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**ASSOCIATION OF CHARTERED CERTIFIED ACCOUNTANTS
FIVE YEAR SUMMARY**

ACCA and subsidiaries

	2001 £'000	2002 £'000	2003 £'000	2004 £'000	2005 £'000
Operating income	<u>41,020</u>	<u>45,971</u>	<u>52,627</u>	<u>59,745</u>	<u>68,706</u>
Operating surplus/(deficit)	(200)	(285)	278	353	1,414
Net investment income	<u>1,230</u>	<u>472</u>	<u>(66)</u>	<u>3,155</u>	<u>606</u>
Surplus before tax	<u>1,030</u>	<u>187</u>	<u>212</u>	<u>3,508</u>	<u>2,020</u>
Fixed assets					
Property, plant and equipment	13,148	13,822	13,908	13,740	13,377
Available-for-sale investments	<u>9,010</u>	<u>6,937</u>	<u>8,719</u>	<u>9,307</u>	<u>19,276</u>
	<u>22,158</u>	<u>20,759</u>	<u>22,627</u>	<u>23,047</u>	<u>32,653</u>
Accumulated fund	10,117	10,450	10,855	14,184	16,186
Fair value reserves	<u>6,568</u>	<u>5,063</u>	<u>6,178</u>	<u>4,688</u>	<u>6,100</u>
Net assets	<u>16,685</u>	<u>15,513</u>	<u>17,033</u>	<u>18,872</u>	<u>22,286</u>

MEMBERS AND STUDENTS

	2001	2002	2003	2004	2005
Members	86,929	95,416	98,283	104,613	109,588
Students and affiliates	<u>185,392</u>	<u>205,099</u>	<u>221,083</u>	<u>240,741</u>	<u>260,644</u>
	<u>272,321</u>	<u>300,515</u>	<u>319,366</u>	<u>345,354</u>	<u>370,232</u>

ASSOCIATION OF CHARTERED CERTIFIED ACCOUNTANTS OPERATING AND FINANCIAL REVIEW

INTRODUCTION

The Operating and Financial Review (OFR) for the year to 31 December 2005 has been prepared by Council to help members to assess the strategies adopted by ACCA and the potential for those strategies to succeed.

In preparing this year's review, Council is aware that, in December 2005, the UK Government decided to repeal the regulations that require UK listed companies to publish an OFR. In response to this announcement, the Accounting Standards Board's (ASB) withdrew its Reporting Standard on the matter and in January 2006, replaced it with a new best practice Reporting Statement. While ACCA is not required to prepare an OFR, either by law or any other means, Council considers that the OFR remains a benchmark for transparent year end reporting by public interest entities. As an organisation which is accountable to the wider public as well as to its own members, Council has decided that ACCA should continue to prepare an OFR. In preparing this review, Council has had regard to the ASB's Reporting Statement on the OFR.

ACCA's policy on corporate governance is set out separately at the end of the consolidated accounts.

BUSINESS, OBJECTIVES AND STRATEGY

ACCA is a professional accountancy body which awards international qualifications. It regulates members, students and public practices, and holds examinations twice a year in nearly 140 countries.

Council's goal is for ACCA to be the leading global professional accountancy body by reputation, influence and size. It therefore:

- provides opportunity and access to people of ability around the world and supports members throughout their careers
- achieves and promotes the highest professional, ethical and governance standards
- advances the public interest, and
- strives to be a global leader in the profession.

During 2005, Council further considered and refined ACCA's strategies. The three strategic imperatives required to deliver ACCA's goal are:

- reputation and influence
- member engagement and support
- focused growth.

In support of its objectives to 2010, Council has established strategic key performance indicators (KPIs) which underpin sustainable growth and development:

- the reputation and levels of awareness of ACCA among accountants and employers
- stakeholder satisfaction, particularly among members
- growth in student and member numbers.

OPERATING REVIEW

i) Reputation and influence

Council has placed reputation and influence at the fore of ACCA's long-term goal. This is critical to attract the best students, employers and also staff. This is consistent with research which suggests that a strong reputation enhances competitive advantage.

Public interest

ACCA works in the public interest by fulfilling its responsibilities under law, external regulatory procedures and its own constitution and rules to ensure that members comply with the highest professional standards in their work. ACCA is a major stakeholder in the UK independent regulatory structure and has built constructive relationships with the Financial Reporting Council (FRC) and its constituent boards on regulatory and technical matters.

ASSOCIATION OF CHARTERED CERTIFIED ACCOUNTANTS OPERATING AND FINANCIAL REVIEW (continued)

At the international level, ACCA sits on the International Federation of Accountants (IFAC) board and supports its work, especially in education, developing nations, small business and sustainability. ACCA plays a major role in regional groups of accountants such as the Eastern Central and Southern Africa Federation of Accountants (ECSAFA), the Federation of European Accountants (FEE), the InterAmerican Accounting Association (IAA) and the Southern Eastern European Partnership on Accounting Development (SEEPAD). In 2005, two ACCA members were appointed to IFAC committees: Japheth Katto was appointed to the Compliance Advisory Panel and Laura Ipacs was appointed to the International Accounting Education Standards Board (IAESB).

As part of its role as a representative professional body, ACCA advises and makes representations to governments, regulators and standards-setters around the world on the drafting of national and international standards on technical, ethical and educational matters. ACCA has been an active supporter of the convergence process for accounting, auditing and ethical standards in relation to International Financial Reporting Standards (IFRS) and International Standards of Auditing (ISA). Council believes that, as an international body, ACCA should continue to support the efforts of global standards-setters. In 2005, a submission was made on the Auditing Profession Bill in South Africa. ACCA attended a consultative meeting in Zambia on provisions for accountants in the Companies Act and obtained recognition in the draft Accountancy Bill in Rwanda.

As an established international authority on environmental and social reporting, ACCA has continued to campaign for large public interest companies to be transparent in assessing and communicating the impact of their business on society, the environment and the economy through their annual reports. ACCA runs environmental and sustainability reporting awards in Australia, Canada, Ireland, Hong Kong, Malaysia, Mexico, New Zealand, Pakistan, Singapore, South Africa, Sri Lanka, UK and USA. ACCA also provides secretarial support for the European Sustainability Awards scheme. In each of these areas, ACCA works closely with local regulators, accounting firms and interest groups. ACCA is also a member of IFAC's sustainability expert advisory panel and the sustainability working party of FEE and ACCA currently holds the chair of the technical advisory committee of the Global Reporting Initiative. In 2005, ACCA's Chief Executive made a keynote speech at the Chinese People's Political Consultative Conference on sustainable development. ACCA was also a sponsor of Kuwait's first conference on corporate social responsibility and won an EU contract to deliver research and a conference on sustainable business practices in Pakistan.

In November 2005, ACCA launched a new global research strategy whose priorities include improving governance and ethical conduct, integrating reporting standards on a global basis and promoting sustainable and transparent business. In addition, a number of priorities have been identified in specific sectors, for example, promoting accountability in the public sector and championing entrepreneurship in the private sector. These initiatives are consistent with ACCA's overall corporate strategy and objectives.

Partnerships

Partnerships with leading organisations help to strengthen ACCA's reputation and influence, as well as support global growth and delivery. A significant development in 2005 was the signing of a new five year mutual recognition agreement with the Institute of Certified Public Accountants of Singapore (ICPAS), building on a successful joint examination scheme. Memorandums of understanding have also been signed with accountancy bodies in Armenia, Egypt, Lebanon, and with educational institutions including Sultan Qaboos University in Oman, Gulf University in Bahrain and HKU Space in Hong Kong. The Chief Executives of six southern African accountancy bodies visited ACCA's headquarters to develop relationships with joint examination scheme partners. In the UK, the accounting technician qualification (CAT) has been placed on the Qualifications and Curriculum Authority (QCA) National Qualifications Framework and publicly funded educational institutions are now eligible for funding to train towards the qualification.

ACCA has a global reputation for its expertise in accounting education. A response to IFAC's IES 8 exposure draft on competence requirements for audit professionals helped to shape the new standard. Working with PricewaterhouseCoopers, ACCA won a major European Union Technical Aid to the Commonwealth of Independent States (TACIS) project to undertake an accounting reform programme to develop International Financial Reporting Standards and accounting education in Russia. Under a new agreement in Cyprus, ACCA is providing a bespoke CPD scheme for members of the Institute of Certified Public Accountants of Cyprus (ICPAC), developing an existing agreement to provide support in the area of monitoring and compliance and a successful joint examination scheme. In Vietnam, ACCA signed a memorandum of understanding with the Vietnam Association of Certified Public Accountants (VACPA) to work in areas such as regulation and CPD.

ASSOCIATION OF CHARTERED CERTIFIED ACCOUNTANTS OPERATING AND FINANCIAL REVIEW (continued)

ACCA's University and College Registration Scheme (UCRS) was introduced five years ago to assure the quality of tuition provided to ACCA students. At the end of 2005, there were 419 recognised institutions: 346 Registered, 25 Premier and 48 Premier Plus. Each subsequent level from Registered to Premier Plus requires higher standards from the tuition provider and more rigorous monitoring by ACCA across a range of criteria. ACCA introduced registered tuition providers for the first time in Canada, Lithuania and Malta.

ACCA Approved Employer

ACCA invests in developing employer relations to enhance the value of ACCA's students and members in employment markets. In addition, the quality of training opportunities provided to students is a key element in the development of professional accountants. In recognition of this, in 2005 ACCA launched a new Approved Employer award which recognises employers who provide high standards of support to train accountants and provide ongoing learning and development opportunities. The award also covers public practice firms authorised to provide training towards ACCA practising certificates and audit qualification. The award was launched in South East Asia via a series of employer conferences. These events significantly raised ACCA's profile in the region with over 350 high level delegates from the finance and human resources professions attending the events. ACCA plans to replicate this success in other markets during 2006. The total number of approved employers is now 7,477 which includes 555 employers who have become Approved Employers under the professional development stream in its first year.

ACCA 2007

In January 2006, ACCA announced its new Professional qualification, which will be first examined in December 2007. Named the ACCA Qualification, it will build on the success of the current programme, which has become the world's fastest-growing international accounting qualification. The new qualification is designed to provide the accounting knowledge, skills and professional values which will deliver finance professionals who are capable of building successful careers across all sectors, whether they are working in the public or private sectors, practising in accounting firms or pursuing a career in business.

This announcement follows an extensive and detailed consultation process which started back in November 2004. In excess of 17,000 members and students took part in the *member competence survey* and *student aspirations survey* which formed the basis of the new qualification proposals. ACCA consulted internationally with members, students, employers, tuition providers, joint scheme partners and regulators and received over 25,000 responses to various research initiatives.

In addition to responding to the needs of stakeholders, ACCA has designed a qualification which embeds the global standards set by the International Federation of Accountants. There is a strong focus on professional values, ethics and governance. These skills are essential as the profession moves towards strengthened codes of conduct, regulation and legislation with an increasing focus on professionalism and ethics in accounting. They will be examined at the highest level in the new ACCA qualification, and will be a core element of students' practical experience requirements.

ii) Member engagement and support

ACCA has 109,588 members in 170 countries. Council wishes to support these members by helping them build networks as well as protect and develop their professional interests. It is committed to increasing technical support to members wherever they live. In addition they are encouraged to become involved with ACCA's development through sitting on committees, working with governments and regulators, and providing expertise on technical matters. To encourage member participation in its affairs, ACCA's one hundredth AGM was held simultaneously in London and Hong Kong, via a satellite link. Furthermore, new seats have been provided on the International Assembly for the Czech Republic, Ethiopia, Hungary, Poland, Romania, Russia, the United Arab Emirates and Vietnam, reflecting ACCA's global growth.

ACCA Realise

IFAC requires its member bodies to introduce mandatory continuing professional education for all accountants from January 2006. ACCA's Continuing Professional Development (CPD) scheme, *ACCA Realise*, fully complies with IFAC's Standard (IES 7) and was successfully launched in 2005, a year ahead of the requirements.

