

THE
INSTITUTE OF
CHARTERED
ACCOUNTANTS
OF SCOTLAND



**Reports and Consolidated Financial Statements
2010**

The Institute of Chartered Accountants of Scotland
Reports and Consolidated Financial Statements 2010

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The Institute produces a separate Annual Review & Summary Consolidated Financial Statements which provide further detail in respect of the activities of the Institute. This document is available on the Institute's website (www.icas.org.uk).

INTRODUCTION – ICAS IN 2010

The principal activities of the Institute of Chartered Accountants of Scotland (ICAS) are the training and examination of chartered accountancy students, the promotion of the interests of our members and contributing to the development of the profession and business environment in the public interest.

During 2010 ICAS re-examined the Institute's strategic purpose, the result of which is our strategic plan, "Building a Professional Community" which has a core theme of reinforcing professionalism. Against a backdrop of continuing but less severe economic challenges for ICAS, 2010 saw modest growth in income alongside tight control of overheads. Following a challenging year for student training in 2009 when student intake fell to 740, 2010 saw a return to growth in student intake with an intake of 825. ICAS has also invested in a range of developments in 2010 including a focus on developing our digital engagement and significant progress was made in the introduction of technology to enhance the students learning experience. 2011 will be about tangible delivery of the strategic plan and will see further investment across a range of activities.

ICAS generates 37% of its income from subscriptions from members, which funds a wide range of member services, support and research and influencing activities. ICAS provides training for CA students in the UK, with training in England and Wales provided through a Joint Venture with BPP plc. These training activities are funded by training and exam fees. There are a range of other income sources from commercial and service activities which contribute to the costs of the Institute. ICAS also regulates its members and member firms in the public interest, with fees charged to members and firms to finance the costs of the Practising Certificate, Audit Registration and Insolvency regimes.

ICAS faces some key risks in relation to its business with primary risks including the financial risks associated with public interest discipline, competitive risks in relation to the training activities of ICAS and risks arising from the changing demographic of the membership. Further information on these risks and on the activities of ICAS during 2010 is available in the Annual Review, available at "About ICAS" on www.icas.org.uk and our plans for the future are set out in our Strategic Plan which can be downloaded from the ICAS website.

CORPORATE GOVERNANCE STATEMENT

Although there is no statutory requirement for the Institute (which is incorporated by Royal Charter) to comply with the principles of the Financial Reporting Council's UK Corporate Governance Code ('The Code') ICAS's Council has agreed to adhere to those principles of The Code which can be applied to the affairs of the Institute. The Code was revised and re-issued in June 2010. While the provisions of the revised Code apply to accounting periods beginning on or after 29 June 2010, the Institute has decided to report in accordance with the revised Code. The governance rules recognise that the purpose of corporate governance is to ensure that organisations are properly managed and have regard to the interests of all stakeholders. It is the responsibility of Council members, the Chief Executive and Executive Directors to ensure that good corporate governance is embedded in the Institute in a manner that will add value and help the Institute to provide a wider understanding of its public interest agenda.

There are specific public interest responsibilities which arise out of the Royal Charter and it has been agreed by ICAS's Council that it is appropriate for the Institute to address in part these responsibilities through the remit of the Public Interest members. There are currently 3 Public Interest Members sitting on Council.

The Institute's Audit Committee and the Auditors annually review the Institute's compliance with The Code. Furthermore an explanation of how the principles of The Code apply to the Annual Review is given below.

Council

The overall policies and objectives of the Institute are agreed by Council, with day to day management responsibility being delegated to the Executive Team with the Oversight Board taking an overview of strategy and finances. There is a clear organisational structure detailing lines of authority and the appropriate processes are in place to review the performance of the Oversight Board, Operational Boards and Executive Team.

For the year 2010/2011 Council is made up of 3 Office Bearers, 15 Electoral Area Members, 6 Open Seat Holders and 3 Public Interest Members. Council is empowered to co-opt up to 6 additional members. In 2010 Council determined that the recently qualified members should be represented on Council and two co-opted positions are used for this purpose. In addition Council has utilised two other co-option places. Council is chaired by the President. Council meets four times in the ICAS Presidential year, with one meeting being an Away Day normally held in May. To encourage open debate of key strategic issues, the format for the Away Day is one of presentations, breakout groups and feedback sessions. The other three meetings are plenary sessions in boardroom form. The electoral area members and open seat holders are elected by the membership. The Office Bearers serve one year in their respective posts of Junior Vice President, Senior Vice President and President. Other Council members are elected for a three year term and can be re-elected for one further three year term. The Institute does not formally identify or designate Council members who fulfil the role of Independent Directors but this role could be seen as being undertaken by the lay Public Interest Members. These Council members are required to oversee and ensure that the Council adheres to the public interest responsibilities set out in the Royal Charter. A profile of all Council Members and details of the terms of reference for the Public Interest Members can be found on the Institute's website (www.icas.org.uk).

Financial Stewardship

Council seeks to ensure good stewardship by having internal control systems across the Institute which cover the broad spectrum of risks. To this effect Council reports annually, through the Annual Review, to members on the effectiveness of the Institute's internal controls and risk management. A Business Plan and a detailed Budget are prepared annually by the Executive Team for approval by the Oversight Board and Council. Throughout 2010, the financial performance was compared

to the approved Budget and reported at each meeting of the Oversight Board and Council. Council has overall responsibility 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 of the Institute for that period.

In preparing these Financial Statements, Council has:

- 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.

Council has delegated to the Executive Directors, through the Oversight Board, its responsibility to keep proper accounting records which disclose with reasonable accuracy at any time the financial position of the Institute, to safeguard its assets and to take reasonable steps for the prevention and detection of fraud and other irregularities.

The financial position of the Institute and its cash flows are set out in the Financial Review on pages 8 to 10 of these statements. In addition, Note 24 of the Financial Statements sets out the Institute's risk management approach and exposure to financial risks. The Annual Review of the Institute sets out the business risks which face the Institute and the Institute's performance and strategy for addressing these.

Going Concern

The Institute's forecasts and projections, taking account of reasonable changes in trading performance, indicate that the Institute plans to operate within the available cash generated. Council confirms that, after making appropriate enquiries, it has reasonable expectation that the Institute has adequate resources to continue in operational existence for the foreseeable future. For this reason, it continues to adopt the going concern basis in preparing these Financial Statements.

Internal Control

In terms of good governance practice and the Turnbull Guidance the Council:

- is responsible for the Institute's system of internal control;
- sets appropriate policies on internal control;
- seeks regular assurance that enables it to satisfy itself that the system is functioning effectively; and
- ensures that the system of internal control is effective in managing risks in the manner that it has approved.

Council has delegated to the Chief Executive and the Executive Directors, through the Oversight Board, its responsibility for the Institute's system of internal control and for reviewing its effectiveness. The system can only provide reasonable and not absolute assurance against material misstatement or loss.

The Executive Team have continued to review the effectiveness of the Institute's system of financial and non-financial controls, including operational and compliance controls, risk management and the Institute's internal control arrangements. These reviews include assessments of internal controls and procedures, management assurance of the maintenance of control, internal reviews of critical processes and reports from the External Auditor on matters identified in the course of his audit work. Additionally a firm of chartered accountants, Wylie & Bisset, has provided the Institute's Internal Audit review and 11 internal audit reports were provided during 2010 plus follow up of earlier recommendations. The Institute reviews the progress in implementing the recommendations over the course of the year, monitored by the Audit Committee.

The Institute views the careful management of risk as a key management activity and the Institute continues to develop an integrated risk management framework. The process is reviewed annually by Internal Audit and the Audit Committee any recommendations implemented. The identified business risks, which may be strategic, operational, reputation, financial or environmental, are understood and are visible throughout the Institute, with the business context determining in each situation the level of acceptable risk and control.

The Institute's work in the area of risk management involves senior managers from across all areas of activity. This work is led by the Executive Team who ensure that the main risks faced by the Institute are assessed and identified in a co-ordinated manner, that the Institute's risk profile is documented, that the appropriate steps are taken to reduce the risk exposure and that the Institute focuses on the critical business issues.

During the review of the system of internal control, Council has not identified nor been advised of any failings or weaknesses which it has determined to be significant. Therefore a confirmation in respect of necessary actions has not been considered appropriate.

Relations with Members

The Annual and Special General Meetings, usually held in the spring and autumn respectively, are the formal platforms for communication with members. These meetings are normally attended by Council members and the Executive Team. Members are invited to ask questions during the meeting and to meet with both Council and the Executive Team after the formal proceedings have ended. Additionally the President and Chief Executive carry out a number of international visits annually which are designed at combining international business meetings with a number of member events.

The network of Area Committees provides the opportunity for communication between the Institute and its members at a local level and, in all areas, members are encouraged to take part in a wide range of business and social events. In addition, the Institute welcomes comments from its members through many informal meetings during the year, via its website (www.icas.org.uk) and CA Magazine, which is issued each month.

CApella, the CA Student Society, focuses on developing and maintaining links with our future members. We continue to develop 'New CA', the quarterly magazine, which is one of our main communication platforms with students and new members. Moreover, the Institute's runs a number of events for recently qualified members and the Members Services and Communication Board continues to review the Institute's engagement programme with its members.

A series of panel events took place in various locations around the UK offering recently qualified members the chance to hear from CAs who had been qualified for 10 years. Each panel member had made his or her mark in their chosen field and was selected from across all sectors of the business community. These CAreering Ahead events took place in Glasgow, Edinburgh, Aberdeen and London. Additionally in London, ICAS ran a Masterclass Dinner at which six senior members at the top of their profession met with newly qualified members to pass on their expertise and advice. This highlighted the ability of the Institute to bring members of all ages together to share experiences. We launched a pilot mentoring scheme which pairs recently qualified members and more senior members and aims to provide career mentoring. The results of the pilot will be published shortly.

Corporate Responsibility (CR)

As a membership organisation, the Institute has a difficult balance to draw on behalf of members in deciding to use their funds to support such activities or to allow members to decide for themselves how, and if, they wish to support this type of activity. However, the Institute's policy on CR guides our activities in four key areas: Workplace, environment, marketplace and community. In addition, we encourage our employees to support our local communities either individually or collectively, with much of this activity being focussed on charitable work.

Furthermore, through our International Projects Team we look to provide, on a pro-bono basis, support to fellow Institutes particularly in developing nations. This works towards our strategic aim of developing a professional community of accountants.

The Institute also has a number of members who work for Voluntary Services Overseas (VSO) and, where we are aware of this, their Subscriptions have been waived to recognise the contribution these members are making to society. At 31 December 2010 we had eight members working for VSO.

In 2009 we commenced concerted efforts to reduce our paper usage and by 31 December 2010 there has been a 15% reduction. Additionally in 2010, we commenced a project to look at our waste going to landfill and have reduced this from 39% to 36%. We will continue to develop further initiatives to make further reductions.

Performance Evaluation

The formal evaluation system has focussed in recent years on the performance of the Oversight and Operational Boards, including tracking and reporting the attendance by Council members at the key Board meetings. The review of the Council's performance is undertaken by the Performance Review Committee. The performance of each Committee is reviewed annually by the Operational Board to which it reports. The Self Evaluation process is reviewed annually by the Oversight Board and the process is managed by the Performance Review Committee and the Council. Council will consider the self evaluation reports, and resultant action plans, at its meeting in May 2011.

The Performance Review Committee comprises the Office-Bearers, the Chairman of the Oversight Board, one of the Public Interest Members and the Chief Executive & Secretary. Details of the terms of reference for the Performance Review Committee can be found on the Institute's website (www.icas.org.uk).

Audit Committee

The members of the Audit Committee are normally drawn from Council and the Oversight Board and at least one member who is not a Council member but is an experienced audit practitioner. The Office Bearers forego their ex-officio rights in terms of membership of the Audit Committee. The Chairman, if not a member of Council, is entitled to attend the Council and Oversight Board meetings for relevant matters. The attendance at Audit Committee meetings of Council members and Observers at Council are set out in the table on page 6.

Appointments to the Committee are made by the Nominations Committee in consultation with the Chairman of the Audit Committee and are normally for a three year period renewable for one further term of three years, completion of which may be extended beyond termination of Council membership. The Chairman serves for one term of three years. The Committee has several members possessing what The Smith Report describes as recent and relevant financial experience. The current Chairman is a member of the Institute and is a senior accountant in Industry. Four other members of the Committee are also members of the Institute: two are members of Council and the others are senior audit and accounting partners while the Public Interest Member of the Committee brings a breadth of experience from previous roles.

The Audit Committee met three times during the year and the External Auditor attended its meetings and had direct access to the Chairman. The Committee reports to Council on all matters, identifying any items in respect of which the Committee considers that action or improvement is needed and making recommendations as to the steps to be taken. Details of the terms of reference for the Audit Committee can be found on the Institute's website (www.icas.org.uk).

Under the terms of the Institute Rules, having served a term of 5 years, Scott-Moncrieff are ineligible for re-appointment at the 2011 AGM as External Auditors. The appointment was advertised in the November CA Magazine and a selection process was led by the Audit Committee. The recommended appointment will be presented to the AGM on 20 April 2011.

