



Inspiring Confidence Annual Review 2014

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1 Letter to members: Inspiring confidence

In 2014 we helped members build confidence around the world and across economic sectors through the organisations they lead, advise and run.



Although there was continued global economic slowdown, we made good progress in the UK and some international markets.

We achieved record student numbers with 10,441 students training for our ACA and ICAEW CFAB qualifications combined. We're happy to report that ICAEW is on a healthy financial footing with revenue growing to £91.5m. We made a £2.4m surplus, which we are reinvesting in our operations and member services. We also met 8 out of our 10 KPIs.

Debates on tax avoidance and corporate behaviour continue to affect the profession. Our response has been to work on solutions with and beyond the profession.

We equip our members with the skills, experience and rigour of thought to tackle some of the most important challenges in business and society. We measure our success through our reputation, which is based on the quality of our membership, the strength of our relationships and the impact of our thinking.

Our people

Our members are our most important assets. We believe it's in the public interest for the public and businesses to understand what they do and why it matters.

This year we promoted the profession through advertising campaigns and media work which secured good coverage, increasing confidence in ICAEW Chartered Accountants.

We built a strong pipeline of the best new students from a broad range of backgrounds to continue to grow our membership in future. We introduced new services for members and made many member services accessible online. We were also granted the right to regulate some legal services in the UK such as probate, extending the services our member firms can offer and opening up the market for the consumer.

Because they are integral to our success, you will also hear about our volunteers and staff. Both do a huge amount of work that benefits our members; for example, our district societies in the UK now have more business representatives to align us with business concerns, and we have council members from all our international regions to represent our global members. Our focus in 2015 is to see more diverse and international voices on our committees to reflect our broad membership.

We're very pleased that Harvard Business School has been developing a case study around how we support our members on ethics.



Our relationships

Our relationships are another important asset for ICAEW. This year we continued to build and extend our connections over the world, especially with other professional bodies, through initiatives such as the Warsaw Accountancy Profession Strategic Forum; the Rome World Congress of Accountants; and Chartered Accountants Worldwide.

In the UK, we also built relationships with politicians of all parties. For example in December we hosted a keynote speech on the UK public finances by the leader of the Labour Party, Ed Miliband. We built relationships through thought leadership and at events such as the International Festival of Business in Liverpool. We celebrated 20 years of working with the EU institutions in Brussels, where we were the first professional accountancy body to have an office. We also worked with the UK Government on cyber security and on the Direct Recovery of Debt proposals.

Among our work encouraging and supporting strong national bodies, we entered into a joint professional qualification programme with the Botswana Institute of Chartered Accountants.

Our thinking

We worked with members to advance the profession around the world, and to address some of the key problems and challenges facing the financial system through our thought leadership.

Among our achievements this year, we wrote guidance on providing assurance on market benchmarks, to address problems around LIBOR; and started work on providing assurance on risk weighted assets for bank capital. We developed radical new thinking on corporate governance. We looked to re-imagine tax through our Tax Assembly, supported the OECD's Base Erosion and Profit Shifting project, and published updated guidance on professional conduct in relation to tax.

To address changes in technology and other future challenges affecting our members, we developed the BusinessFutures, Tomorrow's Practice and Small Business Matters initiatives. We also set up a business department to better support our business members.

In this review we have progressed our adoption of Integrated Reporting <IR> route, explaining better how we create and preserve value.

Our success in 2014 would not have been possible without our members and staff. Thank you for all your work.

Arthur Bailey
President

Michael Izza
Chief Executive

ICAEW in 2014

REVENUE Change over two years

2013 2014



REVENUE ↑ BY

4.5%

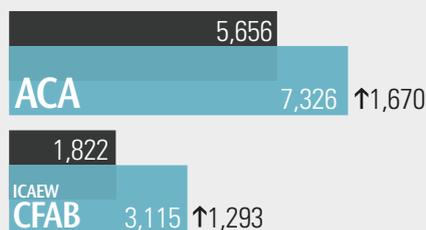
SURPLUS ↑ BY

9.1%

STUDENT GROWTH ACA, ICAEW CFAB A record number of new students studied for the ACA and ICAEW CFAB qualifications

10,441

2013 2014



KPIs

We also achieved 8 out of our 10 KPIs

80%



58 MINUTES

Members spent an average of 58 minutes reading each issue of our magazine *economia*

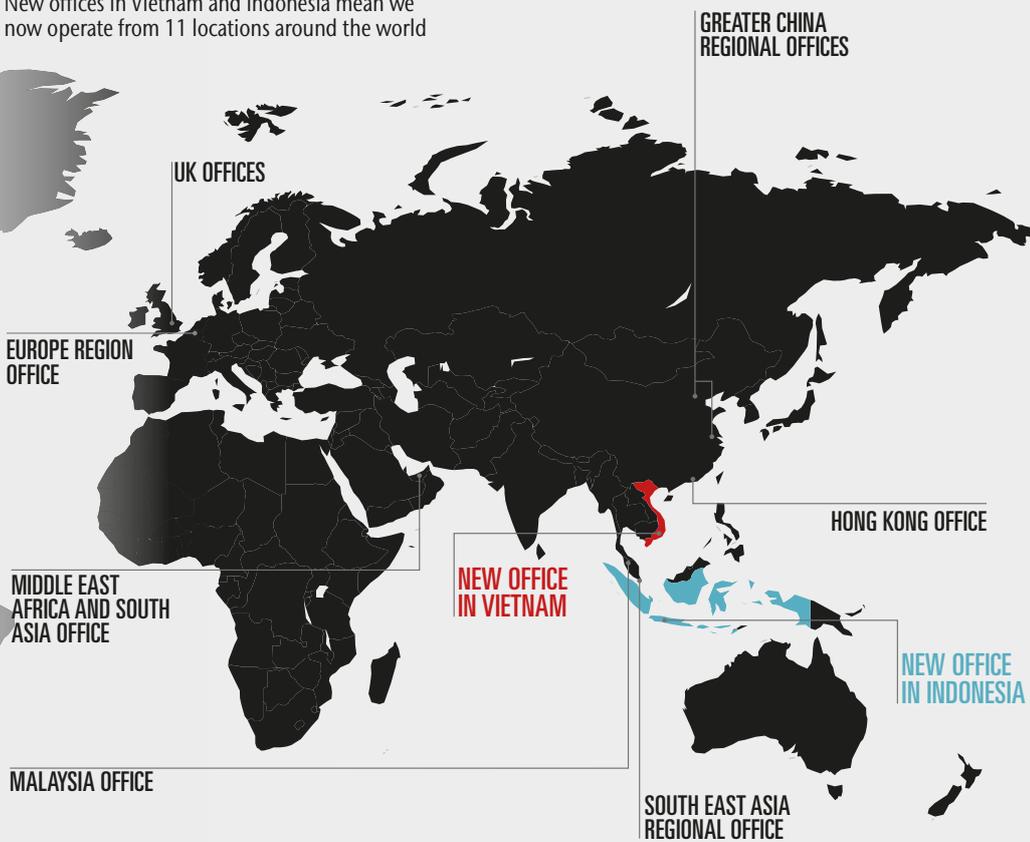


WE MADE HISTORY AS THE FIRST NON-LEGAL BODY TO BE GRANTED THE RIGHT TO AUTHORISE SOME LEGAL SERVICES IN THE UK, STARTING WITH PROBATE

2014 was a successful year for ICAEW, measured against KPIs around our people, relationships and thinking – the key ways in which we create value. ICAEW has a Royal Charter that commits us to act in the public interest as well as in member interests.

GLOBAL REACH

New offices in Vietnam and Indonesia mean we now operate from 11 locations around the world



MEMBER APP



6,309
DOWNLOADS



WE RESPONDED TO

154,407

MEMBER ENQUIRIES



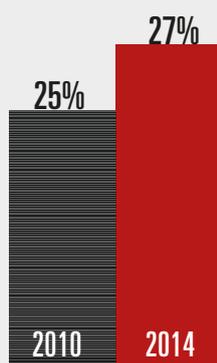
MEMBER SEARCH

Online member search boosted enquiries from under 600 to 14,000 a month

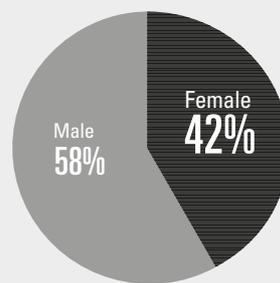


FEMALE MEMBERS

The proportion of women in membership is growing



FROM TOTAL 10,441 STUDENT INTAKE IN 2014...