ASSOCIATION OF CHARTERED CERTIFIED ACCOUNTANTS OPERATING AND FINANCIAL REVIEW (continued)

In 2005, ACCA has continued to extend and enhance its training products and services to support members in fulfilling their CPD requirements. Over 1,300 CPD events were held around the world, attracting 77,000 attendees. There is an average of 18,000 ACCA *Realise* homepage users per month accessing the enhanced ACCA *Realise* tools and services including:

- a new online annual CPD return tool, which enables members to submit their CPD record to ACCA
- an ethics website, which gives members practical guidance on ethical questions and dilemmas which they may face
- a number of free members-only bespoke e-learning services
- enhancements to the online coaching tool, the Professional Development Matrix, including a corporate governance framework which helps members to evaluate their development needs and
- enhancements to the knowledge library, including access to all UK and International Accounting Standards.

The expansion of the ACCA *Realise* training products and services for members will continue during 2006 and will include the identification of partnership opportunities which will enhance the range of CPD opportunities to members. An example of such a partnership is ACCA's agreement with the Institute of Internal Auditors (IIA), signed in late 2005 which will explore ways of providing cohesive training support to both organisations.

The ACCA MBA was introduced in 2002 and 55 members graduated in 2005. There are 226 members studying for the MBA in nearly 60 countries. In 2005, 935 ACCA students, affiliates and members were awarded the Oxford Brookes University BSc in Applied Accounting.

iii) Focused growth

Council believes that growth supports ACCA's goal to increase reputation and influence at the global level. To achieve focused growth ACCA must ensure the continued relevance of its core qualifications, pursue sustainable growth strategies and enhance employer and tuition provider relationships. The key performance indicator relating to this is the number of members and students on file.

In 2005, 75,849 students registered with ACCA, an increase on the 2004 figure of 67,800. Members increased from 104,613 in 2004 to 109,588 in 2005. Income from membership subscriptions was £16.9m (2004: £15.7m) and from student and affiliate subscriptions and student examination fees £48.0m (2004: £41.5m). Students and affiliates numbered 260,644 at 31 December 2005, an increase of 8.3% on the figure in 2004 of 240,741. Council expects to maintain growth in students and members in 2006.

There has been further investment in ACCA's network of national offices. In 2005, ACCA opened new offices in Nigeria and Oman, and intends to open an office in Romania in 2006.

Efficient organisation

The successful delivery of ACCA's strategic imperatives requires an organisation which is both efficient and effective.

ACCA has 700 employees in 78 offices and centres worldwide. The ratio of employees to members and student totals is consistent year on year. Council is committed to communicating its goals to employees. ACCA will continue to invest in IT and in its premises and aim continually to improve overall efficiencies.

During 2006 ACCA will further develop its global approach to human resource management. ACCA continues to review its employment policies to ensure best practice is being adopted. A new global HR system will be implemented in 2006. Training has commenced on the new objectives driven performance appraisal system. A modular training programme for managers will be introduced to develop their skills. Expenditure on training was £623,000, up from £440,000 in 2004. During 2006, all employees will be invited to take part in a satisfaction survey.

A new post of Head of Corporate Procurement was created in 2005 in order to build on the work undertaken by external consultants the previous year. Policies, procedures and best practice will be developed in all areas of ACCA's procurement, purchasing and payment processes.

ASSOCIATION OF CHARTERED CERTIFIED ACCOUNTANTS OPERATING AND FINANCIAL REVIEW (continued)

Public policy issues

i) Effective regulation

ACCA seeks to ensure that its members in practice are subject to effective and appropriate regulation wherever they live and work. It identifies those in practice through the practising certificate scheme. Practising certificate holders are required to comply with a number of obligations and are subject to a rolling programme of desktop monitoring.

ACCA is the primary regulator of its members in practice in the UK and Ireland and carries out monitoring visits which meet the requirements of superior regulators. It also carries out quality assurance visits which can lead to the award of the *ACCA Quality Checked* mark. The total number of practice visits carried out in 2005 was 822 (2004: 790). ACCA remains on course to meet superior regulator visit requirements.

Outside the UK and Ireland, national accountancy bodies or agencies are the primary regulators of ACCA's members in practice and ACCA's aim is to work with those regulators, wherever feasible, rather than duplicate their activities. ACCA also works with other regulators to apply best practice. For example, in Cyprus, it works with the Institute of Certified Public Accountants of Cyprus to monitor auditors in line with the EU Eighth Directive. In the United Arab Emirates, ACCA has delivered a project for the Dubai Financial Authority (DFA) to monitor firms of auditors in the Dubai International Financial Centre. In Tanzania, ACCA has signed a co-operation agreement with the National Board of Accountants and Auditors (NBAA) and has carried out visits to firms which the NBAA has observed. Observed visits were also carried out in 2005 in other parts of Africa and the Caribbean. This programme is expected to continue throughout 2006 and ACCA hopes that further formal collaborative arrangements can be put in place with other national regulators. It is also investigating ways to make the *ACCA Quality Checked* scheme available in other countries.

ACCA strives to maintain best practice in the area of disciplinary control. It is committed to openness and transparency in order to protect the public interest; it was the first professional accountancy body to hold hearings in public.

Council appoints a Lay Observer to provide independent oversight of the work of the Professional Conduct Department (which carries out investigations), the independent assessors (who determine whether matters should be referred to disciplinary committee) and the admissions and licensing, disciplinary and appeal committees. In his report to Council for 2004, the Lay Observer, Nigel Barnett, indicated that the system continued to operate fairly and effectively. Nigel Barnett was succeeded by Rosemary Rollason of Field Fisher Waterhouse in January 2005.

During the year, two judicial review findings in respect of matters heard by ACCA's Disciplinary Committee came to a conclusion (although both matters dated back to prior years). In one case, ACCA was successful but in another case a judge quashed the findings of the Disciplinary Committee and remitted matters back to a differently constituted Disciplinary Committee. The matter has yet to be heard by the Committee. ACCA is satisfied that the judgement is specific to the facts of the case in question and that it sets no specific precedents for the operation of the disciplinary scheme.

ACCA remains committed to effective independent oversight of the audit and accountancy profession. It works well with the boards and staff of the UK Financial Reporting Council. In 2005, responsibility for recognised qualifying and supervisory bodies for auditors passed to the Professional Oversight Board for Accountancy, a board of the FRC, with which ACCA is fully co-operating. ACCA has worked to ensure that public interest complaints are brought to the attention of the FRC's Accountancy Investigation and Discipline Board. ACCA has more recently commenced a relationship with the newly formed Irish Auditing and Accounting Supervisory Authority (IAASA).

ASSOCIATION OF CHARTERED CERTIFIED ACCOUNTANTS OPERATING AND FINANCIAL REVIEW (continued)

ii) Environmental policy and performance

ACCA's policy is to minimise energy consumption and waste, maximise the use of recycled materials and to raise the level of environmental awareness among staff. It measures performance against published indicators.

ACCA promotes research into sustainability accounting and reporting and includes such issues in its Professional Scheme syllabus and in its continuing professional development programme. The consultancy firm Environ undertakes an annual independent view of its UK performance on environmental matters. Its verification report for 2005 is attached to the end of the consolidated accounts for members' information. ACCA's main impact relates to printing and distribution costs associated with the magazines provided to increasing numbers of members and students around the world.

Council remains committed to improving ACCA's performance on social and environmental matters and to maintaining its position as the global centre of excellence on sustainability reporting and corporate social responsibility (CSR). An in-house CSR strategy group has been operating since 2004. Details of all ACCA's work in this area can be found at www.accaglobal.com/sustainability

iii) Social and community policies

Since 1918, ACCA has run a charitable trust, The Chartered Certified Accountants' Benevolent Fund (the Fund), which raises and maintains funds to help past and present members of ACCA, and their families, who are experiencing financial hardship. Applications for assistance are considered at regular board meetings. The Fund has provided support to beneficiaries around the world. The costs of administration, including legal expenses, are met by ACCA. Members of the Fund's board of management are not paid for their services.

ACCA's centres are encouraged to play a full part in public life. Reports on their activities for local communities may be found in the annual review. Last year employees helped to raise money to rebuild a school in Sri Lanka, affected by the Asian tsunami, and also supported local charities. The Pakistan office is co-ordinating an appeal to help earthquake victims. ACCA was one of the founders of Boardmatch Ireland which aims to support the development of the voluntary and community sector.

Future prospects

Principal risks

ACCA introduced processes to assess corporate risk in 2003. Council reviews risks and contingency plans. The approach is enhanced by an internal audit department which includes risk evaluations in its programme.

The principal risks facing ACCA are as follows:

- Disruption can be caused by unpredictable events such as SARS and avian flu outbreaks. ACCA takes care to insure itself as far as possible against these risks.
- Reputation can be damaged through information technology and exam delivery failures. Quality control and back up systems help to minimise these risks. In 2005, following the theft of exam scripts, ACCA took steps to reduce the risks associated with the examinations process that had been highlighted by an external review. Also in 2005, ACCA moved its disaster recovery site for IT to a third party location. Business process continuity plans will be reviewed in 2006.
- ACCA's reputation is only as strong as the reputation of its members. The risk of damage to reputation is lessened through rigorous entry requirements and high standards of professional conduct. ACCA seeks to monitor, in various ways, its members in practice and operates an impartial complaints and disciplinary system.
- ACCA has built a network of national offices but the sheer number of countries in which it operates creates a risk of resources being spread too thinly. ACCA has set out criteria for moving into new markets to offset that risk and has reviewed the performance of existing markets. Council believes that these moves will help ACCA to remain competitive.

ASSOCIATION OF CHARTERED CERTIFIED ACCOUNTANTS OPERATING AND FINANCIAL REVIEW (continued)

Competition and market share issues

As an international body, ACCA faces continuous competition from other accountancy bodies, traditionally in mature markets, but increasingly in other markets too.

Although ACCA continues to be the only accountancy body with a global reach and infrastructure, a number of traditional competitors are attempting to develop increased international presence and operations. Often this is specifically targeted at markets and regions where ACCA is strong, in an attempt to dilute ACCA's market share, presence and influence. ACCA is responding to this by ensuring the quality and strength of its relationships in these markets, by demonstrating and delivering high value to members and partners and by continually reviewing opportunities to develop and grow new markets. ACCA continues to build on its global reach, reputation and sound business model to carry it forward and ensure market differentiation.

Throughout 2005, ACCA has been engaged in complex negotiations with the Hong Kong Institute of Certified Public Accountants (HKICPA) to ensure continued statutory recognition of the qualification in Hong Kong. Successful conclusion of these negotiations is important to protect the interests of ACCA members and students in Hong Kong and to reinforce ACCA's long-term contribution to business and the development of the profession in Hong Kong.

Specific factors likely to have a bearing on ACCA's future business

The 2004 OFR discussed in detail the issue of the small company audit. During 2004, the UK government raised the audit exemption threshold from £1m to £5.6m turnover, the maximum allowable under EU law. The new threshold applied to accounting periods ending on or after 30 March 2004. The change means that the overwhelming majority of UK companies are now entitled to publish their accounts without an audit report. In the light of the UK's decision, statutory audit exemption has come under review in countries where ACCA members have statutory audit rights. This development had been expected to lead to a substantial decline in the number of UK practices seeking audit registration from the four Recognised Supervisory Bodies, including ACCA. Numbers have not declined as rapidly as anticipated and ACCA remains the regulator of significant numbers of firms with audit appointments.

FINANCIAL REVIEW

Treasury policy, cash flows and liquidity

ACCA's policy is to grow its asset base to ensure it can provide adequate services to members and students in the long term. The investment portfolio provides finance for major projects and covers unexpected calls on expenditure. In 2005 ACCA transferred £7m into the investment portfolio due to active treasury management plus the disposal proceeds of Glasgow premises. The fund stood at £19.3m at this year end compared with £9.3m at the end of 2004. It is expected that capital expenditure projects are funded from operations. In 2005, ACCA invested £1.7m (2004 £1.0m) in IT and £1.3m (2004 £0.5m) in premises infrastructure. Due to rapid growth, ACCA moved into 30,000 sq. ft. of office space in Glasgow, replacing overcrowded and inefficient premises. ACCA's premises in London are also overcrowded and additional investment is now required.