During 2010 Wylie & Bisset, Chartered Accountants, provided an Internal Audit Service. The firm has provided reports to each meeting of the Audit Committee. For 2010 the areas reviewed were: corporate governance, risk management, follow-up of previous recommendations, sales invoice efficiency, personnel & payroll, income collection - subscriptions, purchase order system, inventory management, recruitment, insurance and strategy monitoring. A number of recommendations have been

accepted and have either been fully implemented in 2010 or will be implemented during the course of 2011. This appointment was advertised for re-tender in the November 2010 CA Magazine. Chiene & Tait have been appointed as internal auditors from 2011 and will continue to undertake a Risk Based Cycle of Reviews of major systems and processes during 2011.

During 2010 the Audit Committee has reviewed the Financial Statements and received reports from the External Auditors on their audit of the financial statements and interim report. The Audit Committee has also:

- considered and agreed the scope of audit work to be carried out;
- reviewed the Internal Audit Needs Assessment, Plan and Reports;
- reviewed non Audit Services provided by the External Auditor to ensure independence and objectivity;
- considered the risk processes of the Institute;
- monitored the implementation by the Institute of audit recommendations;
- agreed the fees to be paid to the external auditors for their audit of the Financial Statements;
- evaluated compliance with the FRC's Combined Code;
- reviewed Whistleblowing Arrangements;
- issued invitations to tender for both internal and external audit services and,
- reviewed its own effectiveness.

Auditor's Independence and Objectivity

The Audit Committee monitors regularly the non-audit services being provided to the Institute by the External Auditor to ensure that any services provided do not impair his independence or objectivity.

Details of amounts paid to the External Auditor during the year for audit and other services are set out in the Notes to the Financial Statements on page 27.

During 2010 the External Auditor provided tax and VAT advice through separate partners from the audit work.

Remuneration Committee

The Remuneration Committee is chaired by the Chairman of the Oversight Board and met once during the year.

The members of the Remuneration Committee and their attendance are set out in the table on page 6.

The Committee oversees the Appraisal and Performance Management systems. The Committee also has responsibility for recommending annual increases in staff remuneration.

Details of the terms of reference for the Remuneration Committee can be found on the Institute's website (www.icas.org.uk).

Nominations Committee

The Nominations Committee is chaired by the President and met six times during the year. For the purposes of Presidential succession, the Nominations Committee is expanded to include 3 Past Presidents to form the Presidential Nominating Committee. The Presidential Nominating Committee is chaired by one of the Past Presidents.

The members of the Nominations Committee and their attendance are set out in the table on page 6.

During 2010 the Committee focussed on the selection of the next Junior Vice-President and the identification of Council members or members to fill the various vacancies which arose on the Institute's various Boards and Committees.

The new appointments made during 2010 included:

- Brendan Nelson as the Junior Vice-President Elect.
- Rhona Brankin takes appointment as a Public Interest Member from 20 April 2011.
- Anna Coutts Donald was co-opted to Council as a recently qualified member representative for 3 years to October 2013.
- Graeme Sheils was appointed to the Regulation & Compliance Board.
- Jock Lennox was re-appointed for a further year as Chairman of the Qualification Board.
- Jandy Stevenson was appointed to the Qualification Board.
- Rob Waddelow was appointed to the Member Services & Communications Board.
- Geoff Walker was appointed to the Technical Policy Board.
- Ian Robertson was appointed as Convener of the Investigation and Professional Conduct Enforcement Committee.

Attendance Records

The Attendance Records for Office Bearers and Council members at Council, Oversight Board and Council's main Committees is given are set out in the table on page 6.

Executive Team

Council has delegated day to day management responsibility of the Institute's affairs to the Executive Team. The Team comprises:

Anton Colella, Chief Executive & Secretary
Mark Allison, Executive Director, Education
Lesley Glen, Executive Director, Finance & Resources
Jonathan Milne, Executive Director, Communications
Vivienne Muir, Executive Director, Regulation & Compliance
Stuart Riddell, Executive Director, Members Services (resigned 23 December 2010)
David Wood, Executive Director, Technical Policy



Alan Thomson
President

25 March 2011

ATTENDANCE RECORDS 2010

Council Members	Council	Oversight Board	Audit Committee	Nominations Committee	Remuneration Committee
Douglas Nisbet BA CA, Glasgow (Retired at AGM 23 April)	1/1	2/2	-	1/1	1/1
Alan Thomson MA CA, Solihull	4/4	4/4	-	5/5	2/2
Iain McLaren BA CA, Edinburgh	2/4	0/4	-	2/5	1/1
Sir David Tweedie BCom PhD DSc LLd CA, London	2/4	0/4	-	3/4	-
Adrienne Airlie BAcc CA, Glasgow	4/4	3/4	-	4/5	-
Rod Ashley BAcc CA, Glasgow	4/4	-	3/3	-	-
David Bentley BAcc CA, Edinburgh (Retired at AGM 23 April)	1/1	-	1/1	1/1	-
Graeme Bissett BA CA, Edinburgh	4/4	4/4	-	-	-
Jann Brown MA(Hons) CA, Edinburgh	4/4	-	-	-	-
Bruce Cartwright BCom CA, Edinburgh	4/4	3/4	-	-	-
Anna Coutts Donald Bsc CA, London	1/1	-	-	-	-
Martin Darroch BA CA, Glasgow	4/4	2/4	-	-	-
Mark Delaney CA, Preston (Retired at AGM 23 April)	1/1	-	-	-	-
Robert Dick LLB CA, Edinburgh	4/4	4/4	-	-	-
Elizabeth Gammie DipM BA CA PhD, Aberdeen	4/4	-	-	-	-
Diane Gwilliam BAcc CA, London (Retired at AGM 23 April)	1/1	-	-	-	-
Jock Lennox LLB CA, London	3/4	3/4	-	-	-
Bill Lockwood MA CA, Luxembourg	4/4	-	-	-	-
Ken McHattie MA LLB CA, Aberdeen (Retired at AGM 23 April)	1/1	2/2	-	1/1	2/2
Gavin MacKenzie BA CA, Inverness	3/4	-	-	-	-
David Morrison MA CA CTA, Dundee	3/4	-	-	-	-
Raymond Pennie CA, London	2/4	-	-	-	-
Marta Phillips OBE Msc BA (Hons) CA, London	2/3	-	-	-	-
Bruce Pritchard BA CA, Cambridge	4/4	-	-	-	-
David Rutherford BA CA, Edinburgh	3/4	-	2/3	-	-
John Sharkey BAcc (Hons) CA MBA, Glasgow	4/4	-	-	-	-
Graeme Sheils BA CA, Aberdeen	2/3	-	-	-	-
Jandy Stevenson FCA, Edinburgh	2/3	-	-	-	-
Huw Thomas MA (Oxon) CA, Bath	4/4	-	-	-	-
Jacqui Thomson Bcom CA, Dundee	3/4	-	-	-	-
Rob Waddelow BSc CA, Virginia Water	2/3	-	-	-	-
Geoff Walker CA, London	3/3	-	-	-	-
Ronnie Wilson CA, Ayr	4/4	-	-	-	-
Public Interest Members					
Ruthven Gemmell WS	3/4	-	3/3	-	-
Nick Kuenssberg OBE BA (Hons) FCIS	4/4	-	-	-	-
Niall Scott LLB	3/4	3/4	-	5/5	-
Observers at Council					
David Bentley BAcc CA, Edinburgh (from 23 April)	3/3	-	2/2	3/4	-
Ken McHattie MA LLB CA, Aberdeen (from 23 April)	3/3	2/2	-	4/4	-

REPORT OF THE CHAIRMAN OF THE OVERSIGHT BOARD

The Oversight Board is directly accountable to Council and the Chairman reports to each meeting of Council on its activities. The Oversight Board met four times during 2010. The Board oversees and supports the implementation of the Institute's strategy throughout the organisation.

The four Operational Boards report to the Oversight Board and it reviews their activities at each meeting where there is a wide ranging discussion on current items of policy or strategy as it pertains to each Board and ICAS as a whole.

The Board provides an oversight mechanism for the work of the Chief Executive & Secretary and the Executive Team and, at each meeting, considers updates on financial issues, risk management and other operational issues. The Board also oversaw the preparation and drafting of the ICAS Budget and Business Plan during 2010, and contributed widely to the development of the ICAS Strategic Plan.

The work of the Board during the year covered a wide range of other topics including:

- Fees and Subscriptions for 2011
- Review of the Financial Statements and Annual Review
- Treasury and Investment Review
- Business Plan for 2011
- Consideration of the Review of the Regulatory Framework
- Risk Management
- Health, Safety & Environment Reports
- Self Evaluation

In terms of the Institute's governance processes, the Board evaluated its own activities in 2010 and will report on this to the May 2011 meeting of the Council.



Kenneth G McHattie
Chairman of the Oversight Board

25 March 2011

FINANCIAL REVIEW

Results

These financial statements relate to the Group which includes ICAS and the Charitable Trust(s). The assets, liabilities and activities of SCATE were transferred to SATER on 30 June 2010. SCATE was then wound up. The Group results show a strong performance in 2010 with a reported profit on ordinary activities before taxation of £887k (2009 - £1,030k). The Group returned an operating surplus of £785k (2009 - £950k) and Group cash and cash equivalents increased by £980k in 2010 (2009 – increase of £960k).

This Financial Review should be read in conjunction with the Annual Review which gives further information on the activities and performance of ICAS over 2010, its risks and its strategy for the future. The Annual Review is available on the ICAS website, www.icas.org.uk

Following a decline in Income during 2009, 2010 saw a return to modest income growth for the Group. The achievement of a healthy surplus in 2010 is important as ICAS is required to make substantial annual deficit payments to the Retirement Benefits Scheme and at the same time ICAS is looking to invest in the future as we move to implement the Strategic Plan which was published during 2010. The Council's strategy is to generate sufficient annual surplus to cover not only recurring costs but also annual pension payments and also to build reserves over the medium term to mitigate against the costs of any future Public Interest Discipline cases.

Public Interest Discipline

Accounting and Actuarial Discipline Board (AADB)

During 2009 three ICAS cases were called into the AADB, the investigating body for public interest cases. These cases remained active in 2010 and continue in 2011. The Institute is liable to pay the costs of investigation for cases concerning its members or member firms. The potential cost of AADB cases is significant and volatile, therefore ICAS aims to earmark a target level of £1million within General Funds. At 31 December 2010 ICAS has allocated a total of £730k of General Funds to the AADB reserve, with £130k of this being added in 2010.

ICAS also issued a levy notice in November 2009 of £50 per active UK member to cover the current costs arising from these three cases, and a further levy notice was issued in November 2010 at the lower amount of £40 per active UK member. The costs of the current AADB cases are provided for in these accounts to the extent of the current stage of the process and based on estimates by AADB. However, should these cases continue beyond the current phase, further costs will be incurred.

Joint Disciplinary Scheme (JDS)

The predecessor scheme to the AADB was the Joint Disciplinary Scheme (JDS) where costs are split amongst the accounting bodies. During 2010 the JDS completed its final cases and income from JDS fines was received by ICAS of £346k.

Retirement Benefits Scheme

2010 was a year of significant changes to the defined benefit retirement benefits scheme. Despite deficit payments to the retirement benefits scheme of £2.8m between 2005 and 2007, the triennial valuation at 1 Jan 2008 showed a deficit some £1.3 million higher than the previous valuation in Jan 2005. Following a detailed review of the options available to manage the ongoing risks presented by the continued deficit, and after consultation, Council took a decision to close the scheme to future accrual for existing members. The closure took effect on 30 September 2010 and members were offered a replacement Defined Contribution scheme from that date.

Following the triennial valuation as at 1 January 2008, which showed a deficit of £5.2million, annual deficit payments of £644k were agreed with the Trustees and security over ICAS's investment portfolio to the value of £633k was awarded to the Trustees.

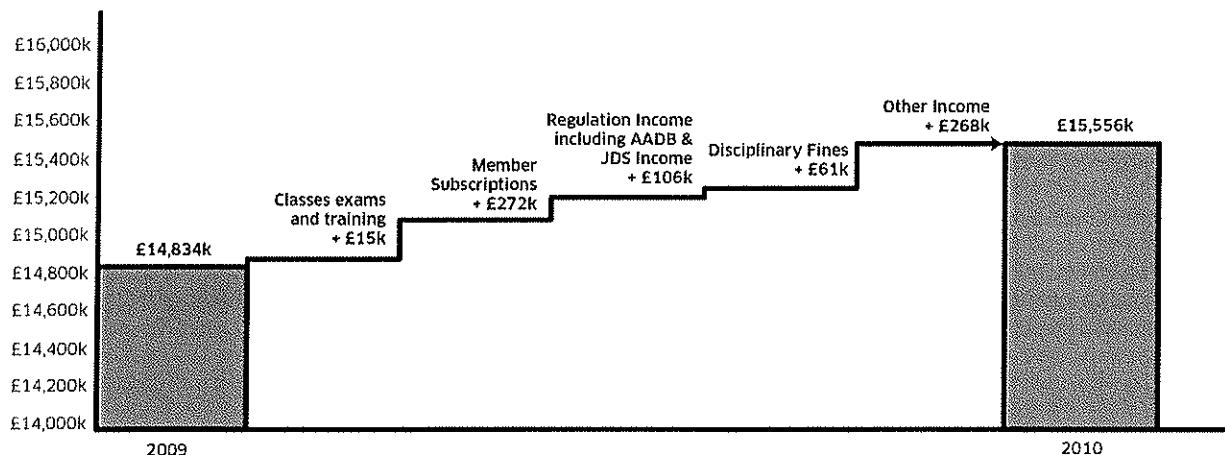
The IAS19 valuation as at 31 Dec 2010 shows a deficit of £702k, a favourable movement of £1,923k compared to the previous year. The movement on the deficit includes the effect of a gain arising from changes in assumptions of £340k. £1,630k of the gain is due to the government announcement that future statutory revaluation orders will be based on CPI. This is partially offset by the impact of changes to the financial assumptions.

