Cash	736	3,317
	44,001	50,260
Present value of scheme liabilities	(66,173)	(60,470)
Scheme deficit	(22,172)	(10,210)

The next actuarial valuation of the fund is due to be carried out as at 5 April 2004. Hymans Robertson have indicated that under normal actuarial assumptions, and assuming that market circumstances do not change dramatically, a similar scheme deficit should be contemplated, resulting in the need to increase employer contributions by between £1.5 million and £2.5 million a year from 2005, assuming that the deficit is to be funded over the anticipated remaining service lives of participating employees.

The assumptions made at 31 December were:

	2002	2001
Price inflation	2.25%	2.5%
Increase in pensionable earnings	4.25%	4.5%
Pensions payable	2.25%	2.5%
Scheme liability discount rate	5.50%	5.8%
Expected return on bonds	5.00%	4.9%
Expected return on equities	7.00%	8.4%

The following tables illustrate the impact that the full implementation of FRS 17 would have had on key aspects of the Institute's financial statements for the year ended 31 December 2002.

The impact of the scheme deficit on reserves calculated on this basis is illustrated below:

	2002 £'000	2001 As restated £'000
Reserves as reported:		
Accumulated fund	20,183	5,412
Reserves retained by self financing activities	7,460	7,830
	27,643	13,242
Adjustments:		
SSAP 24 pensions provision	2,680	3,202
FRS 17 scheme deficit	(22,172)	(10,210)
Reserves on FRS 17 basis	8,151	6,234

Notes to the Financial Statements

for the year ended 31 December 2002

23 Staff Pensions Funds (continued)

Amounts which would have been charged to operating profit:

	2002 £'000
Current service cost	3,229
Curtailment and settlements	(768)
	2,461

Amounts which would have been credited to other financial income:

	2002 £'000
Expected return on pension scheme assets	3,717
Interest on pension scheme liabilities	(3,537)
Net return	180

Amounts which would have been recognised in the statement of total recognised gains and losses:

	2002 £'000
Actual return less expected return on pension scheme assets	(10,638)
Experience gains and losses arising on the scheme liabilities	(683)
Changes in assumptions underlying the present value of the scheme liabilities	(476)
Actuarial loss	(11,797)

Movement in deficit during the year:

	2002 £'000
Deficit as at 1 January	(10,210)
Current service cost	(3,229)
Employer contributions	2,116
Curtailments and settlements	768
Other finance income	180
Actuarial loss	(11,797)
Deficit as at 31 December	(22,172)

Experience gains and losses:

	2002
Difference between the expected and actual return on scheme assets:	
Amount (£'000)	10,638
Percentage of scheme assets	24.18%
Experience losses on scheme liabilities:	
Amount (£'000)	683
Percentage of the present value of the scheme liabilities	-1.03%
Total losses recognised in statement of total recognised gains and losses:	
Amount (£'000)	11,797
Percentage of the present value of the scheme liabilities	-17.83%

Defined Contribution Scheme

The Institute also operates a defined contribution staff pension scheme for employees who are not entitled to participate in the defined benefits scheme. The defined contribution scheme provides benefits based upon contributions made and investment returns achieved. The scheme first received contributions in July 2000. The assets of the scheme are held in a separate trustee fund. The Institute contributes 9% of pensionable earnings for participating employees. The employees themselves contribute 4%.

The amount charged to the Revenue Account during the year in respect of this scheme was £335,000 (2001: £189,000). Contributions totalling £Nil (2001: £26,000) were payable to the scheme at the balance sheet date and are included in creditors.

Notes to the Financial Statements
for the year ended 31 December 2002

24 Deferred Taxation

	2002 £'000	2001 £'000
The provision for deferred taxation comprises:		
Revaluation of short-term investments	21	79
Capital losses carried forward	-	(204)
Inflationary element of ABG Professional Information deferred consideration	(508)	-
	(487)	(125)

	2002 £'000
Asset at 1 January 2002	125
Deferred taxation credit for the year:	
Recognised in the Revenue Account	343
Recognised in the statement of total recognised gains and losses	19
Asset at 31 December 2002	487

	2002 £'000	2001 £'000
Potential deferred tax asset not recognised comprises:		
Staff Pensions Fund	(48)	(38)
Losses not anticipated to be recovered	(167)	(182)
	(215)	(220)

25 Joint Disciplinary Scheme

	2002 £'000
Balance at 1 January	3,806
Charge to Revenue Account	704
Amounts paid	(1,314)
Balance at 31 December	3,196

The Joint Disciplinary Scheme is funded by two participant bodies, the Institute and The Institute of Chartered Accountants of Scotland.