In the short term, the payment date for annual subscriptions, combined with the closing date for student registrations for the June examinations, results in significant cash flows early in the year. The two examination closing dates provide additional injections. These funds are managed closely throughout the year, especially the expenditure peaks following the exams. ACCA's position is to maximise funds available and place any surplus on short-term deposit earning the best available rates of interest. At the end of 2005, ACCA had funds available of £5.9m (2004: £7.2m) and no borrowings. Council believes that this is a satisfactory position and will enable ACCA to meet its obligations.

During 2005 Council reviewed the financial objectives of ACCA and agreed to vary the policy of break even at the operating level each year and move to a targeted operating surplus. Its aims are primarily to strengthen the balance sheet to provide for the future continuity of ACCA, taking into account the various competitive risks, and to provide for new investments as well as alleviating the deficit in the pension scheme.

**ASSOCIATION OF CHARTERED CERTIFIED ACCOUNTANTS
OPERATING AND FINANCIAL REVIEW (continued)**

In 2005, ACCA generated income of £68.7m and an operating surplus of £1.4m. The surplus is higher than anticipated for several reasons. ACCA has continued to attract record number of students and those enrolling for the December 2005 examinations were at a record level. In addition, income from professional courses significantly increased towards the end of the financial year. Furthermore, a focus on efficiencies within ACCA's operations has resulted in savings. There is no request for an increase in member subscriptions at the 2006 AGM. Investment and property values dictate ACCA's net assets which, at the end of 2005, stood at £22.3m. The increase of £3.4m from 2004 reflects the return on investments and the improved valuation of the investment portfolio in addition to the operating surplus.

Total income (excluding interest and investment income) came from the following regions:

	Fees and subscriptions 2005 £'000	Other income 2005 £'000	Fees and subscriptions 2004 £'000	Other income 2004 £'000
United Kingdom	12,654	11,163	11,593	9,462
Republic of Ireland	1,406	1,251	1,276	1,061
Asia Pacific	11,059	11,629	10,150	9,876
Africa	3,632	6,736	2,998	5,002
North America	2,094	2,090	1,877	2,072
Rest of the world	2,398	2,594	2,011	2,367
	<u>33,243</u>	<u>35,463</u>	<u>29,905</u>	<u>29,840</u>

Pensions

An actuarial valuation of ACCA's pension scheme was carried out in 2004. This reviewed the basis and funding of the scheme. As a result, Council and the scheme trustees agreed to continue the current arrangements, having increased contributions from both employees and ACCA from 1 January 2004. However, the scheme deficit has continued to increase. During 2006 it is Council's intention to review these arrangements.

CONCLUSION

Council is satisfied with ACCA's progress in 2005. It has exceeded its financial targets, continued to recruit record numbers of students and made significant developments in global reputation and influence. Council is optimistic about the future and believes that ACCA is in a strong position to build its influence and maintain its position in 2006.

**ASSOCIATION OF CHARTERED CERTIFIED ACCOUNTANTS
CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2005**

	Income £'000	Expenditure £'000	2005 £'000	2004 £'000
Notes				
General income				
Fees and subscriptions				
Students	14,757	—	14,757	12,727
Affiliates	1,614	—	1,614	1,467
Members	16,872	—	16,872	15,711
	<u>33,243</u>	<u>—</u>	<u>33,243</u>	<u>29,905</u>
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Operating activities				
2 Qualifications and examinations	31,614	31,658	(44)	(17)
3 Customer services	1,454	20,395	(18,941)	(18,096)
4 Corporate development	—	7,055	(7,055)	(5,984)
5 Regulation and discipline	2,395	5,944	(3,549)	(2,998)
6 Governance	—	2,240	(2,240)	(2,457)
	<u>35,463</u>	<u>67,292</u>	<u>(31,829)</u>	<u>(29,552)</u>
	<u>68,706</u>	<u>67,292</u>		
	-----	-----		
Operating surplus			1,414	353

Net investment income				
9 Finance - net		606		588
10 Available-for-sale investments		—		2,567
		<u>606</u>		<u>3,155</u>

Surplus before tax			2,020	3,508
11 Tax			18	179
Net surplus for the year			<u>2,002</u>	<u>3,329</u>

The accompanying notes to the accounts, on pages 14 to 26, are an integral part of this statement.

**ASSOCIATION OF CHARTERED CERTIFIED ACCOUNTANTS
CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2005**

	£'000	2005 £'000	2004 £'000
Notes			
ASSETS			
Non-current assets			
12	Property, plant and equipment	13,377	13,740
13	Available-for-sale investments	19,276	9,307
		<u>32,653</u>	<u>23,047</u>
Current assets			
14	Inventories	26	—
15	Receivables and prepayments	6,769	7,361
16	Cash and cash equivalents	5,916	7,176
		<u>12,711</u>	<u>14,537</u>
	Total assets	<u><u>45,364</u></u>	<u><u>37,584</u></u>
RESERVES AND LIABILITIES			
Funds and reserves			
	Accumulated fund	16,186	14,184
22	Fair value reserves	6,100	4,688
	Total funds and reserves	<u>22,286</u>	<u>18,872</u>
Non-current liabilities			
17	Deferred tax liabilities	797	195
18	Retirement benefit obligations	4,767	3,369
		<u>5,564</u>	<u>3,564</u>
Current liabilities			
19	Trade and other payables	8,548	6,896
	Tax payable	12	10
20	Income in advance	8,802	7,959
21	Provisions	152	283
		<u>17,514</u>	<u>15,148</u>
	Total liabilities	<u>23,078</u>	<u>18,712</u>
	Total reserves and liabilities	<u><u>45,364</u></u>	<u><u>37,584</u></u>

The accounts were approved by Council on 5 March 2006 and signed on its behalf by:

C Forster, *President*

B Murtagh, *Vice Chairman of Finance Committee*

The accompanying notes to the accounts, on pages 14 to 26, are an integral part of this statement.

**ASSOCIATION OF CHARTERED CERTIFIED ACCOUNTANTS
CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' FUNDS
FOR THE YEAR ENDED 31 DECEMBER 2005**

	Fair value reserves £'000	Accumulated fund £'000	Total £'000
Balance at 1 January 2004	6,178	10,855	17,033
	-----	-----	-----
Net fair value gains on revaluation, net of tax:			
- property	93	—	93
- available-for-sale investments	894	—	894
	-----	-----	-----
Net gains not recognised in net surplus	987	—	987
Fair value gains on sale of available-for-sale investments	(2,477)	—	(2,477)
Net surplus for the financial year	—	3,329	3,329
	-----	-----	-----
Balance at 31 December 2004	4,688	14,184	18,872
	-----	-----	-----
Net fair value gains on revaluation, net of tax:			
- property	(510)	—	(510)
- available-for-sale investments	1,922	—	1,922
	-----	-----	-----
Net gains not recognised in net surplus	1,412	—	1,412
Net surplus for the financial year	—	2,002	2,002
	-----	-----	-----
Balance at 31 December 2005	6,100	16,186	22,286
	=====	=====	=====

The analysis of fair value reserves is presented in note 22.

The accompanying notes to the accounts, on pages 14 to 26, are an integral part of this statement.

**ASSOCIATION OF CHARTERED CERTIFIED ACCOUNTANTS
CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2005**

	£'000	2005 £'000	2004 £'000
Notes			
		Cash flows from operating activities	
24		7,429	877
		—	(1)
		(7)	(5)
		<u>7,422</u>	<u>871</u>

		Cash flows from investing activities	
	(1,931)		(1,505)
	(7,367)		(9,291)
	10		56
	—		9,156
	446		364
	160		225
		<u>(8,682)</u>	<u>(995)</u>

		<u>(1,260)</u>	<u>(124)</u>
		7,176	7,300
16		<u>5,916</u>	<u>7,176</u>
		<u><u>5,916</u></u>	<u><u>7,176</u></u>

The accompanying notes to the accounts, on pages 14 to 26, are an integral part of this statement.

ASSOCIATION OF CHARTERED CERTIFIED ACCOUNTANTS
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2005

1 Accounting policies

(a) *Accounts preparation*

The accounts have been prepared in accordance with International Financial Reporting Standards (IFRS), which ACCA adopted for the first time in 2002. They have been prepared using the historical cost convention except as disclosed in the accounting policies below. Property and available-for-sale investments are shown at fair value.

(b) *Accounting standards*

Although not required to do so, either by the Royal Charter or by UK statute, the Council of ACCA prepares accounts for each accounting period which give a true and fair view of the state of affairs of ACCA and the group as at the end of the accounting period and of the income and expenditure of the group for that period. In preparing the accounts, suitable accounting policies are selected and applied consistently, and reasonable and prudent judgements and estimates are made. The accounts are prepared on the going concern basis. Council is responsible for ensuring that proper books of account are kept and that internal controls are maintained in order to safeguard the assets and prevent and detect fraud and other irregularities.

Council has concluded that as an international organisation, ACCA should prepare accounts which comply with IFRS. ACCA is also a body incorporated, and with statutory recognition, in the UK. Council has therefore reviewed the accounting policies adopted against accounting standards applicable in the UK (UK GAAP). Differences in treatment are set out in note 25.

(c) *Basis of preparation*

The consolidated accounts comprise the accounts of ACCA and all its subsidiary undertakings drawn up to 31 December each year.

(d) *Income*

Members' and students' fees and subscriptions are accounted for as income in the year to which they relate.

Royalties receivable in respect of the assignment, to third parties, of copyrights in educational publications are accounted for as income in the period in which the underlying sales take place.

Other revenues are recorded as earned or as the services are performed.

(e) *Property, plant and equipment*

All property, plant and equipment are initially recorded at cost. Subsequently, property is regularly revalued as appropriate and any surplus or deficit arising is taken to fair value reserves.

(f) *Depreciation*

Depreciation is provided on all property, plant and equipment, other than freehold land which is not depreciated, at rates calculated to write-off the cost or valuation, of each asset on a straight-line basis over its expected useful life, as follows:

- freehold property - over 50 to 100 years;
- leasehold property and improvements - over the unexpired portion of the lease;
- plant and equipment - over 4 to 10 years;
- computer systems and equipment - over 4 years.

(g) *Impairment*

At each balance sheet date, ACCA reviews the carrying amounts of its tangible assets with finite lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, ACCA estimates the recoverable amount of the cash-generating unit to which the asset belongs.

**ASSOCIATION OF CHARTERED CERTIFIED ACCOUNTANTS
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2005**

1 Accounting policies (continued)

(h) *Available-for-sale investments*

The portfolio of quoted investments, which is managed by professional fund managers, is held for the long term and is classified as "available-for-sale" investments. Investments are initially recorded at cost, including transaction costs. Available-for-sale investments are carried at fair value, stated as market value as at the balance sheet date, with all changes in fair value recorded in reserves. When the available-for-sale investments are sold the cumulative gains and losses previously recognised in reserves are recycled through the income statement for the current period.

(i) *Inventories*

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method.

(j) *Leasing and hire purchase*

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet at their fair value and are depreciated over the shorter of their estimated useful life and the term of the lease. The capital elements of future obligations under the finance leases and hire purchase contracts are included as liabilities in the balance sheet. The interest elements of the rental obligations are charged to the income statement over the periods of the leases and hire purchase contracts and represent a constant proportion of the balance of capital repayments outstanding.

Rentals payable under operating leases are charged to the income statement on a straight-line basis over the lease term.

(k) *Tax*

Tax includes all taxes based upon the taxable profits of the group.

Full provision for deferred taxation is made using the liability method, on temporary differences between the tax bases of assets and liabilities and their carrying values in the accounts. Deferred tax movements in respect of unrealised revaluation surpluses are taken to reserves.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

(l) *Foreign currencies*

Transactions in foreign currencies are converted into sterling at exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies, including the accounts of the non-UK subsidiary undertakings, are translated at the rate of exchange ruling at the balance sheet date. On consolidation the income and expense items of the non-UK subsidiary undertakings are translated at the average exchange rates for the period.