Statement of Comprehensive Income

The statement of comprehensive income shows total income of £2,803k. In addition to the profit for the year, this includes gains on investments, the retirement benefit obligation and land & buildings. The Institute Headquarters, at CA House in Edinburgh, was revalued at 31 December 2010 by expert, professional, independent advisers and this resulted in a modest increase in value of the property of £100k, resulting in a gain of £265k in the Statement of Comprehensive Income following the add back of 2010 depreciation.

Income

Group income has increased by 4.9% to £15,556k. The primary movements behind the increase in income from 2009 to 2010 are illustrated in the diagram below.



£5,761k of the Institute's income is generated from Membership subscriptions, which rose by £272k (5%) during 2010. This increase reflects the membership numbers which over the year increased from 18,278 to 18,842 and the 1.5% increase in subscription rate for the year. A further £2,356k of income relates to Regulation and Compliance fines, levies & subscriptions which rose by £106k (4.7%). This is primarily due to the combined impact of movements relating to AADB and JDS income.

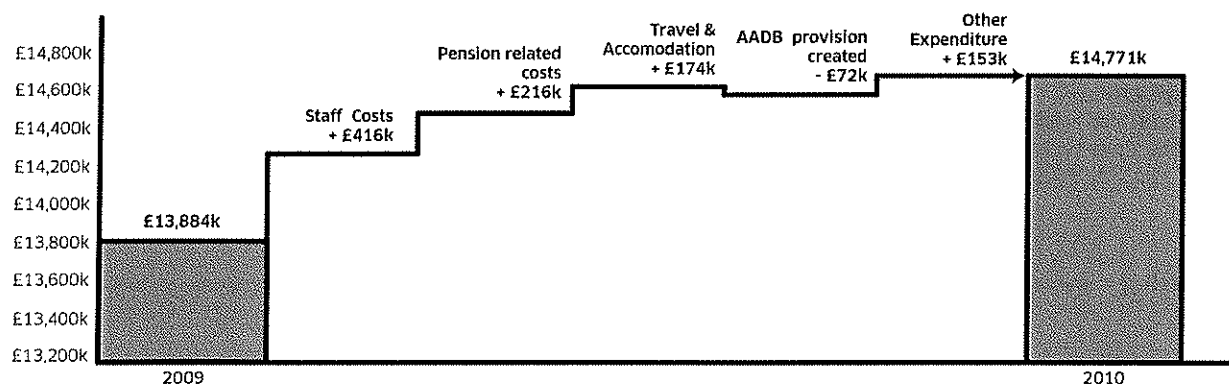
Income from CA Education benefited from a return to growth in student intake following the slowdown in 2009. Although overall student numbers were 2,906 compared to 3,119 in 2009 as the reduced 2009 intake continued to affect numbers and revenue, income from classes, exams and training contracts rose by £15k (0.3%), reflecting an increase in student intake to 825, compared to 740 in 2009.

Following a 26.1% decline in 2009 in commercial income, market conditions remained challenging in 2010. Despite these continuing economic conditions in 2010 saw income levels remain constant compared to 2009. Business courses continued to provide a steady level of revenue and we were able to continue to provide a broad portfolio of courses throughout the UK. Following the 2009 reduction in CA Magazine income due to falls in advertising income, 2010 income remained steady at the 2009 level.

Other Income showed an increase of £268k during 2010. During 2010 ICAS generated an additional £71k income from the newly introduced Investment Diploma. ICAS generated increased sponsorship income of £61k due largely to running the CA Conference in 2010 and ICAS also received £75k additional income arising from Education contracts. During 2010 international contract income showed only a modest rise compared to 2009. This reflects the market which continues to offer fewer opportunities for new international contracts due to reduced development budgets for accountancy reform. Disciplinary fines were also £61k higher than in 2009.

Expenditure

Group expenditure rose by £887k (6.4%) to £14,771k. The diagram below illustrates the major movements.



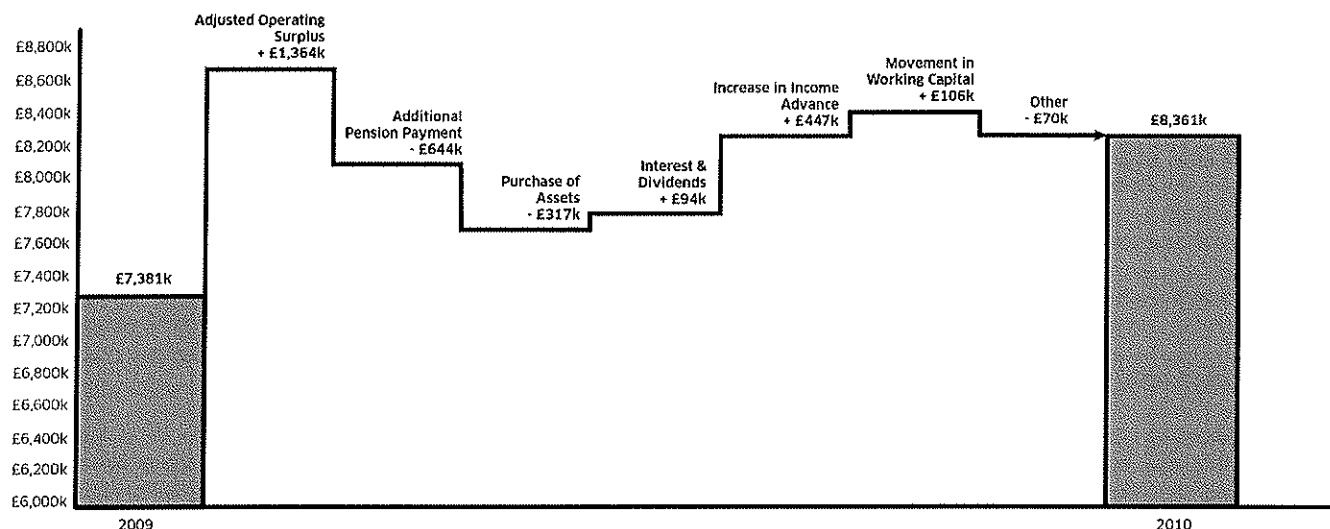
During 2010 employment costs increased by £416k compared to 2009. During 2010 ICAS implemented a pay freeze in order to control costs and the main increases in the employment costs arise from new appointments to allow development, investment and respond to increased demands, alongside filling of posts following the carrying of a number of vacancies in 2009. Within this increase Pension costs are £115k higher than in 2009 due to a lower pension credit arising from IAS19 and also the inclusion in 2009 of an insurances refund.

£216k of the remaining increase in expenditure is due to pension administration costs, which arises from ICAS now paying the expenses of the retirement benefit scheme directly in accordance with the conclusion of the previous triennial valuation, whereas these costs were previously reflected through the pension scheme. This line also reflects an increase in the PPF levy for the scheme. The amount included in Other Operating Costs relating to the creation of the AADB provision has reduced since 2009 by £72k reflecting the latest estimates of case costs in the future, having incurred £302k of the previously provided costs during 2010. 2010 saw an increase in expenditure on travel and accommodation costs of £174k, with the major reasons

including travel costs of delivering CA Education classes and an increase in the number of high profile projects taken forward by the Technical Policy Division. Other Expenditure also includes the cost of holding the CA Conference, which was not held in 2009, with the income relating to this conference included in Other Income.

Cash Flow and Balance Sheet

The Group ended the year with £8,361k cash at bank (2009 - £7,381k). The diagram below demonstrates the major movements in cash over the period. Capital expenditure totalling £317k was largely incurred on major projects taking forward IT developments including virtualisation of ICAS servers and major upgrades integral to the delivery of the ICAS digital strategy. The income received from interest and dividends at £94k was lower than the 2009 receipts of £105k. This was due to the reduced return available on cash deposits although the Institute continued to seek to maximise the rates received within the parameters of a spread of counterparties for deposits. Income in Advance has increased by £447k in 2010, which is a consequence of timing of billing and is reflected in the increased cash balances.



Suppliers' Payment

ICAS operates a policy to make payment to suppliers within agreed terms, based on receipt of a timely and accurate invoice. Creditor days at 31 December 2010 were 41 days (2009 – 36 days). Problems with mail deliveries in December 2010, caused by the exceptionally bad weather, delayed the processing of purchase invoices.

Treasury

In 2010, there were no material financial liabilities other than those shown in the financial statements. Treasury risks attach to the available for sale investments which are held for the long term in an equity/gilt mix. A security to the value of £633k has been awarded in favour of the Retirement Benefit Scheme over the available for sale investments. The Group received £94k in finance income in 2010 (2009, £105k), comprising £42k from cash on deposit at variable rates and £52k from dividends on investments. A decrease of 0.5% in bank interest rates would have a £5k impact on surplus before taxation. The Institute had no borrowing requirements in 2010 and does not currently anticipate a borrowing requirement in 2011.

Subscriptions

Continued robust resource control and growth in income delivered a healthy surplus in 2010 which allowed ICAS to minimise the main subscriptions increase for 2011 to a level of £8. Additionally an AADB levy for 2011 was applied of £40 based on the expected cost of AADB cases called in, a reduction of £10 from the previous year.

Anton Colella

Anton Colella
Chief Executive & Secretary

25 March 2011

Independent Auditors' Report to the Members of the Institute of Chartered Accountants of Scotland

We have audited the Group and Institute financial statements of the Institute of Chartered Accountants of Scotland for the year ended 31 December 2010 which comprise the Group and Institute Income Statement, the Group and Institute Statement of Comprehensive Income, the Group and Institute Statement of Financial Position, the Group and Institute Statement of Changes in Equity, the Group and Institute Cash Flow Statement and the related notes. These financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and under the historical cost convention, as modified by the revaluation of certain non-current assets and the accounting policies set out therein.

This report is made solely to the Institute's members, as a body, in accordance with relevant legal and regulatory requirements. 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

Council's responsibilities for preparing the financial statements in accordance with applicable law and International Financial Reporting Standards as adopted by the European Union are set out in the Financial Responsibilities of Council section of the Corporate Governance Statement.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with relevant legal and regulatory requirements. We also report to you whether, in our opinion, the information given in the Financial Review is consistent with the financial statements.

In addition we report to you if, in our opinion, the Group 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 adherence to the principles of the 2008 Financial Reporting Council Combined Code which can be applied to the affairs of the Institute and we report if it does not. We are not required to consider whether the Council's statement on internal controls cover all risks and controls, or form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures.

We read other information contained in the financial statements and consider whether it is consistent with the audited financial statements. This other information comprises only the Corporate Governance Statement, the Council attendance records 2010, the Financial Review and the Five Year Summary. 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 other information.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group and Institute's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by Council; and the overall presentation of the financial statements.

Opinion

In our opinion:

- The Group and Institute financial statements give a true and fair view, in accordance with International Financial Reporting Standards as adopted by the European Union, of the state of affairs of the Group and the Institute as at 31 December 2010 and of the surplus of the Group and the Institute for the year then ended.
- The information given in the Corporate Governance Statement, the Council attendance records 2010, the Financial Review and the Five Year Summary is consistent with the financial statements.