The amount provided is based on the estimated cost to the Institute of investigations by the Joint Disciplinary Scheme in respect of cases arising from events up to 31 December 2002. The provision is expected to be utilised over the next 4 years.

Notes to the Financial Statements

for the year ended 31 December 2002

26 Chartered Accountants' Compensation Scheme

	2002 £'000
Balance at 1 January	1,844
Additional levy raised transferred to provision	936
Amounts paid	(228)
Balance at 31 December	2,552

Responsibility for "mainstream" authorisation of investment business transferred to the Financial Services Authority on 1 December 2001. From this date the Institute has Designated Professional Body status and therefore retains responsibility for "non-mainstream" investment business.

In accordance with Investment Business Regulations in force before 1 December 2001 the Institute was required to maintain a compensation scheme, funded by levies on firms authorised for investment business. This compensation scheme continues to exist to deal with claims received after 1 December 2001 in respect of work carried out before that date and maintains a provision to meet anticipated future claims. The provision is expected to be utilised over a period of approximately ten years. The Institute has reserved the right to make further levies on firms authorised for investment business before 1 December 2001 should additional funds be required.

27 Reserves

	Revaluation Reserve 2002 £'000	Investment Revaluation Reserve 2002 £'000	Accumulated Fund 2002 £'000	Total 2002 £'000
Revenue Account surplus	-	-	14,865	14,865
Net change in market value of long-term investments over cost	-	208	-	208
Current and deferred tax attributable to above	-	(62)	-	(62)
Reclassification of gains realised in the year	-	(95)	95	-
Reclassification of freehold depreciation	189	-	(189)	-
Decrease in valuation of tangible fixed assets	(2,993)	-	-	(2,993)
	(2,804)	51	14,771	12,018
Reserves at 1 January as previously stated	12,746	-	5,661	18,407
Prior year adjustment	-	249	(249)	-
Reserves at 1 January as restated	12,746	249	5,412	18,407
Reserves at 31 December	9,942	300	20,183	30,425

The revaluation reserve represents the excess of the open market valuation over the depreciated historical cost of fixed assets. The investment revaluation reserve represents the excess of unrealised gains on fixed asset investments over their historical cost.

The accumulated fund at 31 December 2002 includes the net surplus of £16,126,000 arising from the sale of the ABG Professional Information business in January 2002, which Council has determined as not currently being available for general purposes.

Notes to the Financial Statements
for the year ended 31 December 2002

28 Leasing Commitments

Operating Leases

At 31 December the Institute had the following annual commitments for payments under non-cancellable operating leases:

	Land and Buildings 2002 £'000	**Plant and Machinery 2002 £'000**	Land and Buildings 2001 £'000	Plant and Machinery 2001 £'000
Operating leases which expire:				
- within one year	**496**	**27**	79	17
- in the second to fifth years inclusive	**808**	**52**	25	104
- after five years	**12**	**-**	633	-
	1,316	**79**	737	121

The rents payable under an operating lease relating to land and buildings is subject to review during 2003.

29 Staff

Staff Employed

The average numbers of staff employed by the Institute during the year were:

	2002	2001
Education and Training	**54**	57
Professional Standards	**83**	91
Member Services	**87**	93
Technical Strategy and Faculties	**43**	42
Central Activities	**182**	163
	449	446
ABG Professional Information	**-**	118
Total employees directly financed by the Institute	**449**	564
Full time equivalents	**425**	541

These figures do not include 46 staff (2001: 50) whose employment costs are borne by the Joint Monitoring Unit Limited and 12 staff (2001: 14) whose employment costs are borne by Chartered Accountants' Trust for Education and Research although they have contracts of employment with the Institute.

Employment Costs

	2002 £'000	2001 £'000
Wages and salaries	**13,683**	16,183
Employer's social security costs	**1,257**	1,534
Employer's pension costs	**1,513**	1,821
	16,453	19,538

Notes to the Financial Statements

for the year ended 31 December 2002

30 Remuneration of Senior Executives

The Secretary General and Executive Directors can opt to receive all of their respective remuneration by way of salary or can opt to receive only part of it as salary and use the balance towards Institute benefits such as pension scheme membership. In addition the Institute may at its discretion pay an annual non-consolidated bonus payment.