3 Who we are, what we do

We support over 144,000 ICAEW Chartered Accountants around the world through our London headquarters and 9 international offices. Through our technical knowledge, skills and expertise, we provide insight and leadership to the global accountancy and finance profession. Our reputation relies on our people, our relationships and our thinking.



	What we do	How we create value
People	We train people as ICAEW Chartered Accountants, support and develop members.	We provide members with a qualification and life-long learning and membership which helps them make a living. Our continuous professional development is mandatory.
Relationships	We engage and bring people together in the public interest. The profession came into being because people needed to be able to trust the businesses in which they were investing. That trust was, and still is, built on reliable, high quality financial information and business advice, both provided by ICAEW Chartered Accountants.	Our relationships help advance the chartered accountant brand, the profession and the public interest.
Thinking	We create top quality thought leadership and practical guidance for the profession and wider stakeholders.	Our thinking supports members and businesses and informs policymakers.



Financial model

Our financial model is based on developing sustainable membership income from individuals and firms:

- to gain access to membership – fees for training, exams, and admission;
- to secure continued membership and support;
- to practise as an ICAEW Chartered Accountant; and
- to obtain specialist technical knowledge and support from faculties and special interest groups.

We also generate income through commercial activities relevant to the needs of members and businesses.

Business structure

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

- develop and assess ICAEW qualifications and employers training our students (Learning & Professional Development);
- support members and the running of ICAEW (Finance, Operations & Members);
- provide confidence that our members uphold the highest professional and ethical standards, investigating and, if necessary, disciplining those who don't (Professional Standards);
- research, influence and develop guidance on best practice and policy in the activities in which our members typically work (Technical Strategy); and
- develop our commercial operations (Commercial and Shared Services).

The structure is overseen by our council, main board and departmental boards which include a mixture of members and senior staff (see Governance section). In 2014 we had an average of 716 staff (685 full-time equivalent) across the ICAEW group.

Communities of chartered accountants

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





4 Governance

ICAEW is a chartered body and operates in the public interest under the terms of our Royal Charter.

We choose to measure our governance against the UK Corporate Governance Code, whose underlying principle is that our governance must support the delivery of our strategy. We are regulated by the Financial Reporting Council (FRC) and other regulators, and we are statutory regulators for audit, insolvency, investment business and now the reserved legal service of probate. In 2014 key governance developments included the approval of changes to our regulatory governance structure and the appointment of two independent (ie, non-chartered accountant) members to our board.

We are a membership body with a member-elected council and board that represents the diversity of the profession, and an executive team led by a chief executive. Our 90 council members are volunteers. You can read more about how we apply the Code and our governance structure within the financial statements and at icaew.com/review

Council

The attendance record at meetings of council members as at 31 December 2014 is shown alongside each member (actual/possible).



Hilary Lindsay 6/6
Vice-President
Ex officio

Michael Izza 6/6
Chief Executive

John Tiernay 6/6
Chairman
Elected, Liverpool

Arthur Bailey 6/6
President
Ex officio

Andrew Ratcliffe 6/6
Deputy-President
Ex officio

Mark Spofforth 6/6
Ex officio

Richard Harwood 6/6
Elected, Birmingham & W Midlands

Nick Parker 6/6
Elected, Southern

Ian Cherry 5/6
Elected, North West

Peter Mitchell 2/6
Elected, Beds, Bucks & Herts

Andrew Baigent 5/6
Co-opted

Jan Weber 5/6
Elected, London

Ian Hayes 4/6
Elected, London

David McBride 5/6
Elected, London

Jat Wasu 5/6
Elected, London

Tony Bennewith 5/6
Elected, South Eastern

Sheilagh Moffat 6/6
Elected, Birmingham & W Midlands

Martyn Jones 6/6
Ex officio

Howard Gross 6/6
Elected, London

Philip Pawson 5/6
Elected, West Yorkshire

Peter Jenkins 6/6
Elected, London

Malcolm Bacchus 6/6
Elected, London

Neeraj Kapur 4/6
Ex officio

Carl Bayley 6/6
Elected, Scotland

Susan Field 6/6
Elected, London

Graeme Gordon 6/6
Elected, Thames Valley

Barry Mathews 6/6
Elected, Birmingham & W Midlands

Nathan Steinberg 6/6
Elected, London

Chris Spokes 4/6
Elected, East Anglian

Constantine Ioannou 4/6
Elected, London

Richard Frost 5/6
Elected, Sheffield & District

Frank Edwards 6/6
Elected, South Wales

Paul Aplin 5/6
Co-opted

Owen Finn 4/6
Elected, Humberside & District

Fiona Wilkinson 6/6
Elected, South Western

Marion Hodgkiss 5/6
Elected, Liverpool

Robert Millea 5/6
Elected, East Anglian

Peter Tucker 6/6
Elected, Beds, Bucks & Herts

Heather Cheesman 5/6
Elected, South Eastern

Evie Bowyer 4/6
Elected, London

David Matthews 4/6
Co-opted

Edward Chow 6/6
Co-opted

Andrew Batty 6/6
Elected, London

Ray Burton 5/6
Elected, West of England

Alex Spofforth 5/6
Elected, South Eastern

Lee Aston 5/6
Elected, West of England

Rob Barrigan 6/6
Elected, Northern

Mark Coles 6/6
Elected, USA

Jacky Savage 6/6
Elected, Croydon

Clive Stevens 6/6
Elected, South Eastern

Jeffrey Smith 6/6
Elected, Thames Valley

Michael Cox 6/6
Elected, Notts Derby & Lincs

Clara Bewsher 6/6
Elected, Oceania

Peter Hollis 6/6
Ex officio

John Cox 6/6
Elected, Staffs, Salop & Wolverhampton

Graham Durgan 4/6
Elected, Thames Valley

Will Brooks 6/6
Elected, London

Iain Lowson 4/6
Co-opted

Jan Babiak 5/6
Co-opted

George Kourris 5/6
Elected, Europe

Ian Davies 6/6
Elected, Southern

Joe Smoczynski 6/6
Elected, Europe

Wilma Teviotdale 5/6
Elected, West Yorkshire

Rebecca Benneyworth 6/6
Ex officio

Stephanie Henshaw 5/6
Ex officio

Vivek Ahuja 4/6
Co-opted

David Lim 6/6
Co-opted

Richard Nunn 6/6
Co-opted

Jane Green 5/6
Co-opted

Ben Cairns 5/6
Co-opted

Angela Caldara 6/6
Elected, London

Julia Penny 6/6
Elected, London

Anthony Woodings 5/6
Elected, Manchester

Alan Hyams 6/6
Elected, Manchester

Kathryn Britten 5/6
Elected, London

Eddie Ouko 3/6
Co-opted

Anis Sadek 6/6
Co-opted

David Mellor 2/6
Co-opted

Pam Kaur 4/6
Co-opted

George Quigley 5/6
Ex officio

Giles Derry 4/6
Ex officio

Paul Rolison 5/6
Elected, South Essex

John Howarth 5/5
ICAEW Student Council representative

Roger Merchant 3/4
Elected, Leicester & Northants

William Touche 2/4
Ex officio

Noel Clehane 4/4
Co-opted

Gilly Lord 4/4
Co-opted

Prof. Jeffrey Unerman 3/4
Co-opted

Robert Thompson 1/2
Ex officio

Tristan Price 1/2
Ex officio

Derek Blair 2/2
Elected, Beds, Bucks & Herts

The following were also members of council during 2014

Charles Bowman 2/2
Ex officio

Carla Edgley 2/2
Co-opted

Jeremy Jennings 1/2
Co-opted

Maureen Lamburn 1/2
Elected, Beds, Bucks & Herts

Clive Parritt 2/2
Ex officio

Michael Roberts 2/2
Ex officio

Philip Smith 2/4
Ex officio





5 Our strategy: leading the global accountancy and finance profession

Our strategic objective is for ICAEW to be a world leader of the accountancy and finance profession. We want to build a strong chartered accountancy profession and see chartered accountants leading the profession in all key financial markets, in order to promote sustainable economic growth and build business confidence. We want to ensure that the ACA continues to be regarded as a premium, sought-after qualification so that we attract and retain members in the long term.

This means that:

- our members are recognised as leaders and occupy prominent positions in business, practice and the public sector in all key markets;
- the ACA qualification is recognised as the best for global organisations;
- we attract the brightest and best talent in the market from all backgrounds;
- we are regarded as the partner of choice and sought after by organisations working internationally;
- we are influential and play a leading role in shaping policies that impact business and the global profession; and
- we have the power to convene key decision makers, speakers and thinkers.