(m) *Pensions*

ACCA operates a defined benefit pension scheme in the UK and Ireland, which requires contributions to be made to a separately administered fund. Contributions to this fund are charged in the income statement so as to spread the cost of pensions over the employees' working lives within ACCA. The regular cost is attributed to the year in which the new benefit is earned using the projected unit credit method. Variations in pension cost which are identified as a result of actuarial valuations are amortised over the average expected remaining working lives of employees. Differences between the amounts funded and the amounts charged in the income statement are treated as either provisions or prepayments in the balance sheet.

ACCA operates defined contribution pension schemes for certain employees outside the UK and Ireland. Contributions are charged in the income statement as they become payable in accordance with the rules of the schemes.

(n) *Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand, demand and short-term deposits with banks and similar institutions, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. This definition is also used for the cash flow statement.

ASSOCIATION OF CHARTERED CERTIFIED ACCOUNTANTS
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2005

	Income £'000	Expenditure £'000	2005 £'000	2004 £'000
2 Qualifications and examinations				
Certified Diploma	166	92	74	88
Examinations and exemptions	28,060	14,451	13,609	11,118
Technician qualification	3,326	874	2,452	2,180
Qualifications development	62	2,183	(2,121)	(1,911)
CAET examination services	—	698	(698)	(671)
Central overhead (note 7)	—	13,360	(13,360)	(10,821)
	<u>31,614</u>	<u>31,658</u>	<u>(44)</u>	<u>(17)</u>
3 Customer services				
Publications and other services	332	1,638	(1,306)	(1,609)
CAET customer services	—	2,793	(2,793)	(2,684)
Royalty income	362	—	362	254
Customer support and contact management	—	1,464	(1,464)	(1,324)
ACCA UK services	—	3,207	(3,207)	(2,926)
UK Regional and branch activities	—	967	(967)	(1,003)
International offices	760	6,604	(5,844)	(5,268)
Central overhead (note 7)	—	3,722	(3,722)	(3,536)
	<u>1,454</u>	<u>20,395</u>	<u>(18,941)</u>	<u>(18,096)</u>
4 Corporate development				
Promotion and international development	—	4,894	(4,894)	(3,962)
Technical	—	1,168	(1,168)	(1,241)
Central overhead (note 7)	—	993	(993)	(781)
	<u>—</u>	<u>7,055</u>	<u>(7,055)</u>	<u>(5,984)</u>
5 Regulation and discipline				
Licence fees	2,042	—	2,042	1,865
Practice regulation	179	2,050	(1,871)	(1,890)
Legal	174	1,839	(1,665)	(1,399)
External regulation and oversight	—	1,062	(1,062)	(817)
Central overhead (note 7)	—	993	(993)	(757)
	<u>2,395</u>	<u>5,944</u>	<u>(3,549)</u>	<u>(2,998)</u>
6 Governance				
Council and committees	—	603	(603)	(782)
Communication with members	—	488	(488)	(564)
Pan-professional activities	—	354	(354)	(322)
Central overhead (note 7)	—	795	(795)	(789)
	<u>—</u>	<u>2,240</u>	<u>(2,240)</u>	<u>(2,457)</u>

**ASSOCIATION OF CHARTERED CERTIFIED ACCOUNTANTS
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2005**

	2005	2004
	£'000	£'000
7 Allocation of central overhead		
Premises and administration costs	5,441	4,687
Pension and central staff costs	6,831	4,893
IT/Telecoms costs	4,218	4,007
Finance and Accounting	1,679	1,492
Depreciation	1,694	1,605
	<u>19,863</u>	<u>16,684</u>
Allocated to operating activities (notes 2 – 6)	<u>(19,863)</u>	<u>(16,684)</u>
8 Operating result		
The operating result includes the following:		
(a) <i>Salaries and related costs</i>		
The costs of employing staff during the year, included in notes 2 to 6, were as follows:		
Salaries	19,050	17,076
Social security costs	1,740	1,559
Pension costs (note 18)	3,977	2,259
Other staff costs	449	270
	<u>25,216</u>	<u>21,164</u>
The average number of employees was 694 (2004: 640). The average salary was £27,450 (2004: £26,680).		
(b) <i>Income</i>		
Income from subscriptions and examination and exemption fees amounting to £64.7m (2004: £57.2m) is stated net of credits issued amounting to £4.6m (2004: £3.7m).		
(c) <i>Auditors' remuneration</i>		
Audit fees – ACCA	35	37
Audit fees – UK subsidiaries	19	19
Audit fees – non-UK subsidiaries	7	7
Other services and pension scheme audit	13	23
	<u>74</u>	<u>86</u>
9 Finance – net		
Interest receivable	446	364
Interest payable	—	(1)
Income from investments	160	225
	<u>606</u>	<u>588</u>
10 Available-for-sale investments		
Gain on sales	—	90
Fair value gain on sales	—	2,477
	<u>—</u>	<u>2,567</u>

ASSOCIATION OF CHARTERED CERTIFIED ACCOUNTANTS
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2005

11 Tax

	2005	2004
	£'000	£'000
The amounts charged in the income statement are as follows:		
Current income taxes at 30% (2004: 30%) on the surplus for the year	15	10
Deferred income taxes	3	168
Under provision in respect of prior years	—	1
	18	179

The tax charge arises from non-mutual trading profits, investment income and gains on disposal of property and investments. The group tax charge has been reduced by £465,000 (2004: £664,000) as a result of charitable donations to the Certified Accountants Educational Trust.

12 Property, plant and equipment

	Freehold property £'000	Leasehold property & improvements £'000	Plant & equipment £'000	Computer systems & equipment £'000	Total £'000
Year ended 31 December 2004					
Opening net book amount	10,660	121	818	2,309	13,908
Additions	174	36	293	1,002	1,505
Disposals	—	—	(68)	—	(68)
Impairment loss	—	—	—	(68)	(68)
Depreciation charge	(106)	(23)	(318)	(1,090)	(1,537)
Closing net book amount	10,728	134	725	2,153	13,740
At 31 December 2004					
Cost or valuation	10,940	179	2,624	9,972	23,715
Accumulated depreciation	(212)	(45)	(1,899)	(7,819)	(9,975)
Net book amount	10,728	134	725	2,153	13,740
Year ended 31 December 2005					
Opening net book amount	10,728	134	725	2,153	13,740
Additions	29	—	178	1,724	1,931
Disposals	(7)	—	—	(2)	(9)
Eliminated on valuation	(591)	—	—	—	(591)
Depreciation charge	(109)	(24)	(284)	(1,277)	(1,694)
Closing net book amount	10,050	110	619	2,598	13,377
At 31 December 2005					
Cost or valuation	10,050	179	2,802	11,581	24,612
Accumulated depreciation	—	(69)	(2,183)	(8,983)	(11,235)
Net book amount	10,050	110	619	2,598	13,377

ASSOCIATION OF CHARTERED CERTIFIED ACCOUNTANTS
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2005

	2005	2004
	£'000	£'000

12 Property, plant and equipment (continued)

Freehold property includes land valued at £2,000,000 which is not depreciated.

The freehold properties were valued at £10,050,000 as at 31 December 2005. The basis of valuation is at open market value for existing use and was prepared by Pyle Owen & Partners, an independent firm of consultant surveyors and property managers.

Cost or valuation comprises freehold property stated at:

Cost	—	190
Valuation in 2002	—	10,750
Valuation in 2005	10,050	—
	<u>10,050</u>	<u>10,940</u>

If land and buildings were stated on the historical cost basis, the amounts would be as follows:

Cost	7,095	7,073
Accumulated depreciation	(596)	(536)
	<u>6,499</u>	<u>6,537</u>

13 Available-for-sale investments

At cost or valuation

At 1 January	9,307	8,719
Additions	7,367	9,291
Disposals	—	(9,066)
Revaluation surplus	2,602	363
	<u>19,276</u>	<u>9,307</u>

Historical cost of quoted investments	16,309	8,942
	<u>16,309</u>	<u>8,942</u>

During the previous year the whole portfolio, which comprised securities which were readily marketable on recognised stock exchanges, was disposed of and the proceeds transferred to another Fund Manager, Baillie Gifford, for investment. Available-for-sale investments, comprising units in one of Baillie Gifford's managed funds, are fair valued annually at the close of business on 31 December. Wherever possible, fair value is determined by reference to Stock Exchange quoted bid prices or to the Fund Manager's quoted prices.

Available-for-sale investments are classified as non-current assets unless they are expected to be realised within twelve months of the balance sheet date or unless they will need to be sold to raise operating capital.

14 Inventories

Inventories comprise ACCA merchandise and relate to finished goods at cost.

ASSOCIATION OF CHARTERED CERTIFIED ACCOUNTANTS
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2005

	2005	2004
	£'000	£'000
15 Receivables and prepayments		
Trade and other receivables	5,401	5,094
Prepayments	1,282	1,266
Tax recoverable	4	10
Receivables from CAET	82	991
	<u>6,769</u>	<u>7,361</u>
	<u>6,769</u>	<u>7,361</u>
16 Cash and cash equivalents		
Cash at bank and in hand	2,716	3,076
Short term bank deposits	3,200	4,100
	<u>5,916</u>	<u>7,176</u>
	<u>5,916</u>	<u>7,176</u>

The effective interest rate on short term bank deposits was 4.3% (2004: 4.6%) and these deposits have an average maturity of 7 days.

17 Deferred tax liabilities

Deferred tax liabilities are calculated in full on temporary differences under the liability method using a principal tax rate of 30% (2004: 30%).

The movement on the deferred tax assets and liabilities (prior to offsetting of balances within the same tax jurisdiction) during the year is as follows:

Deferred tax liabilities

At 1 January	195	816
Income statement charge/(credit)	3	3
Tax charged/(credited) to reserves	599	(624)
	<u>797</u>	<u>195</u>
At 31 December	<u>797</u>	<u>195</u>

Deferred tax assets

At 1 January	—	(165)
Income statement charge/(credit)	—	165
	<u>—</u>	<u>—</u>
At 31 December	<u>—</u>	<u>—</u>

The deferred tax (credited)/charged to reserves during the year is as follows:

Fair value reserves		
- property	(81)	(93)
- available-for-sale investments	680	(531)
	<u>599</u>	<u>(624)</u>
	<u>599</u>	<u>(624)</u>

Deferred income tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefit through future taxable profits is probable.

**ASSOCIATION OF CHARTERED CERTIFIED ACCOUNTANTS
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2005**

18 Retirement benefit obligations

(a) *General information*

In the UK and Ireland, ACCA operates a pension scheme ("the Scheme") providing benefits based on final pensionable pay. The assets of the Scheme are held separately from those of ACCA and invested with the Scottish Widows Fund and Life Assurance Society and SEI Investments. Contributions to the Scheme are charged to the income statement so as to spread the cost of pensions over the service lives of employees. Members of the Scheme contribute 7% of their pensionable pay to the pension fund and the balance of contribution required is provided by ACCA.

Contributions to the Scheme are determined by a qualified actuary on the basis of triennial valuations, the most recent valuation being at 1 January 2004. This valuation was based on the following principal financial assumptions:

Rate of investment return:	
past service	7.8% p.a. to retirement 4.8% p.a. thereafter
future service	7.8% p.a. to retirement 4.8% p.a. thereafter
Rate of salary growth	5.0% p.a.
Limited price indexation of pensions in payment	2.5% p.a.
Retail prices index	2.5% p.a.

The actuarial valuation showed that, at 1 January 2004, the market value of Scheme assets was £18.5m and the value of pension benefits earned was £25.9m. The actuarial value of the assets therefore represented 71% of the benefits that had accrued to members, after allowing for expected future increases in earnings.