Alan Donaldson (Senior Statutory Auditor)
For and on behalf of Scott-Moncrieff, Statutory Auditor
Chartered Accountants
Eligible to act as an auditor in terms of Section 1212 of the Companies Act 2006
Exchange Place 3
Semple Street
Edinburgh
EH3 8BL

25 March 2011

CONSOLIDATED FINANCIAL STATEMENTS

Group & Institute Income Statements for the year ended 31 December 2010

	Notes	2010		2009	
		Group £'000	Institute £'000	Group £'000	Institute £'000
Continuing operations					
Subscriptions and operating income	4	15,556	15,543	14,834	14,818
Employment costs	4, 5	(6,588)	(6,563)	(6,172)	(6,147)
Other operating charges	4, 6	(8,183)	(8,174)	(7,712)	(7,684)
Operating surplus		785	806	950	987
Gain/(loss) on sale of investments		8	-	(25)	-
Finance income	7	94	84	105	94
Profit		887	890	1,030	1,081
Taxation (charge)/credit	9	(32)	(32)	111	111
Profit for the year	23	855	858	1,141	1,192

Group & Institute Statement of Comprehensive Income for the year ended 31 December 2010

	Notes	2010		2009	
		Group £'000	Institute £'000	Group £'000	Institute £'000
Profit for the year		855	858	1,141	1,192
Other comprehensive income					
Gain on revaluation of Investments taken to equity	14	326	283	405	349
Actuarial gain/(loss) recognised in the retirement benefits scheme	22	1,405	1,405	(3,238)	(3,238)
Gain on revaluation of land and buildings	10	265	265	258	258
Taxation relating to components of other comprehensive income	20	(48)	(48)	(53)	(53)
Other comprehensive income/(loss) for the year net of tax		1,948	1,905	(2,628)	(2,684)
Total comprehensive income/(loss) for the year		2,803	2,763	(1,487)	(1,492)

Group disclosure of tax effects relating to each component of comprehensive income

	2010			2009		
	Before tax amount £'000	(Expense) /Benefit £'000	Net of tax amount £'000	Before tax amount £'000	(Expense) /Benefit £'000	Net of tax amount £'000
Gain/(loss) on revaluation of Investments taken to equity	326	(61)	265	405	(78)	327
Actuarial gain/(loss) recognised in the retirement benefits scheme	1,405	-	1,405	(3,238)	28	(3,210)
Gain/(loss) on revaluation of land & buildings	265	13	278	258	(3)	255
	1,996	(48)	1,948	(2,575)	(53)	(2,628)

Group & Institute Statement of Financial Position as at 31 December 2010

	Notes	2010		2009	
		Group £'000	Institute £'000	Group £'000	Institute £'000
Non-current assets					
Property, plant & equipment	10	6,081	6,081	6,012	6,012
Available for sale non-current assets	11	-	-	250	250
Intangible assets	12	130	130	79	79
Investments	14	2,727	2,271	2,108	1,738
		<u>8,938</u>	<u>8,482</u>	<u>8,449</u>	<u>8,079</u>
Current assets					
Inventories	15	71	71	98	98
Trade and other receivables	16	2,060	2,020	1,516	1,501
Tax refundable		-	-	5	5
Cash and cash equivalents	16	8,361	8,088	7,381	7,078
		<u>10,492</u>	<u>10,179</u>	<u>9,000</u>	<u>8,682</u>
Total assets		19,430	18,661	17,449	16,761
Current liabilities					
Trade and other payables	17	(2,311)	(2,145)	(1,729)	(1,653)
Obligations under finance leases	21	(36)	(36)	(42)	(42)
Provisions	18	(613)	(613)	(578)	(578)
Tax payable	9	(19)	(19)	-	-
Income in advance	19	(4,066)	(4,066)	(3,605)	(3,605)
		<u>(7,045)</u>	<u>(6,879)</u>	<u>(5,954)</u>	<u>(5,878)</u>
Non-current liabilities					
Trade and other payables	17	-	-	(49)	-
Income in advance	19	(314)	(314)	(328)	(328)
Deferred tax	20	(268)	(268)	(215)	(215)
Obligations under finance leases	21	(12)	(12)	(47)	(47)
Provisions	18	(206)	(206)	(151)	(151)
Retirement benefit obligation	22	(702)	(702)	(2,625)	(2,625)
		<u>(1,502)</u>	<u>(1,502)</u>	<u>(3,415)</u>	<u>(3,366)</u>
Total liabilities		(8,547)	(8,381)	(9,369)	(9,244)
Net assets		10,883	10,280	8,080	7,517
Reserves					
General funds	23	7,022	6,652	4,650	4,335
Restricted funds	23	151	-	181	-
Property revaluation reserve	23	2,395	2,395	2,171	2,171
Investment revaluation reserve	23	1,315	1,233	1,078	1,011
		<u>10,883</u>	<u>10,280</u>	<u>8,080</u>	<u>7,517</u>

The Financial Statements set out on pages 13 to 42 were approved and authorised for issue by Council on 25 March 2011 and signed on its behalf by



Alan Thomson
President



Kenneth G McHattie
Chairman of the Oversight Board

Group & Institute Statement of Changes in equity for the year ended 31 December 2010

Group	General fund	Restricted fund	Property revaluation reserve	Investment revaluation reserve	Total
	£'000	£'000	£'000	£'000	£'000
Balance as at 1 January 2009	6,661	207	1,964	735	9,567
Total comprehensive (loss)/income for the year	(2,011)	(26)	207	343	(1,487)
Balance as at 31 December 2009	4,650	181	2,171	1,078	8,080
Total comprehensive income/(loss) for the year	2,372	(30)	224	237	2,803
Balance as at 31 December 2010	7,022	151	2,395	1,315	10,883

Institute	General fund	Restricted fund	Property revaluation reserve	Investment revaluation reserve	Total
	£'000	£'000	£'000	£'000	£'000
Balance as at 1 January 2009	6,305	-	1,964	740	9,009
Total comprehensive (loss)/income for the year	(1,970)	-	207	271	(1,492)
Balance as at 31 December 2009	4,335	-	2,171	1,011	7,517
Total comprehensive income for the year	2,317	-	224	222	2,763
Balance as at 31 December 2010	6,652	-	2,395	1,233	10,280

Group & Institute Statement of Cash Flow for the year ended 31 December 2010

	Notes	2010		2009	
		Group £'000	Institute £'000	Group £'000	Institute £'000
Cash flow from operating activities					
Operating surplus	4	785	806	950	987
Adjusted for:					
Depreciation - historic	10	340	340	345	345
Depreciation - revaluation	10	55	55	48	48
Amortisation	12	66	66	82	82
(Gain) on disposal of plant & equipment	8	(8)	(8)	-	-
Pension finance income		138	138	142	142
Pension current service cost adjustment		(12)	(12)	(57)	(57)
		<u>1,364</u>	<u>1,385</u>	<u>1,510</u>	<u>1,547</u>
Decrease in inventories		27	27	26	26
(Increase) in trade and other receivables		(544)	(519)	(192)	(162)
Increase in income in advance		447	447	283	283
Retirement benefits scheme special payments		(644)	(644)	(698)	(698)
Increase/(decrease) in trade payables		533	492	(222)	(177)
Increase in provisions		90	90	285	285
		<u>(91)</u>	<u>(107)</u>	<u>(518)</u>	<u>(443)</u>
Cash generated from operations		1,273	1,278	992	1,104
Tax (paid)/refunded		(3)	(3)	127	127
Net cash from operating activities		1,270	1,275	1,119	1,231
Cash flows from financing activities					
Borrowings repaid		-	-	-	(11)
Repayments of obligations under finance leases		(41)	(41)	(36)	(36)
		<u>1,229</u>	<u>1,234</u>	<u>1,083</u>	<u>1,184</u>
Cash flows from investing activities					
Purchase of property, plant & equipment	10, 21	(200)	(200)	(128)	(128)
Purchase of intangible assets	12	(117)	(117)	(41)	(41)
Proceeds from disposal of property, plant & equipment		9	9	-	-
Purchase of listed investments	14	(125)	-	(226)	-
Proceeds from disposal of listed investments		90	-	167	-
Interest received	7	42	42	54	53
Dividends received	7	52	42	51	41
Net increase in cash and cash equivalents		980	1,010	960	1,109
Cash and cash equivalents at 1 January		<u>7,381</u>	<u>7,078</u>	<u>6,421</u>	<u>5,969</u>
Cash and cash equivalents at 31 December	16	<u>8,361</u>	<u>8,088</u>	<u>7,381</u>	<u>7,078</u>

Notes to the Consolidated Financial Statements

1. General Information

The Institute is a professional body incorporated in the United Kingdom by Royal Charter in 1854. The principal office is located at:

CA House
21 Haymarket Yards
Edinburgh
EH12 5BH

The nature of the Group's operations and its principal activities are set out in Note 4 and in the Financial Review on pages 8 to 10.

2. Significant Accounting Policies

The Accounting Policies adopted in the preparation of these Financial Statements are set out below. These policies have been consistently applied to all the years presented unless otherwise stated.

Basis of Accounting

The Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRSs).

The Financial Statements have been prepared on the historical cost basis, except for the revaluation of Land & Buildings, Artwork, Investments and Defined Benefit Pension Scheme. The policies adopted are set out below.

The preparation of the Financial Statements requires Council to make estimates and assumptions that affect the reported amounts of income, expenses, assets and liabilities, and the disclosure of Contingent Liabilities at the date of the Financial Statements. If in the future such estimates and assumptions, which are based on Council's best judgement at the date of the Financial Statements, deviate from the actual circumstances, the original estimates and assumptions will be modified as appropriate in the year in which the circumstances change.

Where necessary, the comparatives have been reclassified or extended from the previously reported results to take into account presentational changes.

Adoption of New & Revised Standards

Changes to standards are listed below, only where relevant to the Group. Adoption of these Standards has not had a material impact on the financial statements of the Group. Council also anticipate that the adoption of these Standards in future periods will have no material impact on the financial statements of the Group.

Since issuing the 2009 accounts the following standards and interpretations have become effective and adopted where appropriate:

IAS 1	Presentation of Financial Statements – April 2009 Annual Improvements to IFRSs
IAS 7	Statement of Cash Flow – April 2009 Annual Improvements to IFRSs
IAS 17	Leases – April 2009 Annual Improvements to IFRSs
IAS 31	Interests in Joint Ventures – amendments arising from amendments to IFRS 3
IAS 36	Impairment of Assets – April 2009 Annual Improvements to IFRSs
IAS 38	Intangible Assets – April 2009 Annual Improvements to IFRSs
IAS 39	Financial Instruments: Recognition & Measurement – designation of hedge items
IFRS 8	Operating Segments – April 2009 Annual Improvements to IFRSs

As at the date of the financial position, the following Standards and Interpretations were in issue but not yet effective. They have not been applied in these financial statements. The list is limited to Standards and Interpretations relevant to future reporting periods:

EU endorsed	
IAS 24	Related Party Disclosure – January 2011
IFRIC14	IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

Not EU endorsed

IAS 1	Presentation of Financial Statements
IAS 12	Income Taxes
IAS 39	Financial Instruments: Recognition and Measurement
IFRS 7	Financial Instruments: Disclosure
IFRS 9	Financial Instruments – 1 January 2013

Notes to the Consolidated Financial Statements

2. Significant Accounting Policies (continued)

Basis of Consolidation

The Consolidated Financial Statements incorporate the Financial Statements of the Institute and its associated Charitable Trusts:

- The Scottish Chartered Accountants' Trust for Education (SCATE)
- The Scottish Accountancy Trust for Education and Research (SATER)

Whilst the Trustees of SCATE and SATER act independently of the Institute in fulfilling the charitable objectives of the respective Trusts, the effect of the detailed requirements of IFRS is to require consolidation of the Trusts into the Financial Statements of the Institute. The assets, liabilities and activities of SCATE were transferred to SATER on 1 July 2010 and SCATE was subsequently wound up.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Revenue Recognition

Revenue is recognised to the extent that the Group has transferred to the buyer the significant risks and rewards of ownership, it is probable that economic benefit will flow to the Group and the revenue can be reliably measured. It represents amounts receivable for goods and services provided in the normal course of business, net of discounts and VAT.

Production of the CA Magazine was out-sourced to a third party in 2006 but sales invoicing and credit risk remain attributable to the Institute.

Dividend income from investments is recognised when the shareholder's right to receive payment has been established.

Interest income is accrued on a timely basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts expected future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

All income is recognised in the accounting period to which it relates. To the extent that income is received in advance, it is deferred and recognised in the relevant period for which the services for these subscriptions or fees are given. Income in advance includes subscriptions, education class fees, training contract registration fees and regulation fees. Credit is taken for admission fees received for new members admitted in the year.

Leases

Leases are classed as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Surplus from Operations

The Operating Surplus is stated prior to Finance Income, Loss/Gain on Sale of Investments and Taxation.

Property, Plant & Equipment

Land and Buildings held for use in the supply of services, or administrative purposes, are stated in the Balance Sheet at their revalued amounts, being the fair value at the date of revaluation, determined from market-based evidence by appraisal undertaken by professional valuers, less any subsequent accumulated depreciation and impairment losses.

The freehold property, CA House, Edinburgh was valued by expert professional advisers at 31 December 2010 in accordance with the RICS Appraisal and Valuation Standards, published by the Royal Institution of Chartered Surveyors on the basis of market value. Valuations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the Balance Sheet date.

Any revaluation increase arising on the valuation of such Land and Buildings is credited to the Property Revaluation Reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense, in which case the increase is credited to the Income Statement to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of such land and buildings is charged as an expense to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued buildings is charged to the Income Statement. On subsequent sale or retirement of a revalued property, the attributable Revaluation Surplus remaining in the Property Revaluation Reserve is transferred directly to Reserves.

IT Equipment, Furnishings and Motor Vehicles are stated at cost less Accumulated Depreciation and any recognised impairment loss.

Depreciation is charged so as to write off the cost or valuation of the assets, other than Land, over their estimated useful lives and assumes nil residual values. The estimated useful lives, residual values and depreciation method are reviewed by class of asset at each year end, with any changes in estimate accounted for on a prospective basis. The current straight-line rates are as follows:

Notes to the Consolidated Financial Statements

2. Significant Accounting Policies (continued)

Buildings

- structure	2%
- plant & machinery	3.33% - 4%
- fittings & finishes	5% - 6.67%

IT and telephone equipment 10% - 50%

Furniture 10%

Motor Vehicles 33.33%

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the Income Statement, to the extent that the gain or loss has not already been recognised in the Revaluation Reserve. In the latter case the gain or loss is transferred directly to General Fund.

Intangible Assets

Intangible Assets comprise computer software and related consultancy costs and are stated at cost. Amortisation is charged so as to write off the cost of the assets over their estimated useful lives, using the straight line method, assuming residual values will be nil.