To achieve this, in 2014 we focused on:

- promoting **our people and our qualification**, and delivering relevant and high quality services to them;
- developing constructive **relationships** in the profession, with regulators, governments and businesses all over the world, to improve standards; and
- developing **our thinking** with the help of our members and volunteers in the public interest.

We track a range of financial and non-financial measures relating to our business model and identify various outcomes that relate to qualifications, service by and for our members, and our reputation and influence.



Public: Our Royal Charter commits us to acting in the public interest, even if there is a short-term conflict with member interests.

Members of ICAEW: We are a membership organisation working for members and member firms.

Students: They are our future.

Other stakeholders: A huge range including: governments, regulators, standard setters, other institutes, international accounting organisations, businesses, charities, NGOs, public sector bodies, academic institutions, consumers.





6 Opportunities and risks

We are a risk-conscious organisation but not risk averse. We understand, explore and manage risk in order to deliver our strategy. We recognise that every activity that we engage in must uphold and promote our reputation. Our reputation and that of our members is what matters to us most.

Managing risk

Council, through board, audit committee, chief executive and executive directors, has processes to identify, evaluate and manage the risks faced by ICAEW.

We regularly assess both the controls in place and actions required to manage risks – and take strategic choices accordingly. You can read about the full process in the financial statements.

Over the year board has considered a diverse range of risks and mitigation strategies, recognising the following principal risks:

Our principal risks



Key firms change their business models

The risk that a key firm (or combination of firms) moves away from a core skill set of ACA-trained accountants.

Our activity to mitigate this risk includes: active stakeholder management; intelligence and insight with firms, regulators, competitors and the market. We are working with firms to develop training solutions that ensure we are the professional body of choice across their international networks.



The changing nature of the global competitive environment/increased competitor activity in strategic areas

Competitor organisations increase activity (eg, student recruitment, thought leadership), combine to gain market share or develop other designations which erode the premium standing of the chartered accountant designation and results in damage to member profile, ICAEW's market position or ability to develop new markets.

Our activity to mitigate this risk includes: actively influencing the debate about the future of the finance industry and developing innovative products and services for firms and members.



A significant external event causes the public to lose trust in the profession

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

Our activity to mitigate this risk includes: ongoing and direct engagement with organisations such as the Prudential Regulation Authority, FRC and firms, and monitoring media, complaints and regulatory activities.



Loss of key ICAEW regulatory functions

The risk that UK implementation of the EU Audit Regulation and Directive results in the loss of key regulatory functions for ICAEW.

Our activity to mitigate this risk includes: close engagement with the FRC and BIS; developing robust arguments in support of the role of ICAEW as a regulator in the public interest; developing alliances in support of the ICAEW position.



Data security

The risk that there is a failure or breach of physical or cyber security systems (eg, as a result of a cyber-attack), resulting in damage to reputation and disruption to operations.

Our activity to mitigate this risk includes: Payment Card Industry (PCI) compliance; intensive test programmes and spot checks for systems and processes and a voice recognition system to reduce human intervention.



Data management

The risk of data mismanagement events such as the handling of client/student data, or breakdown of ACA assessment process or procedure, or use of data relating to elections.

Our activity to mitigate this risk includes: audits to ensure staff have the appropriate application security access; system penetration tests undertaken by a specialist organisation; PCI compliance testing; and active monitoring of exam pass rates.

Opportunities

We consider opportunities alongside our risks. In particular we look for ways to develop our business model. We are looking to enhance the ACA so that it is the business qualification of choice. We are also working to transform our digital presence so that we may work with members and stakeholders better. These will be supported by infrastructure investments which will secure our buildings and IT assets for many years to come. This is described further in section 8, Future Outlook.





7 KPIs – our achievements.
We achieved 8 out of 10
targets

We work to build a stronger profession worldwide focused on our people and qualification, our relationships and our thinking. What follows describes how we preserve and build our resources.

Our people, our qualification

Our people are our greatest asset, and we maintain and grow our members' value by attracting the best talent and then through continuing professional development and monitoring. We also benefit from attracting and retaining committed volunteers, who give us so much, and of course our staff.

	Goal	Why this is important	What we achieved	Where we planned to achieve more	What we do next
	Grow our membership to 144,080 (from 142,334 in 2013); net membership growth 1,860 (1,761 in 2013)	Providing a compelling offer to members which retains them, and converts students into members	Membership exceeded target at 144,167, we achieved 1,833 net membership growth	Net growth in the year was slightly behind target, partly a result of accelerated growth in the previous year	Continued steady growth to 145,890; net member growth of 1,810 in 2015
	Provide new and improved services to members	As a members' organisation we must continue to reflect on and enhance the services our members need to maintain our leading position	Many new services including probate regulation; enhanced digital services; webinars; faculties online, Member App		More and better online services; applying for local public audit regulation and additional new legal services
	ACA intake – take 6,170 students into training (from 5,656 in 2013)	Providing the qualification that employers and students want, accessible in a variety of ways, and securing our future membership	Our highest ever intake of 7,326 with a strong performance in the UK	Growth in some international markets was slower than planned	Our 2015 target is to maintain our progress with 6,645 students
	CFAB intake – admit 2,190 students into study (compared to 1,822 in 2013)	Provide an entry qualification with the option to convert to ACA	Our intake was a record 3,115 with increasing rates of conversion to ACA training		We target continued development across a range of markets with 2,825 new students

Promoting ICAEW Chartered Accountants

One of our main aims at ICAEW is to ensure that chartered accountants are at the forefront of people's minds in business and practice.

We ran a major advertising campaign across the UK, Middle East and South East Asia to raise awareness of chartered accountants, particularly among future finance leaders. By advertising in media outlets like the *Economist*, and the *Financial Times* we were able to target senior financial decision makers in the largest companies. The campaign also used digital media and networks such as the *Financial Times* iPad app, Yahoo's Finance network, Inmobi and Adzouk in the Middle East, and CaféBiz in Vietnam.

Collectively this brought over 66,000 new users to ICAEW's website to find out about ICAEW Chartered Accountants and boosted positive sentiment about our brand across the targeted countries.

We also continued to work with Chartered Accountants Worldwide to raise the profile of the chartered accountant brand. We were delighted that professional bodies in Singapore, Indonesia and Malawi chose to become 'chartered', emphasising the reputation of the brand. We also promoted it by taking part in the World Congress of Accountants, in addition to brand-building events and sponsorships in each of our key markets. And the Business Advice Service continues to promote the value of using ICAEW Chartered Accountants to SMEs, producing thousands of leads for member firms in the UK – as well as a valuable resource for the public.

We supported members working around the world, for example through new reciprocal agreements. Several universities, including Prince Sultan University in Saudi Arabia, have incorporated our syllabus, enabling students to have their prior learning recognised if they move on to the ACA.



Branding at the entrance to World Congress of Accountants in Rome.



BASE final day

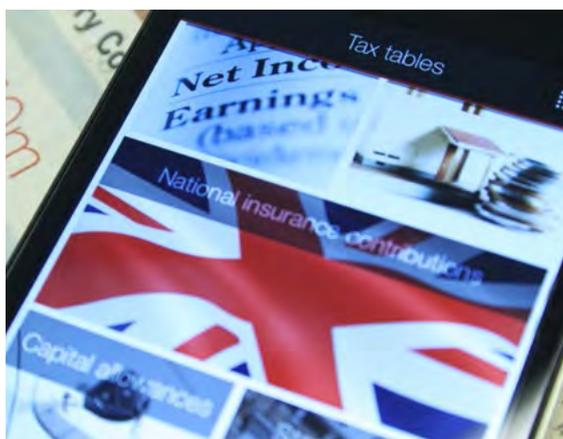
A key way we promote our members and raise awareness of the profession among young people is through our Business and Accounting competition, BASE. In 2014 it involved 2,700 students.

We worked to improve social mobility into the profession. A highlight of 2014 was Access Accountancy, a pan-professional UK scheme administered by the Sutton Trust which will help 3,750 disadvantaged young people get work experience at accountancy practices over five years.