	2005	2004
	£'000	£'000
The total pension charge is made up as follows:		
Pension costs under the Scheme	3,752	2,047
Death-in-service premiums	124	107
Payments to defined contribution schemes for certain employees outside the UK and Ireland	87	90
Payments for Unapproved Retirements Benefits scheme	14	15
	<hr/>	<hr/>
Pension costs	3,977	2,259
	<hr/> <hr/>	<hr/> <hr/>

Defined contribution schemes are operated for certain employees outside the UK and Ireland. The nature of such schemes varies according to legal regulations, fiscal requirements and economic conditions of the countries in which employees are based. Plans are funded by payments from the group and by employees and are held separately and independently of the group's finances.

(b) *Pension benefits*

Amounts recognised in the balance sheet to reflect funded status

Present value of funded obligations	49,621	40,074
Fair value of plan assets	(31,204)	(23,057)
	<hr/>	<hr/>
Present value of unfunded obligations (funded status)	18,417	17,017
Unrecognised actuarial losses	(13,650)	(13,648)
	<hr/>	<hr/>
Net liability in the balance sheet at 31 December	4,767	3,369
	<hr/> <hr/>	<hr/> <hr/>

**ASSOCIATION OF CHARTERED CERTIFIED ACCOUNTANTS
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2005**

18 Retirement benefit obligations (continued)

	2005	2004
	£'000	£'000
(c) <i>Pension costs</i>		
The amounts recognised in the income statement for the Scheme are as follows:		
Current service cost	3,603	2,343
Interest cost on obligation	2,084	1,693
Expected return on plan assets	(1,740)	(1,502)
Net actuarial losses recognised in year	567	325
	4,514	2,859
Employee contribution set-off	(762)	(812)
Pension costs under the Scheme	3,752	2,047
<i>Pension costs</i>		
The principal financial assumptions used were as follows:		
Discount rate	4.8%	5.2%
Expected return on plan assets (average)	6.8%	7.2%
Future salary increases	4.7%	4.8%
Future pension increases on pension subject to Limited Price Indexation	2.7%	2.8%

As required by IAS 19, cumulative actuarial gains and losses are recognised over the average remaining working lives of Scheme members, to the extent that they exceed 10% of the greater of plan assets and benefit obligations. The current average expected working life of Scheme members is 17 years.

	2005	2004
	£'000	£'000
(d) <i>Change in benefit obligation</i>		
Present value of benefit obligation at 1 January	40,074	30,239
Current service cost	3,603	2,343
Interest on obligation	2,084	1,693
Benefits paid	(477)	(362)
Actuarial loss	4,337	6,161
Present value of benefit obligation at 31 December	49,621	40,074

Amounts recognised in the balance sheet for pensions are predominantly non-current and are reported as non-current liabilities.

(e) <i>Movement in the net liability recognised in the balance sheet</i>		
At 1 January	3,369	3,261
Pension costs	4,514	2,859
Contributions paid	(3,116)	(2,751)
At 31 December	4,767	3,369

**ASSOCIATION OF CHARTERED CERTIFIED ACCOUNTANTS
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2005**

	2005	2004
	£'000	£'000
18 Retirement benefit obligations (continued)		
(f) <i>Change in plan assets</i>		
Fair value of plan assets at 1 January	23,057	18,431
	-----	-----
Expected return on assets	1,740	1,502
Actuarial gain on assets	3,768	735
	-----	-----
Actual return on plan assets	5,508	2,237
	-----	-----
Contributions	3,116	2,751
Benefits paid	(477)	(362)
	-----	-----
Fair value of plan assets at 31 December	31,204	23,057
	=====	=====
19 Trade and other payables		
Trade payables	638	870
Social security and other taxes	720	714
Accrued expenses	7,190	5,312
	-----	-----
	8,548	6,896
	=====	=====
20 Income in advance		
Income in advance comprises fees and subscriptions paid in advance by members and students.		
21 Provisions		
At 1 January	283	—
Provided during the year	152	283
Utilised during the year	(200)	—
Released not utilised during the year	(83)	—
	-----	-----
At 31 December	152	283
	=====	=====

The current provision relates to the costs associated with ongoing Accountancy Investigation and Discipline Board (AIDB) investigations. The investigations are due to conclude in 2006 and the final estimated costs of these investigations are provided for in the accounts.

	Land and buildings £'000	Available- for-sale investments £'000	Total £'000
Balance at 1 January 2004	4,341	1,837	6,178
Revaluation – gross	—	363	363
Revaluation – tax	93	531	624
Fair value gains on sale of available-for-sale investments	—	(2,477)	(2,477)
	-----	-----	-----
Balance at 31 December 2004	4,434	254	4,688
	-----	-----	-----
Revaluation – gross	(591)	2,602	2,011
Revaluation – tax	81	(680)	(599)
	-----	-----	-----
Balance at 31 December 2005	3,924	2,176	6,100
	=====	=====	=====

**ASSOCIATION OF CHARTERED CERTIFIED ACCOUNTANTS
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2005**

23 Commitments

	2005	2004
	£'000	£'000
<i>Capital commitments for property, plant and equipment</i>		
Contracted for at the balance sheet date but not recognised in the accounts	—	—
	<u> </u>	<u> </u>
Authorised but not contracted	2,293	2,193
	<u> </u>	<u> </u>

Operating lease commitments

At the balance sheet date the group had outstanding commitments under non-cancellable leases, which fall due as follows.

	Land and buildings		Other	
	2005	2004	2005	2004
	£'000	£'000	£'000	£'000
Within one year	273	174	182	219
In two to five years	75	135	20	48
In over five years	—	—	—	—
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	348	309	202	267
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Operating lease rentals charged to the income statement in the year amounted to £1,394,000 (2004: £1,049,000).

24 Cash generated from operations

	2005	2004
	£'000	£'000
Operating surplus	1,414	353
Adjustments for:		
Depreciation on property, plant and equipment	1,694	1,537
Impairment loss	—	68
(Gain)/loss on sale of property, plant and equipment	(1)	12
Changes in working capital:		
Inventories	(26)	111
Trade and other receivables	586	(1,473)
Trade and other payables	2,495	(122)
Retirement benefit obligations	1,398	108
Provisions	(131)	283
	<u> </u>	<u> </u>
Cash generated from operations	7,429	877
	<u> </u>	<u> </u>
In the cash flow statement, proceeds from sale of property, plant and equipment comprise:		
Net book amount	9	68
Gain/(loss) on sale of property, plant and equipment	1	(12)
	<u> </u>	<u> </u>
Proceeds from sale of property, plant and equipment	10	56
	<u> </u>	<u> </u>

**ASSOCIATION OF CHARTERED CERTIFIED ACCOUNTANTS
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2005**

25 UK Generally Accepted Accounting Principles (UK GAAP)

The ACCA consolidated accounts are prepared in accordance with IFRS, which differ in certain respects from those applicable in the UK (UK GAAP). The following are the main differences between IFRS and UK GAAP which are relevant to the ACCA consolidated accounts. Council has provided this information for several years.

- (a) *Pension costs*
Under IFRS, pension costs are accounted for in accordance with IAS 19, costs being charged against profits over employees' working lives. Under UK GAAP, pension costs are accounted for in accordance with FRS 17. Differences between the International and UK figures arise from the different method of amortising surpluses or deficits.
- (b) *Financial instruments*
Under IFRS, available-for-sale investments are held on the balance sheet at market value with all changes in fair value recorded in equity. When the available-for-sale investments are sold the cumulative gains and losses previously recognised in equity are recycled through the income statement for the current period. Under UK GAAP, investments are also carried at market value but appropriate valuation adjustments are recorded as unrealised in the statement of total recognised gains and losses. When the investments are sold the gains and losses earned in the year since the previous balance sheet date are realised in the revenue account and an appropriate reserve movement is made for the balance of the cumulative gains and losses.
- (c) *Deferred taxation*
Under IFRS, deferred taxation is provided on a full liability basis on all temporary differences as defined by IAS 12. Under UK GAAP, provision is made in accordance with FRS 19 and is generally provided on all timing differences. Under FRS 19, no provision would be made for deferred taxation in connection with the revaluation of either properties or investments because there is no commitment to dispose of these portfolios at the balance sheet date.
- (d) *Consolidated statements of cash flows*
The statements under IFRS (IAS 7) present substantially the same information as that required under UK GAAP (FRS 1). Under IFRS, cash flows are presented for operating, investing and financing activities. Under UK GAAP, cash flows are presented for operating activities, returns on investments and servicing of finance, taxation, capital expenditure and financial investment, management of liquid resources and financing.
- (e) *Operating lease commitments*
Under IFRS, disclosure is given of future outstanding commitments. Under UK GAAP, disclosure is given of annual obligations.

26 Principal undertakings

Subsidiary undertakings

The principal subsidiary undertakings, all 100% owned, which are included in the consolidated accounts, are as follows:

	Country of registration	Beneficial holding	Nature of business
Certified Accountants Investment Company Limited	England & Wales	Ordinary shares	Investment company
Certified Accountants Educational Projects Limited	England & Wales	Ordinary shares	Provider of educational supplies and services
Association of Authorised Public Accountants	England & Wales	Limited by guarantee	Professional accounting and supervisory body
Certified Accountant (Publications) Limited	England & Wales	Ordinary shares	Publisher of <i>accounting&business</i>

**ASSOCIATION OF CHARTERED CERTIFIED ACCOUNTANTS
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2005**

26 Principal undertakings (continued)

	Country of registration	Beneficial holding	Nature of business
Seacron Limited	England & Wales	Ordinary shares	Vehicle for ACCA's operations in China
ACCA Malaysia Sdn. Bhd.	Malaysia	Ordinary shares	Vehicle for ACCA's operations in Malaysia
ACCA Mauritius	Mauritius	Ordinary shares	Vehicle for ACCA's operations in Mauritius
ACCA Pakistan	Pakistan	Limited by guarantee	Vehicle for ACCA's operations in Pakistan
ACCA Singapore Pte Ltd.	Singapore	Ordinary shares	Vehicle for ACCA's operations in Singapore
ACCA South Africa	South Africa	Limited by guarantee	Vehicle for ACCA's operations in South Africa

Other undertakings

ACCA holds a 17.2% holding in CCAB Limited (a company registered in England & Wales) at a cost of £172, held in furtherance of its professional objectives.

27 Related party transactions

The Certified Accountants Educational Trust (CAET), whose trustee is a subsidiary company of ACCA, is a charitable trust which exists to promote the ACCA qualification among potential students and to provide ACCA students with publications, courses and careers information. In addition, CAET provides conferences and courses for ACCA members and others, produces technical publications and promotes accounting research. ACCA also collects certain income and pays certain expenditure on behalf of CAET and there may therefore, at any time, be a balance outstanding between ACCA and CAET (note 15).

During the year, ACCA paid to CAET a proportion of the subscription and registration fees received from students, amounting to £1,846,000 (2004: £550,000), in respect of the publication by CAET of *student accountant*. In addition, ACCA and its subsidiaries paid shared services costs to CAET amounting to £481,000 (2004: £142,000) in respect of the occupancy of property owned by CAET. ACCA and its subsidiaries also provided £1,645,000 (2004: £2,805,000) to CAET by way of donation under Gift Aid.

ACCA has provided a guarantee in respect of a lease obligation entered into by CAET in the year. The lease is for 15 years with an annual rental of £519,000.

No member of Council has received any payment in respect of services to Council, other than by way of reimbursement or payment of expenses incurred in providing such services.

ASSOCIATION OF CHARTERED CERTIFIED ACCOUNTANTS CORPORATE GOVERNANCE STATEMENT

The Combined Code

Council is committed to the highest standards of corporate governance. It supports the framework for corporate governance in the UK set out in the *Combined Code* prepared by the Committee on Corporate Governance. Council's Governance Committee is charged with ensuring that ACCA follows best practice. Council confirms that, although the *Combined Code* relates to listed companies and ACCA is not obliged to comply with it, ACCA nevertheless follows its guidance as far as this is, in Council's opinion, relevant to ACCA.