Software 20% - 33%

Impairment of Tangible and Intangible Assets

At each Balance Sheet date, the Group reviews the carrying amounts of its Tangible and Intangible Assets to determine whether there is any indication that these Assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recoverable amount is the higher of fair value less costs to sell and value in use. Value in use is based on estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Inventories

Inventories are stated at the lower of cost or net realisable value. Cost is determined on a first in first out (FIFO) basis. Net realisable value is the amount that can be realised from the sale of the Inventory in the normal course of business after allowing for the costs of realisation.

An allowance is recorded for obsolescence, where appropriate.

Financial Instruments

Financial Assets and Liabilities are recognised on the Group's Balance Sheet when the Group becomes party to the contractual provisions of the instrument.

Financial Assets

Financial assets are classified into the following specified categories: 'available-for-sale (AFS)' financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Available for sale financial assets

Listed investments held by the Group that are traded in an active market are classified as being AFS and are stated at fair value.

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

Notes to the Consolidated Financial Statements

2. Significant Accounting Policies (continued)

For investments classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be evidence of impairment.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets.

With the exception of AFS investments, if in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the Income Statement to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS investments, impairment losses previously recognised through profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised directly in reserves.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits.

De-recognition of financial assets

The Group de-recognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

Financial liabilities

Trade and other payables and borrowings are initially measured at fair value. Borrowings are subsequently measured at amortised costs using the effective interest rate method, with interest expensed over the relevant period. Trade and other payables are not interest bearing and stated at fair value.

De-recognition of financial liabilities

The Group de-recognises financial liabilities when the obligations are discharged, cancelled or expired.

Joint Ventures

The Institute has a commercial agreement with BPP Holdings for the joint provision of training students studying for the Institute's examinations across the United Kingdom. The commercial activities of both parties under this agreement have been accounted for as a joint venture. Income and Expenditure attributable to the Institute, in accordance with the agreement, have been included in the Income Statement. There are no assets or liabilities specifically attributable to the joint ventures.

The Institute has a commercial agreement with the Chartered Institute of Bankers and the Scottish Investment Operation for the joint provision of training students studying for the Institute's investment diploma. The commercial activities of the three parties under this agreement have been accounted for as a joint venture. Income and Expenditure attributable to the Institute, in accordance with the agreement, have been included in the Income Statement.

Retirement Benefits

Defined Benefit Scheme

The Group operates an externally managed contributory Retirement Benefits Scheme for permanent staff (the Scheme was closed to new members on 31 March, 2003 and to future accrual on 30 September 2010). The expected costs of providing pensions under this Scheme, as calculated by qualified actuaries using the projected unit credit method, is charged to the Income Statement so as to spread the cost over the service lives of the current employees. Actuarial Gains and Losses are recognised in full in the Statement of Recognised Income and Expense as they are incurred.

The Retirement Benefit Obligation recognised in the Balance Sheet represents the present value of the Defined Benefit Obligation as reduced by the fair value of Scheme Assets. Where the fair value of the Scheme Assets exceed the present value of the Obligation, the Asset recognised in the Balance Sheet is measured as the lower of the net asset and any cumulative unrecognised net actuarial losses and past service cost plus the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Defined Contribution Scheme

The Group has established a Defined Contribution Pension Scheme for staff. Contributions to the Scheme are charged to the Income Statement as they are incurred.

Taxation

The Taxation Charge represents the sum of the tax currently payable and the Deferred Tax provision.

Notes to the Consolidated Financial Statements

2. Significant Accounting Policies (continued)

The tax currently payable is based on the total Taxable Profit for the year. Taxable Profit differs from the Surplus as reported in the Income Statement because it excludes items of Income or Expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible i.e. mutual activity. The Institute's liability for current tax is calculated using tax rates that have been enacted or substantially enacted by the Balance Sheet date.

Deferred Tax is the tax expected to be payable or recoverable on differences between the carrying amounts of Assets and Liabilities in the Financial Statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the Balance Sheet liability method. Deferred Tax Liabilities are generally recognised for all taxable temporary differences and Deferred Tax Assets are recognised to the extent that it is probable that Taxable Profits will be available against which deductible temporary differences can be utilised. Deferred Tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred Tax is charged or credited in the Income Statement, except when it relates to items charged or credited directly to reserves, in which case the Deferred Tax is also dealt with in reserves.

Provisions

Provisions are recognised where a present obligation has been incurred as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are recorded for the estimated ultimate liability that is expected to arise, taking into account the time value of money.

3. Critical Accounting Judgements & Key Sources of Estimation Uncertainty

In the process of applying the Institute and Charitable Trusts' accounting policies, which are described in Note 2, Council has provided the Actuary with key assumptions required to calculate the Retirement Benefit Obligation. The assumptions, which were agreed after taking expert, professional advice, are listed at Note 22.

The provision for Accountancy and Actuarial Discipline Board (AADB) case costs is based on estimates provided by AADB at the balance sheet date.

The Group has obtained a valuation by expert, professional, independent advisers of the freehold property at Haymarket Yards, Edinburgh. The valuation was in accordance with the RICS Appraisal and Valuation Standards, published by the Royal Institution of Chartered surveyors on the basis of market value.

The Group has obtained a valuation by Sothebys of a painting by Sir Winston Churchill. The valuation is an estimate based on recent sales activity for similar paintings by this artist.

4. Segmental Information

All segments of operational activity are continuing and based in the UK. For management purposes, during 2010 and 2009 the Group was organised into six strategic business units based on the different products and services offered. The segmental information has been prepared in accordance with the accounting policies detailed at note 2. The principal activities are as follows:

Communications	Comprises communication to and on behalf of the membership, ICAS website and central design and production. This segment includes the Information Service. This segment was created on 1 April 2010. This segment does not include any allocation for central support costs.
CA Education	Comprises training and examination of students, leading to the CA qualification. CA Education has a commercial agreement with BPP Holdings plc for the joint provision of training students studying for the Institute's examinations across the United Kingdom. This is a jointly controlled operation with both parties being reimbursed for services provided. The agreement also specifies the method for sharing any surplus or deficit resulting from this activity. This segment does not include any allocation for central support costs.
Member Services	Comprises the supply of products and services to CAs in practice, firms within the CA Practitioner Service and CAs in business. This includes the provision of Business Courses and CA magazine. Production of the CA magazine continued to be outsourced during 2010 but all income is attributable to the Group. This segment does not include any allocation for central support costs.
Regulation & Compliance	Comprises administration of membership records, the Institute's involvement in the issue and control of practising certificates, insolvency permits and audit registration, participation in the Joint Disciplinary Scheme, Accountancy & Actuarial Discipline Board, quality review and in-house ethical, investigation, disciplinary and other legal issues. This segment is responsible for the regulation of member Continuous Professional Development. This segment does not include any allocation for central support costs.

Notes to the Consolidated Financial Statements

4. Segmental Information (continued)

Support Services	Comprises the ICAS support services of Finance, IT, Facilities, Human Resources and Executive. The net cost of this segment is not reallocated for business reporting purposes. This segment provides central services for all the other segments.
Technical Policy	Comprises Research, Accounting & Auditing, Taxation and Insolvency. This segment also includes the operation of the two charitable trusts. This segment does not include any allocation for central support costs.

Assets have been allocated on a basis of usage across all segments. Comparative figures have been restated to reflect reallocations to the Communications Division.

	2010		2009 (restated)	
	Group £'000	Institute £'000	Group £'000	Institute £'000
Subscriptions and operating income				
Communications	14	14	11	11
CA Education	5,036	5,036	4,879	4,879
Member Services	2,199	2,199	2,094	2,094
Regulation & Compliance	8,232	8,232	7,769	7,769
Support Services	59	59	60	60
Technical Policy	16	3	21	5
	15,556	15,543	14,834	14,818
Interest & dividends receivable	94	84	105	94
Total income	15,650	15,627	14,939	14,912

68% of CA Education Operating Income (2009 = 53%) is generated from the three largest customers.

	Notes	2010		2009 (restated)	
		Group £'000	Institute £'000	Group £'000	Institute £'000
Employment costs	5				
Communications		(377)	(377)	(370)	(370)
CA Education		(1,540)	(1,540)	(1,533)	(1,533)
Member Services		(778)	(778)	(673)	(673)
Regulation & Compliance		(1,287)	(1,287)	(1,194)	(1,194)
Support Services		(1,889)	(1,889)	(1,700)	(1,700)
Technical Policy		(717)	(692)	(702)	(677)
Total employment costs		(6,588)	(6,563)	(6,172)	(6,147)

	Notes	2010		2009 (restated)	
		Group £'000	Institute £'000	Group £'000	Institute £'000
Other operating charges					
Communications	6	(304)	(304)	(266)	(266)
CA Education		(1,993)	(1,993)	(2,121)	(2,121)
Member Services		(1,502)	(1,502)	(1,490)	(1,490)
Regulation & Compliance		(993)	(993)	(963)	(963)
Support Services		(3,123)	(3,123)	(2,621)	(2,621)
Technical Policy		(268)	(259)	(251)	(223)
Total other operating charges		(8,183)	(8,174)	(7,712)	(7,684)

Notes to the Consolidated Financial Statements

4. Segmental Information (continued)

	2010		2009 (restated)	
	Group £'000	Institute £'000	Group £'000	Institute £'000
Operating surplus				
Communications	(667)	(667)	(625)	(625)
CA Education	1,503	1,503	1,225	1,225
Membership Services	(81)	(81)	(69)	(69)
Regulation & Compliance	5,952	5,952	5,612	5,612
Support Services	(4,953)	(4,953)	(4,261)	(4,261)
Technical Policy	(969)	(948)	(932)	(895)
Total operating surplus	785	806	950	987

There were no inter-segment transactions during 2010 or 2009.

	2010		2009	
	Group £'000	Institute £'000	Group £'000	Institute £'000
Joint Ventures (included in Operating surplus)				
Operating income	1,545	1,545	1,270	1,270
Employment costs	(165)	(165)	(163)	(163)
Other operating charges	(645)	(645)	(482)	(482)
Operating surplus attributable to the Group	735	735	625	625

Trade payables include £nil (2009 - £32,681) due to BPP Holdings for services provided to the CA training joint venture. Trade payables include £nil (2009 - £nil) due to the Chartered Institute of Bankers for services provided to the investment diploma joint venture.

	Communications	CA Education	Member Services	Regulation & Compliance	Support Services	Technical Policy	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Other Information - 2010							
Property, Plant & Equipment	462	1,521	564	821	2,294	419	6,081
Intangible Assets	9	34	17	25	33	12	130
Investments	-	-	-	-	2,271	456	2,727
Total Non-current Assets	471	1,555	581	846	4,598	887	8,938
Inventories	-	50	2	-	19	-	71
Trade and other Receivables	-	1,359	218	43	401	39	2,060
Cash and Cash Equivalents	-	-	-	-	8,090	271	8,361
Total Current Assets	-	1,409	220	43	8,510	310	10,492
Non-current assets additions							
Property, Plant & Equipment	12	46	23	33	44	42	200
Intangible Assets	8	31	15	22	30	11	117
Investments	-	-	-	-	-	125	125
Total Non-current Assets additions	20	77	38	55	74	178	442
Depreciation	30	96	35	50	150	34	395
Amortisation	5	17	6	9	25	4	66

Notes to the Consolidated Financial Statements

4. Segmental Information (continued)

	Communications	CA Education	Member Services	Regulation & Compliance	Support Services	Technical Policy	Total
(restated)	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Other Information - 2009							
Property, Plant & Equipment	408	1,516	601	865	2,222	400	6,012
AFS Non-current Assets	-	-	-	-	250	-	250
Intangible Assets	4	22	11	16	19	7	79
Investments	-	-	-	-	1,738	370	2,108
Total Non-current Assets	412	1,538	612	881	4,229	777	8,449
Inventories	-	69	2	-	27	-	98
Trade and other Receivables	-	719	147	253	391	6	1,516
Tax refundable	-	-	-	-	5	-	5
Cash and Cash Equivalents	-	-	-	-	7,078	303	7,381
Total Current Assets	-	788	149	253	7,501	309	9,000
Non-current assets additions							
Property, Plant & Equipment	14	70	35	50	60	23	252
Intangible Assets	2	11	6	8	10	4	41
Investments	-	-	-	-	-	226	226
Total Non-current Assets additions	16	81	41	58	70	253	519
Depreciation	27	97	37	53	148	31	393
Amortisation	6	21	8	11	31	5	82

Subscriptions and Operating Income by Product

	2010		2009	
	Group £'000	Institute £'000	Group £'000	Institute £'000
CA training class fees	3,443	3,443	3,302	3,302
Membership subscriptions	5,761	5,761	5,489	5,489
Regulation & Compliance subscriptions	1,617	1,617	1,590	1,590
Regulation & Compliance fine income	346	346	-	-
JDS & AADB levy	393	393	660	660
Business Course fees	1,009	1,009	1,006	1,006
International contracts	21	21	17	17
Magazine advertising & sponsorship	682	682	688	688
Exam fees	946	946	1,026	1,026
Training contracts	444	444	490	490
Other	881	881	550	550
	15,543	15,543	14,818	14,818
Charitable Trusts	13	-	16	-
	15,556	15,543	14,834	14,818

Notes to the Consolidated Financial Statements

5. Employment Costs

	2010		2009	
	Group £'000	Institute £'000	Group £'000	Institute £'000
Salaries	5,368	5,348	5,139	5,118
Social security costs	556	554	514	513
Pension costs	634	631	519	516
Compensation for loss of office	30	30	-	-
Staff costs	<u>6,588</u>	<u>6,563</u>	<u>6,172</u>	<u>6,147</u>

Remuneration of the Chief Executive & Secretary

The Chief Executive & Secretary receives a salary and benefits package including car allowance, pension scheme allowance and private health care. In addition, the Institute at its discretion makes an annual non-consolidated bonus payment.