New and improved services for members

We're always looking for ways to better serve our members. In 2014 we worked on improved, easier-to-access digital services. More than 1,000 members signed up to a Tax Faculty webinar on changes to VAT. No fewer than 17,000 read our CEO's blog on preparing for the new UK GAAP. We launched Faculties Online, offering all the ICAEW faculties in a single package; an online annual return, making the return easier to process; and an online member search facility responding to popular demand, which has seen enquiries skyrocket from 500+ a month to around 14,000 a month. We also went mobile, launching our Member App for the iPhone and iPad, which allows members to connect with each other, offers access to events and to *economia*. The Android version will launch in 2015 following the successful launch of the app. We also made most of our online and in-person library research services at Chartered Accountants' Hall free for members. The library allows members access to databases, credit checks and research.



Member App

The largest proportion of our members work in business, so we also set up a new business department to look after enterprises of all shapes and sizes. One of the first things the team has done is establish business representatives at district society level to allow us to connect better with members in business.

This year we created two new Special Interest Groups, in Energy and Natural Resources and in Manufacturing. We continued to expand our offer to members working around the world. We introduced a new local representative in Vietnam, while our Middle East office now covers the Africa and South Asia markets.

We also gained new rights for ICAEW members, allowing them to provide legal services, which for hundreds of years were the sole preserve of solicitors. This means our members can now run their firms as Alternative Business Structures and deliver probate services in the UK which is expected to push down the cost to the consumer. ICAEW is the first new body to license people to practise legal services of any kind. We developed a replacement for the group consumer credit licence in England, easing the transition for firms affected by the change, and we applied to become a Recognised Supervisory Body for Local Public Audit in the UK. And we are now recognised by the Tax Practitioner Board in Australia.

Working with our volunteers

As a professional membership body, we rely heavily on more than 1,500 volunteers, who work on council, on our many committees, and in district societies. They help to run our popular BASE competition for schools, deliver personal finance workshops to young people, and also deliver services to members including direct one-to-one support through the Support Member scheme. Our Active Member programme supports many of those volunteers with information and updates. We ran a campaign for new volunteers in 2014–15. In 2015 we will be working to improve the overall member experience of volunteering with ICAEW.

Getting the best out of our staff

In addition to fostering the best talent in the profession, we actively work to foster the best talent in our staff. Our 716 employees are one of our most valuable assets. We work to ensure they are engaged with our strategy and the future of ICAEW, and we are strong advocates of work-life balance. Our staff are supported through 5,759 hours of training courses, 214 professional memberships and around 100 paid sustainability days where staff can volunteer their time for social or charitable causes. We strive to be among the best employers, benchmarking ourselves in the Stonewall best employer guide each year. We pay at least the living wage. You can read about pay in the financial statements.

Case study – Support Members 20th anniversary

Carol Warburton

volunteer at the Support Member scheme

This year we celebrated the 20th anniversary of the Support Member scheme which allows peer-to-peer, confidential support on issues faced by our members. Carol Warburton is one of those members. She works in practice, so most of the queries she gets tend to be around regulatory areas. 'Sometimes the problem is about a client. The caller may be embarrassed to raise the issue directly with ICAEW. But we have that special dispensation that allows us to be a father confessor; we take the matter on board and the caller knows it will go no further.'

'Conversations can be intense or light, but we are ready for that,' says Warburton 'We're not expected to be psychologists or analysts. We're expected to have common sense and experience.'

Most enquiries in 2014 were about employment or periods of unemployment, and the second top issue was complaints and

disciplinary issues. When the Investigation Committee sends a letter to a member telling them that they might be the subject of an investigation, it refers them to the Support Members scheme, which prompts many of these calls. Some queries come not from members but from their families, for example the daughter of a sole practitioner who had died, leaving payrolls and open files to be dealt with.

Warburton believes confidential enquiries are a much needed respite for those seeking advice. 'Talking about their problems can be very cathartic for them,' she says. 'Being a Support Member is about having the confidence to listen to people, to reflect, to consider and be ready with the tools we have available to us.'

52 members act as voluntary Support Members each year. They field around 1,800 enquiries a year.



Our relationships

Our relationships help to create value for our members, for the profession, and for wider society by fostering trust and business confidence.

	Goal	Why this is important	What we achieved	Where we planned to achieve more	What we do next
	Working with others to support the wider public interest	Strong and sustainable economies are supported by trustworthy financial information and individuals who act to the highest professional and ethical standards	We built and maintained strong relationships and improved our visibility with our work on sustainability, future of audit, tax and personal finance		More targeted engagement, including working through the Natural Capital Coalition to develop valuation protocols for natural resources
	Supporting a stronger profession worldwide with Chartered Accountants Worldwide and other engagement	Capacity building projects to strengthen the profession around the world	We completed capacity building projects in seven countries and won seven more	We wanted a wider range of funding partners for our capacity building contracts; progress on existing projects was slower than desired	Working on identifying a wider range of funding partners for international capacity building projects and growing the Chartered Accountants Worldwide family
	Deepening our relationships to promote the profession with business, policymakers and firms	We are uniquely positioned to advance the profession and act in the public interest – we have relationships with firms, businesses, policymakers and individuals. We work with key stakeholders as a critical adviser	Extensive political engagements including party conferences. Good stakeholder research results, 40 mentions in UK and devolved parliaments. HMRC amended direct recovery of debt proposals and BIS extended the e-consultation period on the Accounting Directive		Work closely with government and regulators to reduce the risk of gold-plating in the implementation of the EU Statutory Audit Regulation and Directive; on our UK general election manifesto, and the IFS Green Budget

Capacity building for a stronger profession worldwide

One of the ways we act in the public interest is through our 'capacity building' work. ICAEW uses its expertise to help other professional bodies, whether that's improving audit quality or helping create a new national qualification. This is about trade not aid. Our capacity building initiatives aim to strengthen the professional organisations we work with, making them sustainable for the long term and able to grow and evolve independently.

In 2014 we completed projects in seven countries and won seven more.

Most of these projects are revenue neutral, but build relationships and the profession in ways that we think will serve the needs of wider society, encouraging business confidence and investment as well as promoting our members and the chartered brand over the long term. For example, we helped create a new qualification in Malawi this year and the institute in Malawi chose to re-brand as the Institute of Chartered Accountants in Malawi. We also saw the benefits of earlier investment when Botswana students became eligible for ICAEW recognition under a joint qualification programme.

Fostering political engagement

Our UK manifesto and our Polaroid stand which asked party conference goers 'what did you want to do when you grew up?' opened up 150 conversations for ICAEW at the main UK party political conferences. We engaged with politicians of all parties in Brussels too through our European election manifesto and hustings. We launched an All Party Parliamentary Group on Maths and Numeracy in the UK to help the UK adopt best practice on maths education, and took part in the All Party Parliamentary Group on Early Years to help shape government education policy. ICAEW was mentioned 40 times in the UK and devolved parliaments.



Developing relationships for international impact

We took a leading role at the four-yearly World Congress of Accountants, raising the profile of ICAEW and our members among the global profession with the overall theme of Building Strong National Bodies. ICAEW was invited to deliver a thought leadership session on AuditFutures, and we ran a total of eight events during the Congress, including a summit on capacity building. We ran our third Accountancy Profession Strategic Forum in Warsaw, with input from the World Bank and European Commission. This brought together professional bodies from across Europe to share common challenges and strategic thinking.

Finally we took part in the American Accounting Association annual meeting – the largest gathering of accounting educators and researchers in the world, participating in eight panels and sharing our thought leadership with an audience that included academics, businesses and regulators.

Becoming a go-to adviser

We are meeting the Bank of England more regularly and were asked by senior officials to develop a paper on assurance on bank capital ratios and risk-weighted assets calculations, to explore whether this could strengthen banks' controls in this area. And we held export roundtable events with the UK Minister for Trade and Investment and chief executives of UKTI and UK Export Finance.

We ran a successful campaign on the Direct Recovery of Debt (DRD) in the UK and we were really pleased that this resulted in HMRC amending its proposals to collect debts directly from people's bank accounts so that it included better safeguards. We worked on this campaign with Liberty and many other organisations, gaining significant press coverage, for example in the *Daily Mail*, the *Telegraph* and *Financial Times*.

As a result of our asking for a legal opinion on the UK's Charity Commission guidance on distributable profits, the Charity Commission altered this guidance.