Principles of good governance

Council and the Chief Executive

Council is responsible for determining ACCA's strategy and for ensuring that ACCA pursues the objects of its Royal Charter. It delegates certain aspects of this function to committees and task forces which operate under its overall guidance and report to it. The Chief Executive manages ACCA's activities and services in accordance with the framework set by Council and reports progress and performance against clear and agreed financial and non-financial measures. Detailed written terms of reference are published and regularly updated.

Council has adopted a Code of Practice for Council members. This Code of Practice, which is circulated to members with the papers for the Annual General Meeting, applies to Council members when acting in their capacity as Council members and provides a framework for the operation of Council's business. Council is a collegial body and expects all of its members to recognise their collective responsibilities and to comply with the Code. All Council members are subject to re-election every three years.

Council has established a Remuneration Committee which is responsible for the recruitment, assessment and conditions of service of the Chief Executive and senior management. It comprises five members of Council and two non-Council members. The members of this committee at 31 December 2005 were, from Council, Richard Aitken-Davies (Chairman), Jacqueline Cole, Moyra Kedslie, Brendan Murtagh and Kevin Lau and, from outside Council, David Clarke (CFO, Direct Energy) and Bharat Shah (Chief Executive, BCS Business Consultants Ltd). The committee assesses performance annually against agreed objectives and considers comparable salaries in appropriate external organisations.

As part of good governance, Council decided to split the Corporate Governance and Audit Committee into the Governance Committee and the Audit Committee. The Governance Committee will pursue continual improvement in governance practice in ACCA in order to reflect best global practice. The members of this Committee at 31 December 2005 were Gillian Ball (Chairman), Richard Aitken-Davies, Sharon Burd, KC Law, George Maloney and Ng Boon Yew. Philippa Foster Back (Director of the Institute of Business Ethics) is the independent member of the committee.

Internal control

Council is also responsible for ensuring that a system of internal control is maintained; no system can, however, provide absolute assurance against material misstatement or loss. ACCA's strategy is determined by Council in a rolling business plan, which includes action plans, financial budgets and key performance indicators. Actual financial and non-financial performance is reviewed regularly against target. Regular internal audit reviews of key processes in all ACCA's major offices are carried out by a combination of internal staff and external consultants. Council's Audit Committee conducts an annual review of the effectiveness of internal controls including financial, operational and compliance controls and risk management. The members of this committee at 31 December 2005 were David Finch (Chairman), Nasser Al-Mugheiry, Jonathan Beckerlegge, John Brace, Sharon Burd, Lazaros Lazarou and Brendan Murtagh. Philippa Foster Back is the independent member of the committee. The external auditors and the Head of Internal Audit have direct access to the members of this committee and are entitled to attend its meetings.

Accounts

Council has elected to prepare accounts which give a true and fair view of the state of affairs of ACCA and its subsidiaries at the end of each accounting period and of the results for the period. It also distributes to all members an annual review of activities together with a summary of financial and other information. In preparing the accounts, Council ensures that suitable accounting policies are selected and applied consistently, that reasonable and prudent judgements and estimates are made and that applicable accounting standards are followed. Council is satisfied that ACCA has adequate resources to continue in operational existence for the foreseeable future; accordingly, the going concern basis continues to be adopted in preparing the accounts.

Council is responsible for the maintenance and integrity of the corporate and financial information included on ACCA's website. Legislation in the United Kingdom governing the preparation and dissemination of accounts may differ from legislation in other jurisdictions.

ASSOCIATION OF CHARTERED CERTIFIED ACCOUNTANTS CORPORATE GOVERNANCE STATEMENT

Council members' interests

No member of Council has received any payment in respect of services to Council, other than by way of reimbursement or payment of expenses incurred in providing such services.

Details of material transactions between ACCA and its subsidiaries, and related parties (including members of Council) are provided in the notes to the accounts.

Council maintains a Register of Members' Interests which contains details, for each Council member, of any personal or business interests which might give rise to a conflict of interest or influence the way in which he or she might vote on Council's affairs.

Council meetings

During 2005, there were eight meetings of the Council.

Senior management remuneration

The Chief Executive, three Managing Directors and four Executive Directors are responsible for the day to day management of ACCA on behalf of Council and for the implementation of Council policy: they are not directors within the meaning of company law. Nevertheless, Council discloses that the emoluments of the Chief Executive, Managing Directors and Executive Directors for the full year were £1,188,468 (2004: £929,120). They are also accruing retirement benefits under the defined benefit scheme operated by ACCA. In addition, the Chief Executive has been awarded £14,160 towards an Unapproved Retirements Benefit Scheme.

The salary and benefits of the Chief Executive in 2005 were £246,751. The equivalent in 2004 was £196,324. In 2005, the value, grossed up for income tax, of costs incurred in relation to the Chief Executive's spouse accompanying him on official business with the approval of Council was £31,269. The equivalent in 2004 was £32,054.

Disciplinary process

ACCA requires the highest standards of ethical conduct and competence from its members. Appropriate action must be taken where these standards are not met. In the public interest, disciplinary hearings are normally held in public. During 2005, independent assessors considered 84 complaints. Of these, 72 were referred to the Disciplinary Committee, eight were rested on file and in three there was no case to answer. In one further case, the Case Presenter used her power under Disciplinary Regulation 4(7) to withdraw the allegations after the Assessor had referred them to the Disciplinary Committee. Of the cases referred to the Disciplinary Committee by assessors, three were closed by the Case Presenter in accordance with Disciplinary Regulation 4(7). The Disciplinary Committee heard 94 cases during the year; these resulted in 64 exclusions, 10 severe reprimands, 15 reprimands and three admonishments. Disciplinary Committee did not order members to pay compensation to complainants in any cases. No further action was taken in one case and in one case there was no case to answer. The Appeal Committee heard ten appeals from decisions of the Disciplinary Committee. In four cases there were appeals against both the findings and orders of the Disciplinary Committee. The Appeal Committee varied the Disciplinary Committee's findings and orders in two cases, affirmed the findings and varied the orders in one case and in one case rescinded the findings and orders in their entirety and ordered that the case be heard afresh by the Disciplinary Committee. In six cases there were appeals against only the orders of the Disciplinary Committee. Of these cases the orders of the Disciplinary Committee were affirmed in one case and varied in five cases.

**ASSOCIATION OF CHARTERED CERTIFIED ACCOUNTANTS
INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
THE ASSOCIATION OF CHARTERED CERTIFIED ACCOUNTANTS**

We have audited the accompanying balance sheet of the Association of Chartered Certified Accountants and its subsidiaries (the Group) as of 31 December 2005, and the related income and cash flow statements of the group for the year then ended.

RESPECTIVE RESPONSIBILITIES OF COUNCIL AND AUDITORS

These accounts set out on pages 10 to 26 are the responsibility of the Council of ACCA. Our responsibility is to express an opinion on these accounts based on our audit.

We review whether the Statement on pages 27 to 28 reflect ACCA's compliance with the principles of good governance set out in the Combined Code, and we report if it does not. We are not required to form an opinion on the effectiveness of ACCA's corporate governance procedures or its internal controls.

We read the other information published with the accounts, including the Corporate Governance statement and the Operating and Financial Review and consider whether it is consistent with the audited accounts. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and significant estimates made by Council, as well as evaluating the overall accounts presentation. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion, the accounts give a true and fair view of the financial position of the Group as of 31 December 2005, and of the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Thomson Cooper

Chartered Certified Accountants and Registered Auditors, Dunfermline
5 March 2006

Notes: An audit does not provide assurance on the maintenance and integrity of the website, including controls used to achieve this, and in particular on whether any changes may have occurred to the accounts since first published. These matters are the responsibility of Council but no control procedures can provide absolute assurance in this area.

Legislation in the United Kingdom governing the preparation and dissemination of accounts differs from legislation in other jurisdictions.

ASSOCIATION OF CHARTERED CERTIFIED ACCOUNTANTS
ENVIRON's verification statement for ACCA's UK environmental performance in 2005.

ENVIRON has verified the environmental performance of ACCA's UK offices and a selection of national offices for the period 1st October 2004 through to 30th September 2005. The project was conducted through a series of interviews, documentation reviews and follow up correspondence at ACCA's London offices and via telephone interviews and e-mail correspondence with Glasgow office employees and at the national offices (Hong Kong, Singapore and Malaysia).

Due to significant changes in UK office locations over the reporting year, ACCA's environmental data (and therefore CO₂ footprint) has been based on a combination of actual data (where available), averages, estimates and extrapolated data. In addition to this, where ACCA have been unable to provide data (i.e. the split between business and personal mileage or split between UK and worldwide couriers) the worst case scenario (100% business mileage or 100% worldwide couriers) has been assumed.

ACCA's principal environmental impacts continue to be related to mailing/distribution, business travel, print buying and utility usage. This year has seen the availability of all ACCA's publications in electronic format to download from the corporate website, however these have supplemented rather than substituted the traditional mailing distribution method.

ACCA continues in the promotion of sustainability awareness amongst its stakeholders via a number of routes including its publications, the quarterly online newsletter, "Accounting and Sustainability e-Newsletter" and through several national environmental and sustainability reporting award schemes. The "CSR Strategy Group" and "EMS Operations Group", established in 2004 met once over the past year.

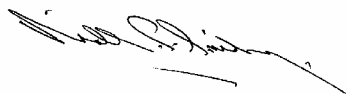
Following the 2004 verification, ENVIRON made a number of recommendations, which have been explored and where appropriate implemented over the past year.

Energy usage for ACCA's UK office at 29 Lincoln's Inn Fields is marginally higher than the UK Government energy benchmark for buildings of a similar type. This increase on the 2004 data is attributable to a 6% increase in staff numbers at this location.

Water usage per employee for both London offices has decreased against the 2004 data, potentially due to a developing culture of resource efficiency within the organisation. The marked decrease at 10/11 Lincoln's Inn Fields is also thought to be attributable to the move to new offices at New Penderel House, leaving one floor of 10/11 Lincoln's Inn Fields vacant.

Headline CO₂ data for the UK operations has increased from 3,685 tonnes in 2004 to 4,233 tonnes in 2005, mainly attributable to significant increases in student and member numbers. However, changes in office locations both in Glasgow and London during the year and at times reporting the "worst case scenario" could also have affected the data. In addition, environmental data associated with the distribution of ACCA's quarterly magazine "Finance Matters" was included for the first time in 2005.

The total headline CO₂ emissions for the UK and selected national offices for the period October 2004 to September 2005 amounts to 4,349 tonnes.



Niall Smiddy
Principal
ENVIRON
12th January 2006

THE CERTIFIED ACCOUNTANTS EDUCATIONAL TRUST

LEGAL AND ADMINISTRATIVE INFORMATION

Corporate Trustee

The Certified Accountants Educational Trustees Limited

Director of Corporate Trustee

Certified Nominees Limited

Principal Office

29 Lincoln's Inn Fields
London, WC2A 3EE

Independent Auditors

Thomson Cooper
3 Castle Court
Carnegie Campus
Dunfermline, KY11 8PB

Principal Banker

Clydesdale Bank plc
1 Woodside Crescent
Glasgow, G3 7UL

THE CERTIFIED ACCOUNTANTS EDUCATIONAL TRUST

REPORT OF THE TRUSTEE FOR THE YEAR ENDED 31 DECEMBER 2005

The Trustee submits its report together with the accounts for the year ended 31 December 2005. This report is prepared in accordance with the Charities Act 1993 and the Statement of Recommended Practice '*Accounting and Reporting by Charities*' (SORP 2000).

Trustee's responsibilities

The Trustee is responsible for preparing the Trustee's Report and accounts in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

The Trustee is responsible for preparing accounts for each accounting period which give a true and fair view of the state of affairs of the Trust and of the financial activities of the Trust for that period. In preparing those accounts, the Trustee is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Trust will continue.

The Trustee is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Trust and enable it to ensure that the accounts comply with applicable legislation. It is also responsible for safeguarding the assets of the Trust and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Trustee is responsible for the maintenance and integrity of the corporate and financial information included on the charity's website. Legislation in the United Kingdom governing the preparation and dissemination of accounts may differ from legislation in other jurisdictions.