Anton Colella is not a member of either the Defined Benefit Scheme or the Defined Contribution Scheme, but rather an amount based on an agreed percentage of salary (as determined by the Remuneration Committee) is paid into a personal pension plan.

The remuneration of the Chief Executive & Secretary and Executive Directors is disclosed below:

	Executive Directors (excluding CEO)		Anton Colella	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Salary	486	394	188	189
Bonus	49	45	42	41
Car / Car allowance, etc.	51	42	11	11
Pension	52	43	28	28
Compensation for loss of office	30	-	-	-
	<u>668</u>	<u>524</u>	<u>269</u>	<u>269</u>

Employees

The number of full-time equivalent (FTE) employees at 31 December 2010 was 141.0 (2009 – 130.5) and the average number of employees during the year was 137.3 (2009 – 130.3), made up as follows:

	2010		2009 (restated)	
	Group No.	Institute No.	Group No.	Institute No.
Communications	9.2	9.2		
CA Education	35.8	35.8	35.1	35.1
Member Services	18.0	18.0	23.5	23.5
Regulation & Compliance	26.2	26.2	22.8	22.8
Support Services	34.5	34.5	33.7	33.7
Technical Policy	13.6	12.6	15.2	14.2
	<u>137.3</u>	<u>136.3</u>	<u>130.3</u>	<u>129.3</u>

The 2009 comparative figures have been restated for the inclusion of the Communications Division.

Notes to the Consolidated Financial Statements

6. Other Operating Charges

	2010		2009	
	Group £'000	Institute £'000	Group £'000	Institute £'000
External contractor (mainly CA Education & Business Courses)	1,901	1,890	1,868	1,857
Rent & venue hire	993	985	1,008	1,006
Paper, print & magazine production	801	801	866	866
Travel, accommodation & hospitality	826	825	652	650
Pension related costs	227	227	11	11
Training, recruitment & other related costs	337	337	205	205
Depreciation & amortisation	461	461	475	475
Subscription charges	508	532	473	473
Joint Disciplinary Scheme provision (released)	(4)	(4)	(44)	(44)
AADB provision created	393	393	465	465
Property Costs	307	307	273	273
Postage & courier	147	147	167	167
Rates	253	253	316	316
Advertising & Promotions	122	122	111	111
IT Maintenance	186	186	156	156
Unrecovered VAT	130	130	123	123
Telephone	125	125	118	118
Research Projects	73	73	114	114
Regulatory Costs	20	20	25	25
Grants	107	-	61	-
Insurance	52	50	49	49
SATER donation	-	100	-	34
Other	218	214	220	234
	8,183	8,174	7,712	7,684

7. Finance Income

	2010		2009	
	Group £'000	Institute £'000	Group £'000	Institute £'000
<i>Interest income</i>				
Current account	16	16	16	15
Deposit account	26	26	38	38
	42	42	54	53
<i>Dividend income</i>				
Treasury Stock	11	9	9	9
Equity	41	33	42	32
	52	42	51	41
Total finance income	94	84	105	94

Notes to the Consolidated Financial Statements

8. Surplus from Operations

Surplus from Operations has been arrived at after charging/ (crediting):

	2010		2009	
	Group £'000	Institute £'000	Group £'000	Institute £'000
Total charges/(credits) include:				
Depreciation of property, IT equipment, furniture and motor vehicles (Note 10)	395	395	393	393
Amortisation of intangible assets (Note 12)	66	66	82	82
Staff Costs (Note 5)	6,588	6,563	6,172	6,147
(Gain)/Loss on sale of plant & equipment	(8)	(8)	-	-
(Gain)/Loss on sale of investments	(8)	-	25	-
Cost of inventories recognised as expenses	178	178	294	294
Auditors' remuneration (see below)	32	31	42	39
Grants awarded	133	-	61	-
Prizes awarded	2	-	10	-
Operating lease charges				
- Land and buildings	263	263	259	259

The amount payable to Scott-Moncrieff by the Institute in respect of non-audit services was £3k (2009 - £12k). A more detailed analysis of auditor's remuneration is provided below:

	2010		2009	
	£'000	%	£'000	%
Audit service – Institute	28	88%	27	64%
Audit service – Charitable Trusts	1	3%	3	7%
Tax compliance services	3	9%	3	7%
Tax planning	-	-	5	12%
Other	-	-	4	10%
	32	100%	42	100%

In addition to the amounts shown above, the Auditors will receive £2,880 (2009 - £3,300) for the audit of the Retirement Benefits Pension Scheme. This is included in Pension related costs (Note 6) from 2010.

A description of the work of the Audit Committee is set out in the Corporate Governance Statement on pages 1 to 5, and includes an explanation of how auditor objectivity and independence is safeguarded when non-audit services are provided.

9. Taxation

	2010		2009	
	Group £'000	Institute £'000	Group £'000	Institute £'000
Current tax				
Current UK Corporation Tax	19	19	12	12
Prior year over payment	-	-	(130)	(130)
Prior year under provision	8	8	7	7
	27	27	(111)	(111)

Notes to the Consolidated Financial Statements

9. Taxation (continued)

	2010		2009	
	Group £'000	Institute £'000	Group £'000	Institute £'000
Deferred tax				
Current year charge	5	5	-	-
Taxation charge	32	32	(111)	(111)

The 2009 taxation credit of £111k includes £130k refunded from HMRC in respect of over payments in the years 2003 to 2007, inclusive. The over statement of the tax charge in respect of previous years relates to a correction of the classification of bank interest received in prior years' computations. The amount was not considered material in relation to any prior financial year and was therefore treated as a current year item.

In addition to the amount charged to the Income Statement for accelerated depreciation, net Deferred Tax relating to the revaluation of the Institute's Land and Buildings, Listed Investments (net of allowances for indexation), AFS* Non-current Assets and the Retirement Benefit Obligation amounting to £49k (2009 = £53k) has been charged directly to Reserves (see Note 23).

* Available for sale

The charge for the year can be reconciled to the Surplus per the Income Statement as follows:

	2010		2009	
	£'000	%	£'000	%
Surplus before tax	<u>887</u>		<u>1,030</u>	
Tax at the UK corporation tax rate of 21.0% (2009 – 21.0%)	187		216	
Tax effect of additional pension contribution	(60)		(64)	
Tax effect of mutual activity	(99)		(136)	
Franked investment income not taxable	(4)		(4)	
Under/(over) provision of tax in previous years	8		(123)	
Tax charge/(credit) and effective tax rate for the year	<u>32</u>	3.6%	<u>(111)</u>	(10.8%)

10. Property, Plant & Equipment

All Tangible Assets relate to the Institute.

The freehold property was valued by expert professional independent advisers at 31 December 2010. The valuation was in accordance with the RICS Appraisal and Valuation Standards, published by The Royal Institution of Chartered Surveyors on the basis of market value. Valuations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the Balance Sheet date. The Revaluation surplus is disclosed in Note 23.

Land to the south of CA House was subject to Compulsory Purchase Order on 9th November 2007 by the City of Edinburgh Council. ICAS is in the process of progressing a statutory compensation claim in accordance with its statutory rights under the Tramline Act to obtain compensation. After consulting with professional advisers, a reliable estimate for this cannot be provided at this time.

At 31 December 2010 had the Land and Buildings been carried at historical cost less accumulated depreciation and accumulated impairment losses, their carrying amount would have been £3,155k (2009 – £3,265k).

Notes to the Consolidated Financial Statements

The historic cost of CA House is stated net of a grant of £1,800,000 received from The Scottish Chartered Accountants' Trust for Education (SCATE). The Institute agreed with the Trustees of SCATE at the date of the grant that it would devote at least one third of the net floor area to the purposes of education and research in accountancy, finance and management. Prior to 30 June 2010, a revised undertaking was entered into which retains the objective of the original undertaking, but provides ICAS some greater flexibility as to how it could meet that objective. SCATE was wound up on 30 June 2010 and its assets, liabilities and operations transferred to SATER. The transfer included the revised ICAS undertaking to SCATE, that undertaking therefore now being to SATER.

The Group's obligations under finance leases (Note 21) are secured by the lessors' title to the leased assets, which have a carrying value of £48k (2009 – £89k). There were no additions to finance lease assets in 2010 (2009 - £124k).

The Institute's collection of Antiquarian Books, dating from 1494, which have been acquired by or donated to the Institute has a net book value of £nil. There are restrictions over the Institute's rights regarding the collection, which is on deposit at the National Library of Scotland and is accessible to the public on request.

	Land (Fair Value) £'000	Buildings (Fair Value) £'000	IT Equipment (Cost) £'000	Furniture (Cost) £'000	Motor Vehicles (Cost) £'000	Total £'000
Cost or valuation:						
1 January 2009	800	4,550	1,028	674	22	7,074
Additions	-	-	206	46	-	252
Disposals at cost/valuation	-	-	(14)	-	-	(14)
Surplus on revaluation	-	100	-	-	-	100
1 January 2010	800	4,650	1,220	720	22	7,412
Additions	-	-	158	16	26	200
Disposals at cost/valuation	-	-	(190)	-	(22)	(212)
Surplus on revaluation	-	100	-	-	-	100
31 December 2010	800	4,750	1,188	736	26	7,500
Depreciation:						
1 January 2009	-	-	816	355	8	1,179
Provided in year - historic	-	110	153	75	7	345
Provided in year – revaluation	-	48	-	-	-	48
Disposals	-	-	(14)	-	-	(14)
Eliminated on revaluation	-	(158)	-	-	-	(158)
1 January 2010	-	-	955	430	15	1,400
Provided in year – historic	-	110	151	69	10	340
Provided in year – revaluation	-	55	-	-	-	55
Disposals	-	-	(189)	-	(22)	(211)
Eliminated on revaluation	-	(165)	-	-	-	(165)
31 December 2010	-	-	917	499	3	1,419
NBV at 31 December 2010	800	4,750	271	237	23	6,081
NBV at 31 December 2009	800	4,650	265	290	7	6,012

11. Available for Sale Non-current Assets

Available for sales (AFS) non-current assets consist of artwork and relate to the Institute

	Total £'000
Cost or valuation:	
1 January 2009	250
Loss on revaluation	-
1 January 2010	250
Reclassification	(250)
31 December 2010	-

Artwork has been reclassified as Investments as it was not actively marketed during 2010 and Council no longer consider a sale highly probable.

Notes to the Consolidated Financial Statements

12. Intangible Assets

All Intangible Assets belong to the Institute.

	Total £'000
Cost:	
1 January 2009	1,012
Additions	41
Disposals	-
1 January 2010	<u>1,053</u>
Additions	117
Disposals	-
31 December 2010	<u>1,170</u>
	Total £'000
Amortisation:	
1 January 2009	892
Provided in year	82
Disposals	-
1 January 2010	<u>974</u>
Provided in year	66
Disposals	-
31 December 2010	<u>1,040</u>
NBV at 31 December 2010	<u>130</u>
NBV at 31 December 2009	<u>79</u>

Intangible Assets relate to software and associated consultancy costs incurred in maintaining the Institute's information and reporting systems. Such assets are amortised over their expected useful lives.

13. Non-current Investments

All non-current Investments belong to the Institute.

	2010		2009	
	Shareholding %	Cost £	Shareholding %	Cost £
The Accountants' Publishing Company Limited:	-	-	100.0	50
This company was dissolved on 11 February 2010				
CCAB Limited:	7.3	73	7.3	73
The Consultative Committee of Accountancy Bodies undertakes activities of mutual interest to the six major accountancy bodies in the British Isles.				
Joint Monitoring Unit Limited:	-	-	-	-
This company was dissolved on 2 June 2009.				
Chartered Accountants Compensation Scheme Limited:	10.0	100	10.0	100
Administers and evaluates claims for compensation arising from the obligations of the three Institutes of Chartered Accountants as Recognised Professional Bodies under the Financial Services Act 1986.				
		<u>173</u>		<u>223</u>

Council considers that the fair value of Unlisted Investments is equal to cost.

The Institute does not hold any financial investment in the Charitable Trusts listed at Note 2, Basis of Consolidation.

Notes to the Consolidated Financial Statements

14. Investments

	2010		2009	
	Group £'000	Institute £'000	Group £'000	Institute £'000
Available for sale investments at fair value				
As at 1 January	2,108	1,738	1,669	1,389
Additions	125	-	226	-
Disposals	(82)	-	(192)	-
Unrealised gain/(loss) on revaluation	326	283	405	349
As at 31 December	<u>2,477</u>	<u>2,021</u>	<u>2,108</u>	<u>1,738</u>
Artwork at fair value				
As at 1 January	-	-	-	-
Unrealised gain/(loss) on revaluation	250	250	-	-
As at 31 December	<u>250</u>	<u>250</u>	<u>-</u>	<u>-</u>
Total Investments at fair value				
As at 31 December	<u>2,727</u>	<u>2,271</u>	<u>2,108</u>	<u>1,738</u>

All Available for Sale Investments are Listed Investments and the historical cost of these investments at 31 December 2010 was £1,147k (2009 - £1,210k). The listed investments are valued monthly to market value (bid price). Following the 1 January 2008 triennial valuation a security to the value of £633,000 was granted over the Institute's investment portfolio, in favour of the Defined Benefit Retirement Benefit Scheme. The artwork was previously classed as Available for Sale Non-current Assets but has been re-classed as these items were not actively marketed during 2010. The artwork was donated to the Institute and revalued at 31 December 2010 by Sothebys.