Our Executive Director Robert Hodgkinson speaking at the World Congress of Accountants



AuditFutures programme

Engaging with wider society

Our relationship-making with wider society gathered pace in 2014. We took on the Natural Capital Coalition as project-hosts, which we co-founded with leaders from business, governments and NGOs to study and standardise methods for natural capital accounting to enable its valuation and reporting in business. We created the Finance Foundry, a campaign lab for economic justice campaigners. We connected with civil society at a number of party conference events, on the future of audit through our AuditFutures programme, and on the future of tax through Tax Assembly and other events. The stand-out events were the Royal College of Art projects to re-design audit, and a Charity Tax Alliance series of events at party conferences with CAFOD, Action Aid and Christian Aid on

'Tackling Tax Avoidance: A Race to the Top in 2015'. In the context of public concerns about tax avoidance, ICAEW was brave to engage on public platforms with the NGO community, and was applauded for its clear and professional voice on a very controversial issue.

Our personal finance work has led us to work with the Money Advice Service, Student Loans England and the Tottenham Hotspur Foundation. We have continued to work with pfeg on increasing the numbers of member volunteers going into schools. We have developed new personal finance lesson plans and resources for our members to deliver to students. There are now 13 lesson plans and we have over 100 members signed up to deliver financial education in schools.



Tax Assembly

Case study: Twinning with Malawi for a new professional qualification

Evelyn Mwapasa

CEO Institute of Chartered Accountants in Malawi

ICAEW worked with the Institute of Chartered Accountants in Malawi (ICAM, formerly Society of Accountants of Malawi – SOCAM) on a twinning project funded by the World Bank to strengthen the accountancy profession in Malawi, which concluded this year.

At the end of the project the institute rebranded, deciding to become a chartered accountant organisation, and launched its own national professional qualification this year. The twinning arrangement involved close cooperation to deliver a strategic plan and roadmap, and a national professional qualification. We also worked closely to strengthen audit regulation and deliver training and workshops on international standards, audit quality assurance and professional ethics.

‘The journey to the launch involved close working between ICAM and ICAEW,’ said CEO Evelyn Mwapasa. ‘It was a journey that has helped us to strengthen our professional body, the wider accounting profession in Malawi and our presence internationally. We believe the project has been a success. The twinning arrangement has ensured not only a close working relationship with ICAEW over the duration of the project but it will continue on as we look to the future.’

The first ICAM professional qualification examinations took place in 2014 and ICAM held an international conference to launch ICAM in July 2014, supported by the European Commission, ICAEW, the World Bank and IFAC.



Our thinking

Our thinking helps create value for the profession and wider society, at the same time contributing to the value that ICAEW membership brings. In 2014, we wrote 170 consultation submissions, and published some 40+ thought leadership reports across our key areas of interest.

	Goal	Why this is important	What we achieved	Where we planned to achieve more	What we do next
	Thinking in the public interest to further our Royal Charter obligations and produce practical thought leadership that makes a difference	We have a responsibility to provide direct and relevant material on issues that need addressing, especially after the financial crisis	Many pieces of work being put to use, including assurance on Libor; corporate governance challenges; cyber security. Charity Commission guidance on profit distribution changed		New work will include more on the public sector, policy challenges after the UK general election, sustainability, the G20, COP21, the European Capital Markets Union, cyber security, Risk Weighted Assets
	Grow our technical communities to 31,975 faculty members (from 31,756 in 2013) and grow Special Interest Group (SIG) memberships to 15,695 (from 14,766 in 2013)	One of our primary functions is to provide technical services that help our members to lead the profession, add value to their clients and customers, and add value to society	Paid faculty members grew by 7% to 33,945 and SIG members grew by 14% to 16,822. Two new SIGs launched and comprehensive Faculties Online product		In 2015 our targets are 34,429 faculty members and 16,947 SIG members; to increase engagement with Faculties Online and the brand new Tax in Business service offering from the tax faculty
	Media coverage for our thinking. ICAEW is a respected business commentator internationally	Get our thinking to a wider audience through media	Good coverage for Business Confidence Monitor, Economic Insight series, UK GAAP, IFRS and more	Although Tax Assembly and work with OECD on BEPS were positive, general media coverage on tax is still negative	More coverage of our 2015 campaigns leading to policy change, including developing partnerships in key sectors



Thinking in the public interest

We finalised our guidance on assurance on market benchmarks, published in draft in 2013 to address issues around LIBOR, after extensive stakeholder engagement to address a wider range of benchmarks, including oil price reports. This has generated significant interest from regulators and benchmark providers around the world, with assurance seen as an effective way of restoring trust in systemically important market indices. We also worked this year on assurance for Risk-Weighted Assets (Bank Capital) and Master Trusts (Pensions) and on a well-received paper on the impact of IFRS adoption in the EU.

As well as these papers, we produced 'So What is Economic Success?' which considers the limits of GDP and profit to measure economic success, and its alternatives. And our continuing work on corporate governance looked at its wider implications – how diversity of belief can improve company performance, and how companies need to consider wider stakeholders, not just their shareholders.

Re-thinking the future of audit, tax, business and practice

We had four major thought leadership projects in 2014, looking at how our work should develop in future to meet the needs of society and our members.

AuditFutures looked at re-designing audit for the 21st century; Tax Assembly looked at what kind of tax system we want; BusinessFutures engaged younger members with the changing business environment a couple of decades from now, to help them re-imagine their strategies. And Tomorrow's Practice looked at how practice must evolve to meet the needs of the next generation. All these projects will continue in 2015.

On tax, we also contributed to the OECD's Base Erosion and Profit-Shifting work, engaging with key European policymakers and stakeholders through our related seminar series in Brussels, and we took part in a G20 tax event in Tokyo. We have engaged more closely with the Public Accounts Committee and Margaret Hodge, as well as NGOs.

Knowing what business wants

We launched a programme on SMEs, 'Small Business Matters' to look at what they need from practice. The first report gave some very useful pointers as to what businesses will pay for and really need, and it was encouraging to learn that accountants are viewed as the number one business adviser in the UK.

Gaining recognition for our thinking

We're proud of the reception our thinking has received and the impact it has made.

We made news headlines all over the world in 2014, gaining more recognition for our members, in media ranging from the *Financial Times* and the BBC to *The National*, Sky News and Al Jazeera. We celebrated the 10th anniversary of our Business Confidence Monitor, which is now recognised as a leading indicator for the UK economy. This is complemented by our quarterly UK Economic Forecast and our Economic Insights which are published in three international regions. And we dominated the media coverage on many professional issues including IFRS 9 and the future of UK GAAP.

ICAEW devised and published the Business Finance Guide, launched by Business Minister Vince Cable MP at the House of Commons in June 2014. The guide was supported by the government's new British Business Bank and 17 professional organisations, representing more than a million members. The guide provides businesses from start-up to growing mid-sized companies with a comprehensive overview of sources of finance and advice, including ICAEW Chartered Accountants. Its total print run has already topped 80,000 and it has been distributed electronically to more than 600,000 businesses by the British Business Bank. icaew.com/bfg

We also secured amendments to the Serious Crime Bill that will protect our members.

We continue to support the Natural Capital Coalition, which we co-founded in 2012, which is developing a framework for valuing natural capital in business decision making. We also still support the Prince of Wales' Accounting For Sustainability, which celebrated 10 years in 2014, through activities such as our Finance for the Future Awards.



Vince Cable MP at the launch of the Business Finance Guide



Case study: Building a leading position in cyber security

George Quigley

IT Faculty chair

Cyber security was identified as a major issue by businesses in 2014, and it was a big year for our work in this area – which combined high-level political engagement to influence policy with practical help for members and business.

The year started with the launch of the 'Cyber Security in Corporate Finance' guide, with Francis Maude MP at Chartered Accountants' Hall to mark the occasion. This work secured a change in policy by the Association for Financial Markets in Europe (AFME), so that a cyber security review will now be part of the due diligence report for all M&A transactions. The IT Faculty continued the political engagement by supporting the development of the government's Cyber Essentials scheme. This was marked by another ministerial launch at Chartered Accountants' Hall in June, this time with David Willetts MP. Next came the development of a new e-learning package on Cyber Security for Professionals, in conjunction with BIS, the Solicitors' Regulatory Authority and the Law Society. This training is freely available to all members at icaew.com/cybertraining

We had the opportunity to talk to members in smaller businesses and practices about cyber risks, and highlight the resources available to them, through a series of roundtable discussions around the UK.

In October, we launched our update to Audit Insights: Cyber Security with a panel session at the Parliament and Internet Conference and a front page story in the *Financial Times*. The report concluded that although businesses have improved their cyber security management, criminals are getting even more sophisticated in their attacks. As a result, there is no room for complacency and businesses need to do much more to close the gap with the attackers. We closed the year with another ministerial visit to Chartered Accountants' Hall, as Francis Maude MP marked the third anniversary of the government's cyber security strategy.