Objects and general information about the Trust

The Trust was established by Trust Deed on 13 December 1972. Its principal object is the advancement of education in accountancy, financial management and related subjects; its other objects are the support of individuals studying such subjects and the awarding of prizes in connection with ACCA examinations. There is also a general power to do any other things conducive to the principal object.

The Trust is registered by the Charity Commission for England and Wales, registration number 313219. Its sole Trustee since establishment, has been, and continues to be, The Certified Accountants Educational Trustees Limited, a company wholly owned by the Association of Chartered Certified Accountants (ACCA).

The policies adopted by the Trustee to further the objects of the Trust have been, and continue to be, to promote the ACCA qualification among potential students and to provide ACCA students with educational publications, past examination questions and answers, a magazine called *student accountant*, study schools and revision courses and careers information. In addition, the Trust provides conferences and courses for ACCA members, produces technical publications and promotes accounting research. The Trust receives income from advertising in respect of the students' magazine and from courses and educational materials. It also receives a transfer of income together with donations, by way of Gift Aid, from ACCA and its subsidiaries.

In December 2004, the Trust acquired additional premises at 2 Central Quay in Glasgow on a fifteen year lease and total costs of £1,194,000 have been incurred in leasehold improvements since that date. During the year the Trust disposed of the heritable property in Woodside Place, Glasgow and terminated the lease of a processing and distribution centre in Glasgow. On disposal of the properties, all staff employed by ACCA were relocated to the new premises. The Trust now operates from this building and from ACCA's offices in London. The majority of the Glasgow building is occupied by ACCA, for which the Trust receives rent. ACCA bears certain central overheads on behalf of the Trust and provides staff lecturers for some of its educational activities. The Trust is, however, not significantly dependent on the services of volunteers or on donations in kind.

The Trust's funds comprise unrestricted funds and a restricted fund which consists of an endowment received for a specific purpose. The latter fund, the Simpson Scholarship Fund, was established by a legacy from Miss M I Simpson in November 1983 for the purpose of establishing and maintaining scholarships, such that the whole of the principal and interest may be expended within a period of 25 years from the date of the bequest.

THE CERTIFIED ACCOUNTANTS EDUCATIONAL TRUST

REPORT OF THE TRUSTEE FOR THE YEAR ENDED 31 DECEMBER 2005

Review of the year

During the year, the Trust's expenditure on its charitable objects was £8,451,000 (2004: £7,165,000). This comprised direct expenditure on education of £6,816,000 (2004: £6,410,000) and management and administration costs of £1,635,000 (2004: £755,000). The increase in the management and administration costs is primarily due to premises costs in relation to the rental of the new building and the termination of the lease of the processing and distribution centre. The increase in costs is partly offset by the income generated by the occupation of ACCA at the new building.

During the year, the Trust organised 380 courses for members of ACCA and others. These courses were attended by some 14,717 participants. 2,318,000 copies of *student accountant* were produced during the year.

The accounts for the year ended 31 December 2005 are shown on pages 34 to 40. The statement of financial activities on page 34 shows the incoming resources available to the Trust and the extent to which its funds have been spent. This, together with the balance sheet on page 35, shows that the current value of the Trust's restricted and unrestricted funds, is £431,000 (2004: £428,000).

The Trust's total income of £8,454,000 (2004: £7,168,000), which included income received through Gift Aid donations from ACCA and its subsidiaries, was adequate to meet all direct charitable expenditure as well as the Trust's management and administration costs.

The Trust held £132,000 (2004: £122,000) in bank balances at 31 December 2005 and, in the Trustee's opinion, both the restricted and unrestricted funds continue to be in a position to pursue their charitable activities in the future.

Reserves policy

The Trustee reviewed the reserves of the charity. This review encompassed the nature of the income and expenditure streams and the expected donations from ACCA and its subsidiaries. The Trustee's policy is, generally, to maintain reserves at a low level and to apply the charity's income to funding its activities. In the light of the funding provided by ACCA, the Trustees consider that the balance of the unrestricted fund is satisfactory.

Risk management

The Trustee has examined the major strategic, business and operational risks which the Trust faces and confirms that systems have been established to enable regular reports to be produced so that the necessary steps can be taken to lessen these risks.

Auditors

The Trustee thanks Thomson Cooper, Chartered Certified Accountants, for their work as auditors of the Trust. The Trustee recommends the appointment of BDO Stoy Hayward as auditors of the Trust in place of Thomson Cooper, who are not being reappointed.

By order of the Trustee

A W Blewitt
Director of Certified Nominees Limited,
On behalf of The Certified Accountants Educational Trustees Limited
16 February 2006

THE CERTIFIED ACCOUNTANTS EDUCATIONAL TRUST

STATEMENT OF FINANCIAL ACTIVITIES FOR THE YEAR ENDED 31 DECEMBER 2005

	Unrestricted funds £'000	Restricted funds £'000	Total funds 2005 £'000	Total funds 2004 £'000
Notes				
Incoming resources				
Sales of publications	70	—	70	75
Advertising	284	—	284	281
Interest received	—	3	3	3
Technical and professional education	2,895	—	2,895	2,118
Career promotion and student activities	106	—	106	84
Rent payable by ACCA and subsidiaries	481	—	481	142
Income transferred from ACCA	2,970	—	2,970	1,660
Donations from ACCA and subsidiaries	1,645	—	1,645	2,805
Total incoming resources	8,451	3	8,454	7,168
Resources expended				
<i>Charitable expenditure:</i>				
2 Education	6,816	—	6,816	6,410
3 Management and administration	1,635	—	1,635	755
Total resources expended	8,451	—	8,451	7,165
Net movements in funds	—	3	3	3
Total funds at 1 January	320	108	428	425
Total funds at 31 December	320	111	431	428

All amounts relate to continuing activities. There were no recognised gains or losses other than those included above.

There is no material difference on the results above and those on an unmodified historical cost basis.

The accompanying notes to the accounts, on pages 37 to 40, are an integral part of this statement.

THE CERTIFIED ACCOUNTANTS EDUCATIONAL TRUST

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2005

	£000	2005 £000	2004 £000
Notes			
11 Net cash (outflow)/inflow from operating activities		(118)	150
		-----	-----
Returns on investment and servicing of finance			
Interest received		3	3

Capital expenditure and financial investment			
Purchase of tangible fixed assets	(1,078)		(139)
Disposal of tangible fixed assets	1,203		-----
	-----	125	(139)
		-----	-----
		128	(136)
		-----	-----
Increase in cash		10	14
		=====	=====

	Net funds 1 January 2005 £'000	Cash flows £'000	Other movements £'000	Net funds 31 December 2005 £'000
Movement in net funds				
Cash at bank and in hand	122	10	—	132
	=====	=====	=====	=====

The accompanying notes to the accounts, on pages 37 to 40, are an integral part of this statement.

THE CERTIFIED ACCOUNTANTS EDUCATIONAL TRUST

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2005

1 Accounting policies

(a) Accounting convention

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards. In preparing the financial statements the Trust follows best practice as laid down in the Statement of Recommended Practice 'Accounting and Reporting by Charities' (SORP 2000).

(b) Tangible fixed assets and depreciation

Heritable property is stated at current value as at the balance sheet date, ascertained by means of regular revaluations as appropriate. Other tangible fixed assets are stated at depreciated cost. Depreciation is provided on all tangible fixed assets, at rates calculated to write-off the cost or valuation of each asset on a straight-line basis over their estimated useful lives as follows:

- heritable property - over 50 years;
- leasehold improvements - over the period of the lease;
- computer systems and equipment - over 4 years;
- plant and machinery - over 4 to 7 years.

(c) Stocks

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

(d) Foreign currencies

Transactions in foreign currencies are translated into sterling at the exchange rate in operation on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rate in operation at the balance sheet date. All revaluation differences and realised foreign exchange differences are taken to the statement of financial activities.

	Unrestricted funds £'000	Restricted funds £'000	Total funds 2005 £'000	Total funds 2004 £'000
2 Education				
Production and postage of publications	2,418	—	2,418	2,403
Technical and professional education	2,437	—	2,437	2,072
Careers promotion and student activities	823	—	823	810
Salaries and related costs (note 4)	1,138	—	1,138	1,125
	<u>6,816</u>	<u>—</u>	<u>6,816</u>	<u>6,410</u>
3 Management and administration				
Premises and general administration	1,421	—	1,421	544
Auditors' remuneration	10	—	10	9
Depreciation	155	—	155	126
Professional fees	49	—	49	76
	<u>1,635</u>	<u>—</u>	<u>1,635</u>	<u>755</u>

THE CERTIFIED ACCOUNTANTS EDUCATIONAL TRUST

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2005

4 Salaries and related costs

	2005 £'000	2004 £'000
The costs of employing support staff during the year were as follows:		
Staff costs provided by ACCA (note 12)	1,124	1,110
Other staff costs	14	15
	<u>1,138</u>	<u>1,125</u>

5 Tangible assets

	Heritable Property	Leasehold improvements £'000	Computer systems and equipment £'000	Plant and machinery £'000	Total £'000
<i>Cost or valuation</i>					
At 1 January 2005	1,350	139	558	122	2,169
Additions	—	1,055	—	23	1,078
Disposals	(1,350)	—	—	(10)	(1,360)
At 31 December 2005	<u>—</u>	<u>1,194</u>	<u>558</u>	<u>135</u>	<u>1,887</u>
<i>Accumulated depreciation</i>					
At 1 January 2005	59	4	465	88	616
Charge for year	15	70	52	18	155
Eliminated on disposal	(74)	—	—	(7)	(81)
At 31 December 2005	<u>—</u>	<u>74</u>	<u>517</u>	<u>99</u>	<u>690</u>
<i>Net book value</i>					
At 31 December 2005	<u>—</u>	<u>1,120</u>	<u>41</u>	<u>36</u>	<u>1,197</u>
At 31 December 2004	<u>1,291</u>	<u>135</u>	<u>93</u>	<u>34</u>	<u>1,553</u>

	2005 £'000	2004 £'000
6 Debtors		
Trade and other debtors	445	273
Prepayments and accrued income	169	149
	<u>614</u>	<u>422</u>

7 Creditors: amounts falling due within one year

Trade and other creditors	224	167
Amounts due to ACCA	82	991
Accruals and deferred income	1,123	541
	<u>1,429</u>	<u>1,699</u>

THE CERTIFIED ACCOUNTANTS EDUCATIONAL TRUST

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2005

8 Provisions for liabilities and charges

	£'000
<i>Technical and research costs</i>	
At 1 January 2005	58
Amount utilised during the year	(57)
Amount provided during the year	136
	<u>137</u>
At 31 December 2005	<u><u>137</u></u>

The provisions represent grants and other payments to which the Trust is committed as part of its continuing sponsorship of accounting research.

9 Analysis of net assets between funds

	Tangible fixed assets £'000	Cash at Bank £'000	Other net assets £'000	Total 2005 £'000
Unrestricted funds	1,219	21	(920)	320
Restricted funds				
Simpson Scholarship Fund	—	111	—	111
	<u>1,219</u>	<u>132</u>	<u>(920)</u>	<u>431</u>
	<u><u>1,219</u></u>	<u><u>132</u></u>	<u><u>(920)</u></u>	<u><u>431</u></u>

The unrestricted funds represent the amounts retained to ensure the continuing charitable activities of the Trust.

10 Other financial commitments

	Land and buildings		Other	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
<i>Payments due under operating lease agreements and expiring:</i>				
Within one year	—	—	29	41
Between two and five years	—	157	74	74
In more than five years	543	525	—	—
	<u>543</u>	<u>682</u>	<u>103</u>	<u>115</u>
	<u><u>543</u></u>	<u><u>682</u></u>	<u><u>103</u></u>	<u><u>115</u></u>
			2005 £'000	2004 £'000
<i>Capital commitments</i>				
Contracted for at the balance sheet date			—	1,134
			<u><u>—</u></u>	<u><u>1,134</u></u>
Authorised but not contracted			264	—
			<u><u>264</u></u>	<u><u>—</u></u>

Operating lease rentals charged to the statement of financial activities in the year amounted to £615,000 (2004: £273,000).