15. Inventories

	2010		2009	
	Group £'000	Institute £'000	Group £'000	Institute £'000
Consumables	21	21	29	29
Goods for resale	50	50	69	69
	<u>71</u>	<u>71</u>	<u>98</u>	<u>98</u>

16. Other Financial Assets

Trade & Other Receivables

	2010		2009	
	Group £'000	Institute £'000	Group £'000	Institute £'000
Amount receivable for the sale of goods and services	1,620	1,620	899	899
Other debtors	83	44	289	274
Prepayments	357	356	328	328
	<u>2,060</u>	<u>2,020</u>	<u>1,516</u>	<u>1,501</u>

Trade and Other Receivables at the Balance Sheet date represent the amounts outstanding from the sale of goods and services, the amounts processed throughout the year totalling £7,592k (2009 - £7,816k).

Trade Receivables for goods and services provided at the balance sheet date represent an average credit period of 64 days (2009 - 42 days). The high average credit period at 31 December 2010 has resulted from circumstances which are not expected to continue into 2011. No interest is charged on the receivable amounts. Included in the Group's trade receivable balance are overdue balances totalling £1,269k (2009 - £583k). Council considers all balances to be fully recoverable with no provision for doubtful debts at the balance sheet date.

Notes to the Consolidated Financial Statements

16. Other Financial Assets (continued)

Ageing of past due but not impaired receivables	2010		2009	
	Group £'000	Institute £'000	Group £'000	Institute £'000
30 – 60 days	575	575	345	345
60 – 90 days	319	319	161	161
90 – 120 days	212	212	33	33
120+ days	163	163	44	44
	1,269	1,269	583	583

Before accepting any significant new customer, the Group uses an external credit scoring system to assess the potential customer's credit rating and defines credit limits by customer. Aged debt is monitored by the ICAS Credit Controller, with overdue balances followed up on a timely basis. £800k of overdue debts result from a single overdue balance which is not considered to be at risk of non-payment. Of the trade receivables balance at the year end, £1,137k (2009 - £423k) is due from the four largest customers. There are no other customers who represent more than 4.7% (2009- 5%) of the total balance of trade receivables.

Council considers that the carrying amount of Trade & Other Receivables approximates to their fair value.

Cash & Cash Equivalents

	2010		2009	
	Group £'000	Institute £'000	Group £'000	Institute £'000
Cash at bank	8,356	8,083	7,378	7,075
Cash on hand	5	5	3	3
	8,361	8,088	7,381	7,078

Cash and cash equivalents comprise cash held by the Group and short-term bank deposits.

The effective interest rate on the Institute's Bank Deposits was 0.60% (2009 – 0.53%). Interest on SCATE and SATER Bank Deposits earn interest at 0.5% below base rate (2009– base rate less 0.5%).

17. Other Financial Liabilities

Trade and Other Payables at the Balance Sheet date comprise amounts outstanding for trade purchases and ongoing costs. Trade Payables at the year end represents an average of 41 days purchases (2009 – 36 days). Problems with mail deliveries in December 2010, caused by the exceptionally bad weather, delayed the processing of purchase invoices. The Council considers that the carrying amount of Trade Payables approximates to their fair value.

	2010		2009	
	Group £'000	Institute £'000	Group £'000	Institute £'000
Within 1 year:				
Trade payables	282	132	271	182
Taxation and social security costs	597	597	519	519
Amounts held on behalf of Members	21	21	17	17
Accruals – other	1,411	1,395	922	935
	2,311	2,145	1,729	1,653
Greater than 1 year:				
Trade payables	-	-	49	-
	2,311	2,145	1,778	1,653

Notes to the Consolidated Financial Statements

18. Provisions

All provisions relate to the Institute.	AADB Case Costs £'000	JDS case costs £'000	Other costs £'000	Total £'000
At 1 January 2009	-	264	180	444
Utilised in year	-	(127)	(50)	(177)
Additional provision in the year	465	-	41	506
Levy income	465	195	-	660
Levy income released to the Income Statement	(465)	(195)	-	(660)
Released in year	-	(44)	-	(44)
At 1 January 2010	465	93	171	729
Utilised in year	(302)	(89)	(10)	(401)
Additional provision in the year	393	-	102	495
Levy & Fine income	393	346	-	739
Income released to the Income Statement	(393)	(346)	-	(739)
Released in year	-	(4)	-	(4)
At 31 December 2010	556	-	263	819
Analysed as follows:				
Within 1 year	454	-	159	613
Greater than 1 year	102	-	104	206
	556	-	263	819

The AADB provision is based on the estimated cost to the Institute of investigations by the Accountancy & Actuarial Discipline Board in respect of cases arising from events up to 31 December 2010. Income has been recognised to match these costs where it is virtually certain. The JDS Scheme ceased on 31 December 2009.

A provision has been established to cover dilapidation charges relating to the Glasgow and London rental properties. A provision has been established for known legal costs payable within one year.

19. Income in Advance

	2010		2009	
	Group £'000	Institute £'000	Group £'000	Institute £'000
Subscriptions in advance	2,718	2,718	2,606	2,606
Class fees and training contracts in advance	906	906	979	979
Regulation fees in advance	695	695	259	259
Other income in advance	61	61	89	89
	4,380	4,380	3,933	3,933
	2010		2009	
	Group £'000	Institute £'000	Group £'000	Institute £'000
Analysed as follows:				
Within 1 year	4,066	4,066	3,605	3,605
Greater than 1 year	314	314	328	328
	4,380	4,380	3,933	3,933

Notes to the Consolidated Financial Statements

20. Deferred Tax

All Deferred Tax relates to the Institute

	Accelerated Tax Depn £'000	Property Revaln £'000	Revaln of Investments £'000	Retirement Benefit Obligation £'000	Total £'000
At 1 January 2009	22	12	128	-	162
Charge to income	-	-	-	-	-
Charge to reserves	-	3	78	(28)	53
At 31 December 2009	22	15	206	(28)	215
Charge to income	5	-	-	-	5
Charge to reserves	-	(13)	61	-	48
At 31 December 2010	27	2	267	(28)	268

21. Obligation under Finance Leases

All finance leases relate to the Institute

	2010 Group £'000	2009 Group £'000
Minimum lease payments		
Within one year	38	44
In the second to fifth years inclusive	13	51
After five years	-	-
	51	95
Less: future finance charges	(3)	(6)
Present value of lease obligations	48	89
Present value of minimum lease payments		
Within one year	36	42
In the second to fifth years inclusive	12	47
After five years	-	-
	48	89
Analysed as follows:		
Within 1 year	36	42
Greater than 1 year	12	47
	48	89

It is the Group's policy to lease certain of its equipment under finance leases. The average lease term is three years. For the year ended 31 December 2010, the average effective borrowing rate was 2.8% (2009 – 2.8%). Interest rates are fixed at the contract date. All leases are on a fixed repayment basis.

The Group's obligations under finance leases are secured by the lessors' rights over the leased assets as disclosed in Note 10.

22. Retirement Benefits Obligation

Defined Contribution Scheme

The Group established a Defined Contribution Pension Scheme in 2003 for staff not eligible to join the Defined Benefits Pension Scheme (closed to new members from 31 March 2003). The Defined Contribution Pension Scheme is now available to all staff following closure of the Defined Benefits Pension Scheme to future accrual from from 30 September 2010). Contributions to this Scheme are charged to the Income Statement as they are incurred.

Notes to the Consolidated Financial Statements

22. Retirement Benefits Obligation (continued)

	2010		2009	
	Group £'000	Institute £'000	Group £'000	Institute £'000
Defined contribution scheme employer contributions	282	282	223	223
Death in service premiums	41	41	(22)	(22)
Total cost of defined contribution scheme	<u>323</u>	<u>323</u>	<u>201</u>	<u>201</u>

A £72k refund of prior period Death in Service deposits was received during 2009.

Defined Benefit Scheme

The Group operates a Scheme providing benefits based on years of service and a three year average of pensionable salary at retirement. As a result of significantly increased pension servicing costs and contribution levels, it was decided to close this Scheme to new members of staff as at 31 March 2003. The retirement benefits scheme closed to future accrual from 30 September 2010.

The level of contributions required to fund this Scheme is determined by a qualified actuary on a triennial basis using the projected unit method. Under the funding schedule agreed with the scheme trustees, the Group aims to eliminate the current deficit over the next 10 years. The last triennial valuation of the Scheme was carried out as at 1 January 2008.

Key assumptions used at the Balance Sheet date are as follows:	Valuation at	
	2010	2009
Discount rate	5.4%	5.7%
Expected return on plan assets at 31 December	5.3%	5.7%
Future salary increases at 31 December (capped)	3.4%	3.4%
Future pension increases at 31 December (RPI)	3.4%	3.4%
Future pension increases at 31 December (CPI)	2.9%	n/a
Expected future lifespan for members now aged 65		
- Male	21.4	21.3
- Female	23.8	23.7

The mortality assumptions for the current year end follow the table known as PCA00 with medium cohort mortality improvements subject to a 1% minimum to the annual improvements.

Amounts recognised within the Group Income Statement (staff costs) in respect of the defined benefit schemes are as follows:

	2010 £'000	2009 £'000
Current service cost (less contributions from Scheme members)	173	173
Interest on obligation	1,114	1,019
Expected return on scheme assets	<u>(976)</u>	<u>(877)</u>
Total cost of defined benefit scheme	<u>311</u>	<u>315</u>

Actuarial Gains and Losses have been reported in the Statement of Comprehensive Income (cumulative losses reported in the SOCI, SORIE and STRGL between 1 January 2001 and 31 December 2010 of £4,487k).

	2010 £'000	2009 £'000
Experience gain on liabilities	400	323
Impact of change in assumptions	340	(2,724)
Actuarial gain/(loss) on obligation	<u>740</u>	<u>(2,401)</u>
Actuarial gain/(loss) on Scheme assets	<u>665</u>	<u>(939)</u>
	<u>1,405</u>	<u>(3,340)</u>
Asset not recognised in the Balance Sheet *	-	102
	<u>1,405</u>	<u>(3,238)</u>

Notes to the Consolidated Financial Statements

22. Retirement Benefits Obligation (continued)

The actual return on Scheme Assets was a gain of £1,641k (2009 – £62k loss).

The Institute's obligation in respect of its Defined Benefit Pension Scheme is as follows:

	2010 Group £'000	2009 Group £'000
Present value of defined benefit obligation	(19,472)	(19,537)
Fair value of plan assets	<u>18,770</u>	<u>16,912</u>
Liability	<u>(702)</u>	<u>(2,625)</u>

* The 2008 asset was not recognised in the Balance Sheet following the requirements of IAS19 as the Institute was unable to obtain future benefits from the asset. The reversal of this adjustment is reflected through 2009.

Movements in the present value of the Retirement Benefit Obligation in the current period were as follows:

	2010 Group £'000	2009 Group £'000
As at 1 January	(19,537)	(16,435)
Current service cost (less contributions from Scheme members)	(173)	(173)
Interest cost	(1,114)	(1,019)
Contribution by Scheme members	(79)	(110)
Actuarial (loss)/gain recognised in the year	740	(2,401)
Benefits paid	691	601
As at 31 December	<u>(19,472)</u>	<u>(19,537)</u>

Movements in the fair value of Scheme Assets in the current period were as follows:

	2010 Group £'000	2009 Group £'000
As at 1 January	16,912	16,537
Expected return on Scheme assets	976	877
Actuarial gain/(loss) recognised in year	665	(939)
Contributions by employer	829	928
Contributions by Scheme members	79	110
Benefits paid	(691)	(601)
As at 31 December	<u>18,770</u>	<u>16,912</u>

Following the 1 January 2008 triennial valuation a security to the value of £633,000 was granted over the Institute's investment portfolio, in favour of the Defined Benefit Retirement Benefit Scheme.

The analysis of the Scheme Assets and Expected Rate of Return at the Balance Sheet date was as follows:

	Expected Return		Fair Value of Assets	
	2010 %	2009 %	2010 £'000	2009 £'000
Equity instruments	7.10%	7.10%	2,003	1,748
Debt instruments	5.09%	5.60%	16,706	15,103
Other assets	0.50%	0.50%	61	61
			<u>18,770</u>	<u>16,912</u>

Notes to the Consolidated Financial Statements

22. Retirement Benefits Obligation (continued)

Expected Return on Scheme Assets:

The overall expected long term return on plan assets is a weighted average of the expected long term returns for equity securities, debt securities and other assets. The components are found as follows:

- Expected return on the bonds of 5.09%.
- Expected return on equities of 7.1%.
- Expected return on cash of 0.5%.

This leads to an overall expected rate of return, weighted by asset allocation, of 5.29% for the year to 31 December 2011. The overall expected rate of return for the year to 31 December 2010 was 5.7%.