Our member engagement extended to our international regions, with events on cyber security in Africa and Asia, as well as a free webinar for all members. A panel at the American Accounting Association gave us a perspective from the US. All of these conversations enabled us to feed substantial insights into the National Audit Office enquiry on cyber security, highlighting in particular the continuing challenges for smaller organisations in this area.







8 Future outlook: 2015 and beyond

Creating value with our people, relationships and thinking: in business, the public sector and internationally.



2015 looks set to be a busy year, particularly with the implementation of the 2014 Audit Regulation and Directive in the EU which will affect businesses, auditors, our qualification and the role that we play as an organisation. The UK Government may opt for a single audit regulator, where currently professional bodies play a key role. And it will have a knock-on impact on other countries which may copy or go further than the UK.

The global economy is faltering in places, and this could see our non-UK student growth projections underperform. Over the longer term, three major forces – urbanisation, globalisation and digitisation – will present challenges as well as opportunities to create more value through and for our members.

After the final outcome of the MG Rover case, we will be working on guidance on our members' ethical responsibilities around the public interest and fees.

Promoting our people and our qualification

In 2015 we will continue to promote our members as the best choice for individuals and businesses, with a major advertising campaign and through Chartered Accountants Worldwide, a coalition of like-minded professional bodies. We will also continue to use the UK's Business Advice Service to promote our members to SMEs in the interests of the public, and will use the Business Confidence Monitor and Economic Insights to promote our brand all over the world. With concerns about corporations profit-shifting to avoid tax, and with public finances, we will demonstrate that our people are part of the solution to help governments bring in the right tax and spend it wisely.

We will be implementing recommendations from our Regulatory Governance Review to our professional standards governance. We want to ensure that our regulatory function continues to reflect best practice for the regulation of a profession by a professional body. The enhancements we will introduce as part of this review will see more lay people on our regulatory and disciplinary committees, and our professional standards activities overseen by a regulatory board with significant lay membership.



1 Transforming digitally to meet member needs

We will continue to use new technology to transform how we work with members, students and our stakeholders. We will enhance our digital services, from Android apps to more accessible webinars, to online exams so that members in every part of the world and the UK, however remote, and however busy they are, can get what they need, when they need it.

2 New services in the UK

After the success of our ABS/probate application in the UK we are considering applying for further reserved areas and are currently consulting on this.

3 Strategy review

We will also be starting work on ICAEW's 2017 strategy review in 2015, consulting with our members, volunteers and staff to help shape the direction ICAEW will take over the next few years and beyond.

Creating value through our relationships

In 2014 our Middle East Office became the hub of our Middle East, Africa and South Asia region and in 2015 we will take this work forward, building our presence in key markets in Sub-Saharan Africa including Botswana, Nigeria and Mauritius.

To continue strengthening the ethics, standards, and integrity of the profession, we will be working closely with professional bodies through Chartered Accountants Worldwide, IFAC and one-to-one relationships and capacity building projects. And to the same end we will work with the Fraud Advisory Panel and CCAB (the UK collective of accountancy bodies) – and the FRC (our regulator). We will continue to work with professional accountancy bodies on issues that matter to society, such as targeting disadvantaged young people to do work experience, and on scholarship schemes.

In 2015, we'll build on our dialogue with wider society, working with WWF-UK through the Finance Innovation Lab which will be set up as an independent charity; as well as projects like AuditFutures and Tax Assembly, Natural Capital Coalition and Accounting for Sustainability. Though challenging, this work stays true to our Royal Charter by further aligning us with the public interest.

Creating value through our thinking

Another way we create value in the public interest is through our thought leadership and in 2015 there will be no let-up in its progress.

Internationally, low oil prices at the end of 2014 could mean a tricky year ahead for some industries and countries – and a bumper year for others. In the UK we have a general election, possibly followed by a referendum on our membership of the EU, creating significant political uncertainty.

In view of these pressures, we are planning to focus our work in 2015 on five key areas.

1 A corporate governance code for the 21st century

Our work to restore trust in business and strengthen economies will look at new systems of corporate governance in 2015. We believe that compliance is increasingly treated as a box-ticking exercise. As a result many boards and other business leaders are failing to respond effectively to legitimate public concerns about business behaviour. It's time to rethink the purpose of business and these principles.

2 Stronger economies with more sustainable businesses

We want to see more sustainable businesses develop, and we will be working in 2015 with the Natural Capital Coalition and others to see that happen. We'd like to see private sector-led growth across the economies where our members work. In the UK we will continue to work on growing exports and we will work internationally on better cyber security for business.

Our members in business will be a key focus and our BusinessFutures project will concentrate on public spending, energy and urbanisation.

3 Skills for growth

Skills will be critical as well. We know that many economies have a skills gap – whether a shortage of qualified accountants, or in specific areas like construction and IT. We want to see business and industry work more closely with the profession and government to create pathways to those shortage areas, better careers advice and mandatory work experience.

We want to keep our student base growing in 2015 and to make incremental changes to the ACA to ensure ICAEW Chartered Accountants are equipped with the necessary skills for today and for the future.

4 Stronger public sector financial management

Good financial management in the public sector is vital to national economies. In 2014 we worked more with the public sector to tackle issues around cyber security. Further work included a series of debates about the public finances in Brussels with PwC, and practical work, such as monitoring the audit quality of a sample of NHS trusts in the UK. We want to do even more in this sector in 2015 and key initiatives will be working with the UK Government to introduce a corporate finance qualification in government and work on cyber security in the public sector and the IFS Green Budget.

5 Simpler tax systems for growth

A good tax system needs to be simple, certain and constant. We will be working in 2015 to encourage countries to adopt simple tax systems that work for entrepreneurs, businesses and individuals. In the UK, for example, we'd like to see a 'red tape challenge' applied to the tax code, and for HMRC to agree to minimum service standards with independent oversight.



Finally, we will be investing in our physical capital, our building, and business systems in 2015

In 2015 we begin a major building and IT refurbishment plan, replacing ageing plant and refurbishing areas of Chartered Accountants' Hall installed in 1970, and replacing core IT systems to ensure we're fit for the future.





9 Financial review and summary financial statements

ICAEW's financial statements for 2014 include the charitable trusts associated with ICAEW together with our international subsidiaries. The commentary below relates primarily to the operating activities of ICAEW.

Results

Total income was £91.5m, £3.9m higher than in 2013. The retained surplus after tax for the year was £2.4m (2013: £2.2m). Membership income growth was £1.8m and was supplemented by growth in our commercial activities, enabling us to continue to invest in our strategy in the UK and internationally. Fines and cost recoveries of £2.4m were received from the FRC Conduct Committee, contributing to a net FRC Conduct Committee case cost charge for 2014 of £0.9m (2013: £2.8m).

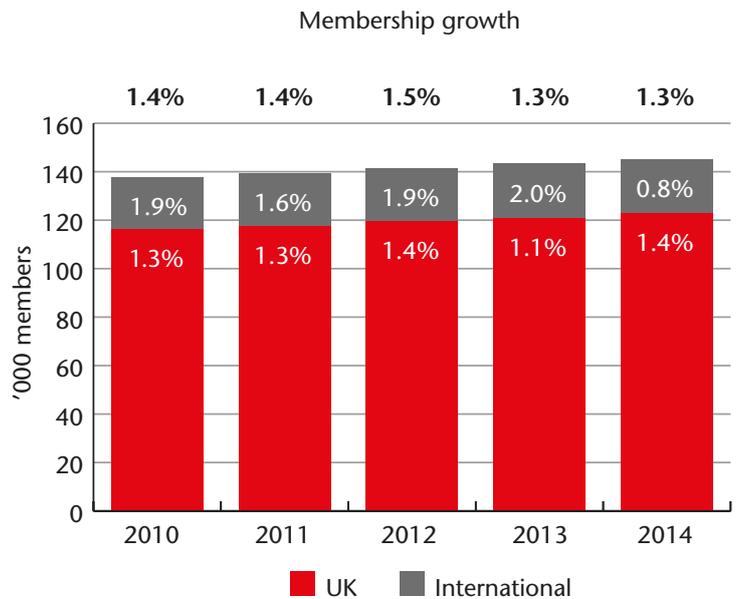
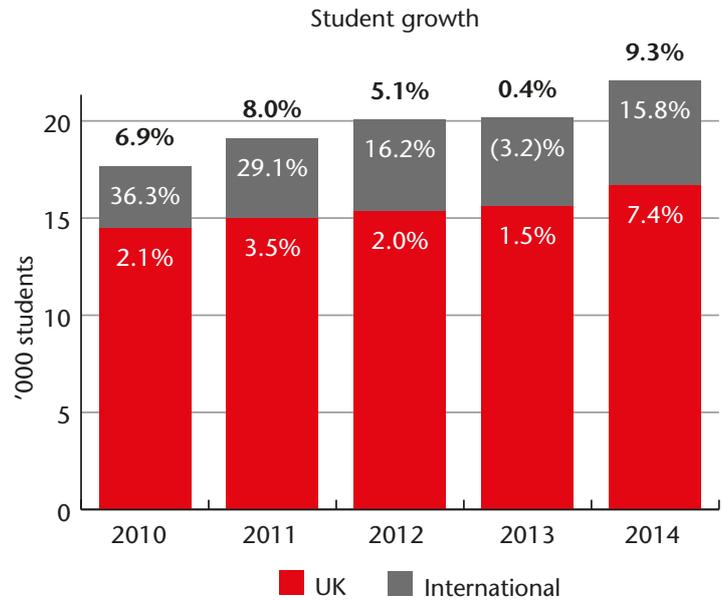
Net assets at 31 December 2014 were £32.3m, an increase of £4.9m over the 2013 net assets of £27.4m. Cash and cash equivalents ended the year at £4.9m, reflecting a net cash inflow of £0.6m in the year, after £1.9m contributions to reduce the pension scheme deficit and £5.1m cash contributions to FRC case costs. Total cash and investments stood at £40.3m at the end of the year, an increase of £1.7m on 2013.