The remuneration of the Senior Executives is disclosed below:

In office at 31 December 2002	Peter Owen		Brian Chiplin		Michael Izza	
	2002	2001	**2002**	2001	**2002**	2001
	£'000	£'000	**£'000**	£'000	**£'000**	£'000
Salary	**174**	122	**117**	115	**166**	-
Bonus	-	16	**12**	24	**12**	-
Other benefits	-	-	**15**	14	-	-
Total	**174**	138	**144**	153	**178**	-
Benefits accrued under the Staff Pensions Fund:						
Increase in accrued pension during year	**2**		**3**		-	
Transfer value of increase	**23**		**20**		-	
Accumulated total accrued pension at year end	**7**		**9**		-	
Accumulated total accrued pension at previous year end	**5**		**6**		-	
Employer contributions to personal pension	-		-		**13**	

Not in office at 31 December 2002	John Collier		Hilary Wilkins	
	2002	2001	**2002**	2001
	£'000	£'000	**£'000**	£'000
Salary	**43**	141	-	63
Payment in lieu of notice	**175**	-	-	64
Other benefits	**3**	1	-	-
Total	**221**	142	-	127
Benefits accrued under the Staff Pensions Fund:				
Increase in accrued pension during year	**3**		-	
Transfer value of increase	**34**		-	
Accumulated total accrued pension at year end	**10**		-	
Accumulated total accrued pension at previous year end	**7**		-	

Peter Owen, Brian Chiplin and John Collier, when in office, opted to participate in the Institute's defined benefit pension scheme. The value of salary commuted in return for this benefit was £15,000 (2001: £11,000) in respect of Peter Owen, £22,000 (2001: £17,000) in respect of Brian Chiplin and £5,000 (2001: £15,000) in respect of John Collier.

Peter Owen paid Additional Voluntary Contributions to purchase additional years of service until 1 April 2002. Brian Chiplin paid Additional Voluntary Contributions to purchase additional years of service for the whole year. Pension benefits in respect of these have been excluded from the above figures.

John Collier resigned as Secretary General on 6 March 2002. In addition to the payment in lieu of notice shown above, Mr Collier received a compensation payment of £68,000, of which £38,000 was paid as a special pension contribution.

In the year ended 31 December 2001 consultancy fees of £36,225 were paid to Michael Hockney and £108,675 to APRA Consulting Limited in respect of his services as Interim Executive Director, Members Directorate during that year.

Notes to the Financial Statements
for the year ended 31 December 2002

31 Segmented Net Assets
In the opinion of Council, it is not meaningful to allocate the assets of the Institute across its activities as the major assets are not dedicated to specific operations.

32 Contingent Commitments

The Institute has undertakings to Chartered Accountants' Compensation Scheme Limited (CACS Ltd) in respect of its agreed proportion of claims for compensation and administration costs, of amounts up to but not exceeding £10,000,000 in any one year. In support of these undertakings, the Institute and the other participants in CACS Ltd have entered into an agreement with CACS Ltd's bankers to guarantee each participant's proportion of a facility which would enable CACS Ltd to meet its obligations in respect of the first £2,500,000 of claims. Payments for individual claims are limited to a maximum of £50,000. The Institute's share of the costs of the scheme is recovered from those firms licensed by the Institute under the Financial Services and Markets Act 2000 and those firms previously authorised by the Institute under the Financial Services Act 1986 as appropriate.

The Institute has agreed to act as guarantor for the Accountancy Foundation Limited in respect of a lease for property used by that body and its associated boards for a period of five years ending in 2005. At the end of the initial guarantee period the Institute has the option to either pay to the landlord a rent deposit amounting to one year's rental or renew the guarantee, or find an alternative guarantor. The current annual rents are £260,250. The Accountancy Foundation Limited is funded by the CCAB bodies. The Institute has entered into a deed of indemnity with the other CCAB bodies, such that they indemnify the Institute against a proportion of the costs, according to an agreed formula.

During the year ended 31 December 2001 ABG Professional Information assigned the residue of a property lease to a third party. The Institute signed an authorised guarantee agreement in respect of rents due under the remainder of the lease. The current annual rental is £87,800 and the lease is due to expire in 2013.

The Institute has guaranteed the liabilities of Chartered Accountants' Property Leasing Limited (a company limited by guarantee) up to £250,000 in the event of that company being wound up.