The five year history of Experience Adjustments is as follows:

	2006	2007	2008	2009	2010
	£'000	£'000	£'000	£'000	£'000
Present value of defined benefit obligation	(16,286)	(16,218)	(16,435)	(19,537)	(19,472)
Fair value of scheme assets	14,373	14,753	16,537	16,912	18,770
(Deficit)/Surplus in the Scheme	(1,913)	(1,465)	102	(2,625)	(702)
Experience gains/(losses) on liabilities	(109)	64	(60)	323	400
Percentage of scheme liabilities	(1%)	0%	0%	1.7%	2.1%
Experience (losses)/gains on assets	(1,177)	(1,126)	690	(939)	665
Percentage of scheme assets	(10%)	(8%)	4%	(5.6%)	3.9%
Impact from change in assumptions	1,051	994	398	(2,724)	340

The contributions paid into the Scheme during the year totalled £908k (2009 - £1,038k).

The estimated amounts of contributions expected to be paid to the scheme during 2011 is £644k.

23. Reserves Reconciliation

Group

	Total General Funds £'000	Restricted Funds £'000	Property Revaln Reserve £'000	Invest Revaln Reserve £'000	Total £'000
At 1 January 2009	6,661	207	1,964	735	9,567
Transfer from Income Statement	1,151	(10)	-	-	1,141
Actuarial loss recognised in SOCI*	(3,238)	-	-	-	(3,238)
Unrealised gain on investments	-	(16)	-	421	405
Revaluation of freehold P,P & E**	-	-	258	-	258
Transfer for revaluation depreciation	48	-	(48)	-	-
Deferred tax arising on revaluation	28	-	(3)	(78)	(53)
As at 1 January 2010	4,650	181	2,171	1,078	8,080
Transfer from Income Statement	731	124	-	-	855
Actuarial gain recognised in SOCI*	1,405	-	-	-	1,405
Unrealised gain on investments	-	-	-	326	326
Revaluation of freehold P,P & E**	-	-	265	-	265
Transfer for revaluation depreciation	54	-	(54)	-	-
Deferred tax arising on revaluation	-	-	13	(61)	(48)
Reallocation between funds	182	(154)	-	(28)	-
At 31 December 2010	7,022	151	2,395	1,315	10,883

The Institute General Fund includes £730,000 earmarked for the specific purpose of AADB costs. £600,000 was brought forward from 2009, with the remainder allocated from the 2010 Surplus.

The Restricted Fund is for the purpose of granting prizes for student examinations of the Institute and various universities and for financial assistance for university students from the Dumfries & Galloway area seeking to study accountancy or finance.

Notes to the Consolidated Financial Statements

23. Reserves Reconciliation (continued)

Institute	Total General Funds £'000	Property Revaln Reserve £'000	Invest Revaln Reserve £'000	Total £'000
At 1 January 2009	6,305	1,964	740	9,009
Transfer from Income Statement	1,192	-	-	1,192
Actuarial loss recognised in SOCI*	(3,238)	-	-	(3,238)
Unrealised gain on investments	-	-	349	349
Revaluation of freehold P,P & E**	-	258	-	258
Transfer for revaluation depreciation	48	(48)	-	-
Deferred tax arising on revaluation	28	(3)	(78)	(53)
As at 1 January 2010	4,335	2,171	1,011	7,517
Transfer from Income Statement	858	-	-	858
Actuarial gain recognised in SOCI*	1,405	-	-	1,405
Unrealised gain on investments	-	-	283	283
Revaluation of freehold P,P & E**	-	265	-	265
Transfer for revaluation depreciation	54	(54)	-	-
Deferred tax arising on revaluation	-	13	(61)	(48)
At 31 December 2010	6,652	2,395	1,233	10,280

The Investment Revaluation Reserve includes £148k (2009 - £147k) unrealised gains on artwork which was previously shown in a separate reserve.

* SOCI – Statement of Comprehensive Income

** P, P & E – Property, Plant & Equipment

24. Financial Instruments

Capital risk management

The capital structure of the Group consists of cash and cash equivalents, as disclosed in Note 16. The Group has no debt. The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern.

Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset and liability, are disclosed in Note 2 to the financial statements.

Categories of financial instruments

	2010		(restated) 2009	
	Group £'000	Institute £'000	Group £'000	Institute £'000
Financial assets				
Trade receivables	1,620	1,620	899	899
Other receivables	409	369	617	602
Cash and cash equivalents	8,361	8,088	7,381	7,078
Investments	2,727	2,271	2,358	1,988
	13,117	12,348	11,255	10,567
Financial Liabilities				
Trade and other payables	(2,311)	(2,145)	(1,778)	(1,653)
Obligations under finance leases	(48)	(48)	(89)	(89)
	(2,359)	(2,193)	(1,867)	(1,742)

A security of £633,000 has been granted over the ICAS investment portfolio in favour of the Defined Benefit Retirement Benefit Scheme.

Notes to the Consolidated Financial Statements

24. Financial Instruments (continued)

Financial risk management objectives

A treasury policy has been established which sets out the financial objectives of the Group. The Executive Team monitors and manages the financial risks relating to the operations of the Group through internal management reports.

Market risk

The Group's market risk is primarily attributable to fluctuations in interest rates. This is currently limited to interest on cash and cash equivalents.

Interest rate sensitivity analysis	2010		2009	
	Group £'000	Institute £'000	Group £'000	Institute £'000
Impact of 0.5% interest rate movement on Group surplus	40	40	53	51

Equity price risk

The Group is exposed to equity price risk arising from equity investments. These investments present the Group the opportunity for return through dividend income and trading gains. Equity investments designated as available for sale are held for strategic rather than trading purposes. The Group does not actively trade in these investments.

Equity price sensitivity analysis	2010		2009	
	Group £'000	Institute £'000	Group £'000	Institute £'000
Impact of 5% price movement on Group reserves	124	101	105	87

Credit risk management

The Group's credit risk is primarily attributable to its trade receivables. Maximum credit risk exposure is limited to the carrying amount recognised in the balance sheet.

Risk is managed by assessment of all significant new customers prior to agreement to trade and regular review of overdue debt by operational management.

Trade receivables consist of a large number of customers principally based in the UK. Credit risk is considered to be low overall due to the financial standing and reputation of the organisations concerned, combined with historical trading experience.

The table below shows the total balance of the major customers at the balance sheet date:

Customer category	2010		2009	
	Group £'000	Institute £'000	Group £'000	Institute £'000
CA Training Firms	1,139	1,139	595	595

Liquidity risk

Ultimate responsibility for liquidity risk management rests with Council. The Group manages liquidity risk by maintaining both short and long term cash flow forecasts. The Group's current and deposit accounts are held with a range of banks to optimise the Group returns.

The financial risk on liquid funds is mitigated by the spreading of deposits over a range of major clearing banks.

Fair value of financial instruments

The carrying amounts of all financial assets and financial liabilities recorded in the financial statements approximate their fair value. Available for sale investments are classed as level 1, in the fair value hierarchy, being valued at closing quoted market (bid) price. Artwork was valued by Sothebys based on recent sales. A maturity analysis of financial liabilities is set out in Note 17.

Notes to the Consolidated Financial Statements

25. Commitments under Operating Leases

At 31 December the Group had outstanding total commitments for future minimum lease payments under non-cancellable operating leases as follows:

	2010		2009	
	Group £'000	Institute £'000	Group £'000	Institute £'000
Land and Buildings:				
Expiring within one year	140	236	190	190
Expiring between two and five years	180	180	180	180
Expiring beyond five years	-	-	-	-

Operating lease payments represent rentals payable by the Institute for its Glasgow and London properties. The Glasgow property lease is negotiated for 8 years. The London property licence is on three months notice and includes payments for routine servicing and maintenance of the building. It is impracticable to separate these amounts.

26. Capital Commitments

The Group had Capital Commitments, not provided in the Financial Statements as at 31 December as follows:

	2010		2009	
	Group £'000	Institute £'000	Group £'000	Institute £'000
IT equipment	14	14	3	3

27. Contingent Liabilities and Guarantees

The Institute, together with The Institute of Chartered Accountants in England and Wales (ICAEW) and The Institute of Chartered Accountants in Ireland (ICAI), has a commitment to the Chartered Accountants Compensation Scheme Limited (CACSL) in respect of its agreed 6.61% share of claims for compensation and administration costs, of amounts up to but not exceeding £10,000,000 in any one year. The Institute and the other participants in CACSL have entered into an agreement with the bankers of CACSL to guarantee a facility, which would enable CACSL to meet its obligations in respect of the first £2,500,000. Payments for individual claims are limited to a maximum of £50,000. The Institute's share of the costs of the Scheme and agreed claims is recovered from those who were authorised by the Institute under the Financial Services Act 1986 and licensed by the Institute under the Financial Services and Markets Act 2000.

The Institute is, from time to time, in receipt of or threatened with legal action from Members who are, or have recently been, the subject of investigation or disciplinary matters. Legal advice is routinely sought in connection with these cases and the prospect of success assessed on a case by case basis.

The Institute has entered into a case cost agreement with the Accountancy & Actuarial Discipline Board Scheme (previously Accountancy Investigations & Discipline Board) whereby the Institute indemnifies the AADB for any costs which the Scheme incurs in the investigation and disciplining of Members involved in public interest cases. Any such costs would be allocated from the General Fund. At the date of signing the Financial Statements, three cases had been taken for full investigation. The estimated cost of completing the relevant investigation stage has been recognised through Reserves.

The Institute granted a security to the value of £633,000 over the Institute investment assets during 2009 in favour of the Retirement Benefit Scheme. The grant of security is part of the recovery plan which was agreed with the Trustees following the Triennial Valuation as at 1 January 2008.

28. Related Parties

Group

Donations from members to SCABA (2010 - £26,090; 2009 - £30,498), SCATE (2010 - £3,762; 2009 - £10,655) and SATER (2010 - £5,343; 2009 - nil) are collected via the annual membership return and transferred periodically to SCABA, SCATE and SATER. At the Balance Sheet date the Institute held £15,161 (2009 - £16,041) payable to SCABA, £nil (2009 - £5,244) payable to SCATE and £5,343 (2009 - nil) payable to SATER. The Institute pays SCABA's annual administration costs (2010 - £16,085; 2009 - £18,751).

Members of Council, or their firms, are required to pay annual subscriptions, course fees, etc, which are charged on the same basis as all other Members of the Institute. No member of Council, except Public Interest members, has received any payment in respect of service to Council other than by way of reimbursement of expenses incurred.

During 2010 a payment of £30k was paid to one Executive Director as compensation for loss of office.

CONSOLIDATED FIVE YEAR STATEMENTS

	(restated) 2006 £'000	(restated) 2007 £'000	2008 £'000	2009 £'000	2010 £'000
Income					
Subscriptions	4,304	4,552	4,803	5,071	5,408
Admission fees	375	491	581	704	641
Practising certificates and insolvency permits	620	636	624	614	655
Discipline levy & fine income	145	164	188	660	739
Training contract registrations	378	455	494	497	454
Student education	3,985	4,504	4,527	4,321	4,452
Members services and public courses	1,485	1,679	1,582	1,279	1,274
Donations	30	18	18	6	4
Other income (including finance income)	2,428	2,460	2,591	1,787	2,023
Total income	13,750	14,959	15,408	14,939	15,650
Expenditure	(12,855)	(13,935)	(14,145)	(13,909)	(14,763)
Surplus on ordinary activities	895	1,024	1,263	1,030	887
Taxation (charge)/credit	25	(14)	(25)	111	(32)
Surplus on ordinary activities after taxation	920	1,010	1,238	1,141	855

All figures prior to 2007 have been restated to reflect the consolidation of the Charitable Trusts and the reclassification of charges to the ICAS/BPP joint arrangement by BPP Holdings.

Annual Subscription and Other Fees:	2006 £	2007 £	2008 £	2009 £	2010 £
Annual subscription for Members resident in the EU plus the Channel Islands and Isle of Man	350	360	369	382	388
Annual subscription for Members resident elsewhere	204	209	214	222	225
Admission fee	730	748	767	794	806
Practising certificate fee	424	433	418	434	465
Insolvency permit fee*	885-2,035	908-2,086	930-2,138	967-2,224	982 – 2,386
Training contract registration fee	456	470	489	509	509

* The Insolvency permit fee and Monitoring fee are consolidated into one fee and charged on a sliding scale related to each practitioner's fee income.

Members and Student Numbers at year end:	2006 No.	2007 No.	2008 No.	2009 No.	2010 No.
Members	16,170	17,083	17,670	18,278	18,842
Students	3,187	3,456	3,466	3,119	2,906

CONSOLIDATED FIVE YEAR STATEMENTS (continued)

Analysis of Members and Students as at 31 December 2010:

	Scotland	Rest of UK	Overseas (including Northern Ireland & Isle of Man)	Total	%
	No.	No.	No.	No.	
Principals in practice	1,298	336	190	1,824	9.7
Employed in practice	1,519	1,645	382	3,546	18.8
Commerce/industry	4,324	2,729	1,260	8,313	44.1
Others	919	533	281	1,733	9.2
Retired	2,000	950	476	3,426	18.2
Members	<u>10,060</u>	<u>6,193</u>	<u>2,589</u>	<u>18,842</u>	<u>100.0</u>
Students	<u>1,190</u>	<u>1,677</u>	<u>39</u>	<u>2,906</u>	