The consolidated outcome for the year, including the results of ICAEW's charitable trusts, was a surplus after tax of £2.7m (2013: £2.6m).

Student and membership growth

2014 saw a record ACA student intake of 7,326 – an increase of 1,670 on our 2013 intake of 5,656. Total ACA student numbers at the end of 2014 stood at 22,001 (2013: 20,121). In addition 3,115 students signed up for our foundation level Certificate in Finance, Accounting and Business (CFAB), a further increase on last year's intake of 1,822.

In the year, membership grew to 144,167, from admissions of newly-qualified students to membership, together with reciprocal and similar arrangements with members of other institutes.



Income

Revenue from members' fees and subscriptions rose by 4% to £43.3m, reflecting the continued steady growth in membership and an improved mix of membership rates. Income from our qualifications increased by £0.2m, with the record ACA and CFAB intake offsetting the impact of the reduced intake in 2013.

Our commercial income streams increased to £10.7m, from £9.7m in 2013, resulting from improved performance in our leadership programmes, catering and publishing arrangements after a difficult 2013 in these areas.

Expenditure

Operating expenditure increased to £89.1m, including the impact of FRC Conduct Committee case costs, but net of cost recoveries, described below.

We launched the evolved ACA in 2013, resulting in dual running of exams and learning materials into 2014; in addition, there was increased investment in business development activities which has already delivered increased student intake.

2014 also saw an increase in our investment in member services, with a greater focus on business members and also supporting smaller practices.

The net operational expenditure increase includes the impact of a provision of £1.8m released in 2013 from certain commercial matters resolved successfully in that year with revised terms.

FRC Conduct Committee case costs

During 2014 we charged costs of £5.5m to the income statement in relation to the FRC Conduct Committee case cost provision, a reduction of £0.2m on 2013. This was partly offset by fines of £1.0m (2013: £0.8m) and cost recoveries of £1.4m (2013: £0.5m) imposed by FRC tribunals and returned to ICAEW.

There was increased activity on existing cases and some substantial new cases taken on, giving rise to the additional charges.

In September an appeal tribunal heard an appeal by Deloitte and Touche against the findings of a disciplinary tribunal held in 2013. This had levied total fines of £14.2m, plus costs in relation to alleged misconduct in their handling of the sale of MG Rover. The appeal tribunal findings were announced in January 2015 and allowed the appeal against 8 of the 13 findings and upheld the remaining 5 charges of misconduct. Separate hearings will determine sanctions on these charges, which are likely to be reduced from the original award. We have not recognised any potential income or cost recovery while this remains uncertain.

Since its inception, FRC Conduct Committee case costs provided have totaled £31.8m and ICAEW has made cash payments of £22.7m over the 11-year period. Fines and cost recoveries are £6.2m.

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

Tax

The net corporation tax charge for the year was £nil (2013: £nil). As a mutual membership organisation, much of our income is exempt from corporation tax.

Pensions

The IAS19 valuation at 31 December 2014 was a whole scheme surplus of £2.8m (2013: £1.7m). The pension asset is recognised as ICAEW considers that any surplus arising would be recoverable, assuming the gradual settlement of scheme liabilities over time.

ICAEW's defined benefits pension scheme was closed to further member benefit accrual on 30 June 2010. Employees who participated in the scheme were invited to join ICAEW's defined contribution pension arrangements, with transitional enhanced employer contributions payable until June 2013. The most recent triennial actuarial valuation showed a deficit of £24.9m at 31 March 2013. The trustee and ICAEW agreed deficit funding arrangements comprising annual payments of £1.8m from 1 January 2014 until the deficit is eliminated. With our support, the trustee has developed an investment strategy intended to make the scheme entirely self-sufficient by around 2025.

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

The scheme valuation has again been subject to the volatility in the financial markets, most notably improved gilt yields. A desktop valuation of the technical funding position at 31 December 2014 estimated the scheme deficit at £17.8m, an increase of £8.3m on the estimated valuation at December 2013 of £9.5m and a reduction of £7.1m from the March 2013 valuation. In the year, as part of its de-risking strategy, the Trustee purchased a buy-in annuity to match a subset of pensioner liabilities.

Financial position

Net assets at 31 December 2014 were £32.3m – an increase of £4.9m on the 2013 position.

During 2014, the market value of our long-term investments rose to £35.4m from £34.3m in 2013.

The value of Chartered Accountants' Hall increased to £12.7m as at 31 December 2014.

Trade and other payables were £34.3m (2013: £34.5m). Trade and other receivables were £9.1m (2013: £8.9m).

We have provided £9.1m (2013: £8.5m) of costs relating to the FRC Conduct Committee at 31 December 2014, reflecting their current case load. Case costs are forecast on the basis of the available information on actual or prospective cases. The accuracy of this forecast depends on assumptions made about the progress of individual cases and is subject to a significant degree of judgement. We do not take account of any potential future income from fines or cost recoveries from FRC Conduct Committee cases.

Cash flow

Cash balances at 31 December 2014 were £4.9m. Net cash inflow was £0.6m compared to a £0.9m inflow in 2013. Our cash profile fluctuates on an annual cycle, this year peaking at £41.7m in March and bottoming out at £2.5m in early December.

Funding of the FRC Conduct Committee case costs saw a cash outflow of £5.1m (2013: £5.3m).

ICAEW paid £1.9m (2013: £4.8m) of deficit funding to the Staff Pensions Fund, in line with the current agreement.

Capital expenditure was £2.6m (2013: £2.0m). We expect to incur £11.1m of capital expenditure in 2015, reflecting investment in Chartered Accountants' Hall and our business systems.

Report of the auditor

The auditor's report on the full accounts for the year ended 31 December 2014 was unqualified.

Further information

The annual review is only part of ICAEW's annual accounts and reports, you can get full financial statements:

- online at icaew.com/review;
- by emailing fullaccounts@icaew.com or by writing to Andrew Fagg, Finance Director.