33 Analysis of Changes in Net Funds

	Cash on short-term deposit, at bank and in hand 2002 £'000	Short-term investments 2002 £'000	Total 2002 £'000
Cash flows	(156)	(1,076)	(1,232)
Net change in market value of short-term investments over cost	-	(51)	(51)
	(156)	(1,127)	(1,283)
Balance at 1 January	1,565	15,618	17,183
Balance at 31 December	1,409	14,491	15,900

Five Year Summary

for the years ended 31 December 2002

1 Number of Members

	2002	2001	2000	1999	1998
Employed in a practice	***20,691***	*20,153*	*19,413*	*19,150*	*17,489*
In business	***59,721***	*58,168*	*56,301*	*55,028*	*51,841*
Others	***4,620***	*4,500*	*4,741*	*4,659*	*7,140*
Not holding a practising certificate	**85,032**	82,821	80,455	78,837	76,470
Holding a practising certificate	**26,112**	26,645	26,875	27,183	27,633
	111,144	109,466	107,330	106,020	104,103
Retired	**6,016**	5,553	5,910	5,924	5,627
Life members	**6,494**	6,337	5,531	4,985	4,949
	123,654	121,356	118,771	116,929	114,679
Increase	**1.9%**	2.2%	1.6%	2.0%	1.6%

The statistics above are estimated on information provided by the members for the Member Profile and also from the membership records. The category of members "Holding a practising certificate" includes some members whose main occupation is not in practice.

2 Income and Expenditure

	2002	2001	2000	1999	1998
	£'000	£'000	£'000	£'000	£'000
Subscriptions and other income	**21,622**	18,835	17,862	17,588	16,855
Members' Education and Training	**(1,385)**	(1,901)	(1,270)	(435)	(375)
Professional Standards	**(2,154)**	(2,904)	(2,251)	(2,265)	(1,729)
Exceptional Item - Joint Disciplinary Scheme Recoveries	**-**	-	-	3,025	-
Member Services	**(5,836)**	(6,771)	(4,838)	(7,484)	(7,221)
Technical Strategy	**(2,548)**	(2,968)	(2,765)	(2,880)	(2,916)
Central Activities	**(7,315)**	(8,342)	(7,090)	(3,190)	(2,542)
Student Education and Training	**(206)**	(1,006)	194	1,111	416
Practice Regulation	**(531)**	382	1,291	1,009	704
Faculties	**367**	223	141	91	8
Participation in External Bodies	**(2,073)**	(3,592)	(1,426)	(2,157)	(717)
ABG Professional Information	**-**	1,333	1,697	1,496	2,143
Gift Aid and Library funding	**(1,900)**	(1,600)	(1,600)	(1,401)	(1,375)
Operating (deficit)/surplus	**(1,959)**	(8,311)	(55)	4,508	3,251
Exceptional items	**22,181**	-	-	-	306
Investment gains and income	**(205)**	158	993	1,807	1,351
Net surplus/(deficit) after exceptional items and before taxation	**20,017**	(8,153)	938	6,315	4,908
Taxation (see below)	**(5,522)**	37	41	(396)	(290)
Net surplus/(deficit) after exceptional items and taxation	**14,495**	(8,116)	979	5,919	4,618
Deficit/(surplus) retained by self financing activities	**370**	401	(1,626)	(2,211)	(1,128)
Net surplus/(deficit) added to/(deducted from) accumulated fund	**14,865**	(7,715)	(647)	3,708	3,490

The taxation charges for the years 1998 and 1999 have been computed under SSAP 15.

Trusts

connected with the Institute and disposition of funds

CHARITABLE TRUSTS

General Charitable Trust (GCT)
Donations to national charitable appeals and charitable purposes of particular interest to the Institute.

Chartered Accountants' Trust for Education and Research (CATER)
The Institute Library, educational fellowships and expenses relating to education in the field of accountancy and related subjects.

Chartered Accountants' Permanent Educational Trust (CAPET)
Accountancy research, subsidies for courses and publications, examination prizes and Institute Fellowships.

P D Leake Trust
Major accounting research.

Chartered Accountants' Charitable Investment Pool (CACIP)
Common Investment Fund managing the investments of the other charitable trusts associated with the Institute.

PENSION FUNDS

Institute of Chartered Accountants' Money Purchase Plan
Institute and associated staff.

Institute of Chartered Accountants' Staff Pensions Fund (SPF)
Institute and associated staff - (closed fund).

Chartered Accountants Employees' Superannuation Scheme (CAESS)
Employees of members' firms - (closed fund).

RETIREMENT BENEFITS SCHEME

Chartered Accountants' Retirement Benefits Scheme (CARBS)
Practitioners - (closed fund).

BENEVOLENT ASSOCIATION

Chartered Accountants' Benevolent Association (CABA)
Members, former members and their dependants.

The Institute contributes to CATER's costs, including those of the Library, and bears the costs of the administration of both the Staff Pensions Fund and the Money Purchase Plan. Accounts of the Charitable Trusts and of the Pension Funds are available on request from the Institute's Pensions and Trusts Department, and those of the Benevolent Association are available from The Secretary, CABA.

Notes