Summary financial statements

Summary group income statement

For the year ended 31 December 2014

	2014			2013		
	Income £m	Expenditure £m	Net £m	Income £m	Expenditure £m	Net £m
Subscriptions and fees	43.3	–	43.3	41.5	–	41.5
Learning and professional development	10.4	(15.6)	(5.2)	10.2	(14.8)	(4.6)
Professional standards	15.5	(14.7)	0.8	15.4	(14.2)	1.2
Commercial and shared services	10.7	(13.6)	(2.9)	9.7	(13.0)	(3.3)
Members	1.1	(14.0)	(12.9)	1.0	(13.1)	(12.1)
Technical strategy	4.3	(9.1)	(4.8)	4.0	(9.0)	(5.0)
Central activities	0.7	(14.0)	(13.3)	1.0	(11.8)	(10.8)
Charitable trusts	0.2	(1.0)	(0.8)	0.1	(1.0)	(0.9)
	86.2	(82.0)	4.2	82.9	(76.9)	6.0
FRC Conduct Committee	3.2	(4.1)	(0.9)	2.4	(5.2)	(2.8)
Other regulatory and professional associations	1.0	(3.0)	(2.0)	0.9	(3.1)	(2.2)
	4.2	(7.1)	(2.9)	3.3	(8.3)	(5.0)
Operating result	90.4	(89.1)	1.3	86.2	(85.2)	1.0
Investment income	1.5	–	1.5	1.7	–	1.7
Result before taxation	91.9	(89.1)	2.8	87.9	(85.2)	2.7
Taxation			(0.1)			(0.1)
Net result after taxation for the year			2.7			2.6

Summary group statement of comprehensive income

	2014	2013
	£m	£m
Net result after taxation recognised in the income statement in the year	2.7	2.6
Items that may be reclassified subsequently to profit or loss:		
Gains on revaluation of available for sale investments	0.1	3.2
Gains reclassified on disposal	0.5	0.4
Deferred tax	–	(0.3)
Items that will not be reclassified subsequently to profit or loss:		
Gains on revaluation of property, plant and equipment	3.3	1.1
Actuarial (losses)/gains recognised in the year	(0.8)	2.6
Deferred tax	(0.1)	(0.2)
Other comprehensive income in the year	3.0	6.8
Total comprehensive income in the year	5.7	9.4

Summary ICAEW income statement

For the year ended 31 December 2014

	2014			2013		
	Income £m	Expenditure £m	Net £m	Income £m	Expenditure £m	Net £m
Subscriptions and fees	43.3	–	43.3	41.5	–	41.5
Learning and professional development	10.4	(15.6)	(5.2)	10.2	(14.8)	(4.6)
Professional standards	15.5	(14.7)	0.8	15.4	(14.2)	1.2
Commercial and shared services	10.7	(13.6)	(2.9)	9.7	(13.0)	(3.3)
Members	1.1	(14.0)	(12.9)	1.0	(13.1)	(12.1)
Technical strategy	4.3	(9.1)	(4.8)	4.0	(9.0)	(5.0)
Central activities	0.7	(13.5)	(12.8)	1.0	(11.2)	(10.2)
	86.0	(80.5)	5.5	82.8	(75.3)	7.5
FRC Conduct Committee	3.2	(4.1)	(0.9)	2.4	(5.2)	(2.8)
Other regulatory and professional associations	1.0	(3.0)	(2.0)	0.9	(3.1)	(2.2)
	4.2	(7.1)	(2.9)	3.3	(8.3)	(5.0)
Gift aid and library funding	–	(1.5)	(1.5)	–	(1.8)	(1.8)
Operating result	90.2	(89.1)	1.1	86.1	(85.4)	0.7
Investment income	1.3	–	1.3	1.5	–	1.5
Result before taxation	91.5	(89.1)	2.4	87.6	(85.4)	2.2
Taxation			–			–
Net result after taxation for the year			2.4			2.2

Summary ICAEW statement of comprehensive income

	2014	2013
	£m	£m
Net result after taxation recognised in the income statement in the year	2.4	2.2
Items that may be reclassified subsequently to profit or loss:		
Gains/(losses) on revaluation of available for sale investments	(0.4)	1.5
Gains reclassified on disposal	0.5	0.4
Deferred tax	–	(0.3)
Items that will not be reclassified subsequently to profit or loss:		
Gains on revaluation of property, plant and equipment	3.3	1.1
Actuarial (losses)/gains recognised in the year	(0.8)	2.5
Deferred tax	(0.1)	(0.2)
Other comprehensive income in the year	2.5	5.0
Total comprehensive income in the year	4.9	7.2

Summary statements of financial position

For the year ended 31 December 2014

	Note	Group		ICAEW	
		2014 £m	2013 £m	2014 £m	2013 £m
Assets					
Non-current assets	2	76.3	70.5	63.0	57.8
Current assets		16.2	15.0	14.7	13.9
Total assets		92.5	85.5	77.7	71.7
Liabilities					
Current liabilities		(39.9)	(39.9)	(39.4)	(39.6)
Non-current liabilities		(6.1)	(4.8)	(6.0)	(4.7)
Total liabilities		(46.0)	(44.7)	(45.4)	(44.3)
Total net assets		46.5	40.8	32.3	27.4
Reserves					
Revaluation reserve		9.7	6.5	9.7	6.5
Investment revaluation reserve		4.2	4.1	4.2	4.1
Accumulated fund		13.9	12.3	13.0	11.6
Other reserves		5.4	5.2	5.4	5.2
Charitable trusts		13.3	12.7	–	–
	3	46.5	40.8	32.3	27.4

Approved on behalf of council



Arthur Bailey
President



Michael Izza
Chief Executive

23 March 2015

Summary statements of cash flows

For the year ended 31 December 2014

	Group		ICAEW	
	2014 £m	2013 £m	2014 £m	2013 £m
Cash generated from operating activities	9.9	12.5	10.0	12.7
Cash outflow on pension liabilities	(1.9)	(4.8)	(1.9)	(4.8)
Cash outflow on FRC Conduct Committee	(5.1)	(5.3)	(5.1)	(5.3)
Tax paid	(0.1)	(0.1)	–	–
Purchase of property, plant and equipment	(1.4)	(0.8)	(1.4)	(0.8)
Purchase of intangible assets	(1.2)	(1.2)	(1.2)	(1.2)
Net disposal of available for sale investments	(0.7)	(0.7)	(0.7)	(0.6)
Investment income received	1.1	1.2	0.9	0.9
Net increase in cash and cash equivalents in the year	0.6	0.8	0.6	0.9
Net cash and cash equivalents at 1 January	4.7	3.9	4.3	3.4
Net cash and cash equivalents at 31 December	5.3	4.7	4.9	4.3

Notes to the summary financial statements

For the year ended 31 December 2014

1 Basis of preparation

The summary financial statements have been extracted from ICAEW's full financial statements for the year ended 31 December 2014, which have been prepared in accordance with International Financial Reporting Standards, and under the historical cost convention as modified by the revaluation of properties and available for sale investments.

2 Non-current assets

	Group		ICAEW	
	2014 £m	2013 £m	2014 £m	2013 £m
Carrying amounts				
Property, plant and equipment	21.3	18.6	21.3	18.6
Intangible assets	3.2	2.8	3.2	2.8
Investments in associated undertakings	0.1	0.1	–	–
Available for sale investments	48.9	47.3	35.4	34.3
Pension asset	2.8	1.7	3.1	2.1
	76.3	70.5	63.0	57.8

3 Reserves

Group	Revaluation reserve £m	Investment revaluation reserve £m	Accumulated fund £m	Other reserves £m	Charitable trusts £m	Total £m
Reserves at 1 January 2014	6.5	4.1	12.3	5.2	12.7	40.8
Net result after taxation	–	–	2.4	0.2	0.1	2.7
Increase in valuation of property, plant and equipment	3.3	–	–	–	–	3.3
Net change in market value of long-term investments over cost	–	0.1	–	–	0.5	0.6
Actuarial losses recognised in year on defined benefit pension scheme	–	–	(0.8)	–	–	(0.8)
Deferred tax attributable to above	(0.1)	–	–	–	–	(0.1)
Total other comprehensive income in the year	3.2	0.1	(0.8)	–	0.5	3.0
Total comprehensive income in the year	3.2	0.1	1.6	0.2	0.6	5.7
Reserves at 31 December 2014	9.7	4.2	13.9	5.4	13.3	46.5

ICAEW	Revaluation reserve £m	Investment revaluation reserve £m	Accumulated fund £m	Other reserves £m	Total £m
Reserves at 1 January 2014	6.5	4.1	11.6	5.2	27.4
Net result after taxation	–	–	2.2	0.2	2.4
Increase in valuation of property, plant and equipment	3.3	–	–	–	3.3
Net change in market value of long-term investments over cost	–	0.1	–	–	0.1
Actuarial losses recognised in year on defined benefit pension scheme	–	–	(0.8)	–	(0.8)
Deferred tax attributable to above	(0.1)	–	–	–	(0.1)
Total other comprehensive income in the year	3.2	0.1	(0.8)	–	2.5
Total comprehensive income in the year	3.2	0.1	1.4	0.2	4.9
Reserves at 31 December 2014	9.7	4.2	13.0	5.4	32.3

Summary corporate governance statement

Council has adopted the provisions of section 1 of the UK Corporate Governance Code (September 2012) prepared by the committee on corporate governance, to the extent appropriate. During the year 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 2014.





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