THE CERTIFIED ACCOUNTANTS EDUCATIONAL TRUST

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2005

11 Reconciliation of net incoming resources to net cash flows from operational activities

	2005 £'000	2004 £'000
Net incoming resources	3	3
Depreciation on tangible fixed assets	155	126
Loss on sale of tangible fixed assets	76	—
Interest received	(3)	(3)
Decrease/(increase) in stock	34	(20)
Increase in debtors	(192)	(16)
(Increase)/decrease in creditors	(270)	56
Increase in provisions	79	4
	<u> </u>	<u> </u>
Net cash (outflow)/inflow from operating activities	<u>(118)</u>	<u>150</u>

12 Related party transactions

The Trust exists to promote the ACCA qualification among potential students and to provide ACCA students with publications, courses and careers information. In addition, the Trust provides conferences and courses for ACCA members and others, produces technical publications and promotes accounting research. ACCA also collects certain income and pays certain expenditure on behalf of the Trust and there may therefore, at any time, be a balance outstanding between the Trust and ACCA (note 7).

The salary and pension costs of ACCA staff engaged in Trust activities are shown as incoming resources in the statement of financial activities as costs reimbursed by ACCA. The corresponding expenditure is shown under Education costs. Included within 'Staff costs provided by ACCA' are costs borne by ACCA comprising salary costs of £990,000 (2004: £979,000) and pension costs of £134,000 (2004: £131,000).

During the year, the Trust received income from ACCA and its subsidiaries as set out in the Statement of Financial Activities.

13 Trustee remuneration

The Trustee did not receive any remuneration or expenses during the year (2004: £nil).

THE CERTIFIED ACCOUNTANTS EDUCATIONAL TRUST

INDEPENDENT AUDITORS REPORT TO THE TRUSTEE OF THE CERTIFIED ACCOUNTANTS EDUCATIONAL TRUST

We have audited the accounts of the Certified Accountants Educational Trust for the year ended 31 December 2005 which comprise the Statement of Financial Activities, Balance Sheet, Cash Flow Statement and the related notes. The accounts have been prepared under the historical cost convention and the accounting policies set out therein.

Respective responsibilities of the Trustee and auditor

As described in the Report of the Trustee, the Trustee is responsible for preparing the accounts in accordance with applicable UK law and Accounting Standards.

We have been appointed as auditors under Section 43 of the Charities Act 1993 and report in accordance with regulations made under Section 44 of that Act. Our responsibility is to audit the accounts 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 accounts give a true and fair view and are properly prepared in accordance with the Charities Act 1993. We also report to you if, in our opinion, the Report of the Trustee is not consistent with the accounts, if the Trust has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Trustee remuneration and transactions with the Trust is not disclosed.

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

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the Trustee in the preparation of the accounts, and of whether the accounting policies are appropriate to the Trust's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the accounts:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the Trust's affairs as at 31 December 2005, of its incoming resources and application of resources in the year then ended; and
- have been properly prepared in accordance with the Charities Act 1993.

Thomson Cooper

Chartered Certified Accountants and Registered Auditors, Dunfermline
16 February 2006

Notes: An audit does not provide assurance on the maintenance and integrity of the website, including controls used to achieve this, and in particular on whether any changes may have occurred to the accounts since first published. These matters are the responsibility of Council but no control procedures can provide absolute assurance in this area.

Legislation in the United Kingdom governing the preparation and dissemination of accounts differs from legislation in other jurisdictions.

**THE CHARTERED CERTIFIED ACCOUNTANTS' BENEVOLENT FUND
LEGAL AND ADMINISTRATIVE INFORMATION**

Board of Management and Trustees

P R Bailey, President
D J Argent
J M Beckerlegge
Dr V V R Harris
Dr M J M Kedslie
J D Moore
A Sandison
K J Stones

Honorary Secretary

H McCash

Principal Office

29 Lincoln's Inn Fields, London WC2A 3EE

Honorary Auditor

A W Croxford, FCCA
3 Castle Court, Carnegie Campus, Dunfermline KY11 8PB

Principal Banker

Clydesdale Bank plc
1 Woodside Crescent, Glasgow G3 7UL

Investment Managers

Merrill Lynch Investment Managers
33 King Street, London EC4R 9AS

REPORT OF THE BOARD OF MANAGEMENT OF THE CHARTERED CERTIFIED ACCOUNTANTS' BENEVOLENT FUND FOR THE YEAR ENDED 31 DECEMBER 2005

The Board submits its report together with the accounts for the year ended 31 December 2005. This report is prepared in accordance with the Charities Act 1993 and the Statement of Recommended Practice '*Accounting and Reporting by Charities*' (SORP 2000).

Objects and general information about the Fund

The Fund was established by Trust Deed in 1918. Its principal object is to raise and maintain a fund for the purpose of assisting persons in need who are, or have been, members of ACCA or related organisations and their families and dependants. The Trustees are also empowered to assist other charitable institutions as they see fit.

The Fund is registered by the Charity Commission for England and Wales, registration number 222595. Under the rules of the Fund, there must be at least seven members of the Board of Management. The Board must consist only of Fund members, each of at least two years standing. Board members are elected at the Annual General Meeting, to hold office for one year and are eligible for re-election.

The principal policy adopted by the Board of Management to further the objects of the Fund has been, and continues to be, to make timely grants to members, and their families, who face hardship in old age or disaster at any time. To enable members and dependants to remain in their properties, the Board on occasion makes loans, normally secured on the properties, towards the cost of major renovations, improvements etc. These loans are normally at the bank base rate of interest to cover the legal costs.

Applications for assistance are encouraged and are sympathetically reviewed. The Fund is able to finance these activities from donations and legacies, as well as the income from a portfolio of long term securities and holdings which enable funds to be made available to meet anticipated short term needs. In addition, the Fund receives royalties on affinity credit card schemes operated by MBNA and the Allied Irish Bank. Details of MBNA MasterCards, which are issued with the ACCA logo, are available from ACCA UK and details of the Allied Irish Bank MasterCard are available from ACCA Ireland.

The Fund's administration, including legal advice, is provided by ACCA; members of the Board of Management also devote time to the Fund's affairs and receive no remuneration. Other than this, the Fund is not dependent on the services of volunteers or on donations in kind.

The Fund has an unrestricted fund which includes designated funds made up of a Loan Fund and a Disaster Fund. The latter will be used to provide assistance to members and their families who have been affected by national or international disaster and will be added to annually at a rate agreed by the Board (5% of the Fund's income). During the year the Charity Commission for England and Wales approved a resolution by the Board to transfer the assets of the Freda Franklin Fund to the Unrestricted Fund. This was completed on 5 September 2005 and the Freda Franklin Memorial Fund ceased to exist from that date.

Review of the year

During the year, the Fund paid grants, ranging from £30 to £6,000 (2004: £100 to £22,000), to 20 (2004: 15) beneficiaries. These grants amounted to £31,111 (2004: £37,999), and are included in the accounts. In addition, the Board of Management has a commitment to 9 (2004: 6) beneficiaries for grants, payable after the year-end, amounting to £5,993 (2004: £5,273). During the year, one loan was advanced and two loans were repaid.

The accounts for the year are shown on pages 46 to 50. The Statement of Financial Activities on page 46 shows the incoming resources available to the Fund and the extent to which these resources have been applied. This, together with the Balance Sheet on page 47, shows the total assets of the Fund to be £1,454,624 (2004: £1,222,717), which will generate income to meet its future obligations. The Fund held £560,647 (2004: £311,859) in bank balances and short term deposits at 31 December 2005 and, in the opinion of the Board, the Fund continues to be in a position to pursue its charitable activities in the foreseeable future.

The Board is grateful to all who have contributed in any way to the work of the Fund during 2005. In particular, it expresses thanks to those who made a financial contribution and those who give of their time. Donations from members amounted to £41,021 (2004: £40,776). The Board would like to thank those members who have completed Gift Aid declarations. This method of giving is very tax efficient and the Board encourages UK taxpayers to consider completing Gift Aid declarations if they have not already done so.

REPORT OF THE BOARD OF MANAGEMENT OF THE CHARTERED CERTIFIED ACCOUNTANTS' BENEVOLENT FUND FOR THE YEAR ENDED 31 DECEMBER 2005

Review of the year (continued)

The Board is also deeply appreciative of legacies received in 2005 from Eileen Millicent Wood, Harry Petrook, Michael Anthony Straker and John Alexander Carrick of £55,000, £1,000, £500 and £200 respectively and the balance received from John Frederick Hulme's estate of £8,761.

The Fund exists to help members and their dependants - both financially and with appropriate advice. The Board asks that members make a point of letting the Secretary of the Fund know of any potential beneficiaries in need, as they may be reluctant to approach the Fund directly.

The Board appreciates any help members can give in ensuring that the Fund can provide support to all those who have reason to ask us for it. From the grateful letters we receive, we can assure members that the assistance we provide is highly appreciated. Please help us to ensure that the Board can continue to fulfil the objectives of the Fund.

Reserves policy

The Board aims to maintain unrestricted funds at a level that will meet anticipated demands for assistance as and when they arise as well as special demands in times of emergency such as the December 2004 tsunami and the October 2005 Pakistan earthquake. ACCA has almost 110,000 members in 170 countries and the reserves policy has to reflect the uncertainties that this brings.

The Board assesses the reserves to be retained in the context of its long-term strategic projections. These estimate anticipated growth in membership numbers and take account of demographic changes, such as increases in the number of retired members, and the likely effects of the African AIDS pandemic on members' families. The Board prepared a 15-year projection, which is updated annually, which indicated that, while the Fund is likely to be able to increase its reserves in the short to medium term, the growth in total demand will mean that, from 2014, the Fund's expenditure will exceed its income and it will be necessary to apply its reserves to meet these needs. This anticipated shortfall is expected to increase in subsequent years.

The Board therefore considers that its unrestricted reserves are adequate to meet current levels of demand but that it is necessary to increase these over the next 9 years so that it can continue to relieve distress even after demands on its resources have outstripped its income.

The Board accepts that it could not allow the period during which expenditure exceeds income to deplete unrestricted reserves entirely but it believes that there is sufficient time to review the actual situation before any action needs to be taken. Therefore, the policy is to continue building up reserves by means of annual surpluses and careful management of the investment assets. The position is regularly reviewed by the Board.

The Board has also designated some of the unrestricted funds as a Disaster Fund for use in case of a national or international disaster, whether the result of forces of nature, terrorism or war, which affects a significant number of members. This is shown separately in the accounts.

Investment policy

The Board of Management has considered the most appropriate policy for investing funds and has found that specialised fixed interest and equity stocks, designed for the charity sector, together with UK equities meet its requirements to generate income with capital growth. The Fund sometimes needs to react quickly to particular emergencies and has a policy of keeping any surplus liquid funds in short-term deposits which can be readily accessed.

Risk management

The Board has examined the major strategic, business and operational risks which the Fund faces and confirms that systems have been established to enable regular reports to be produced so that the risks may be effectively monitored and their impact mitigated as far as possible.

**REPORT OF THE BOARD OF MANAGEMENT
OF THE CHARTERED CERTIFIED ACCOUNTANTS' BENEVOLENT FUND
FOR THE YEAR ENDED 31 DECEMBER 2005**

Responsibilities of the Board of Management

The Board of Management is responsible for preparing the Annual Report and accounts in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

The Board of Management is responsible for preparing accounts for each accounting period which give a true and fair view of the state of affairs of the Fund and of the financial activities of the Fund for that period. In preparing those accounts, the Board is responsible for selecting suitable policies and then applying them consistently, making judgements and estimates that are reasonable and prudent, stating whether applicable accounting standards and statements of recommended practice have been followed subject to any departure disclosed and explained in the financial statements and preparing the accounts on the going concern basis unless it is inappropriate to presume that the Fund will continue.

The Board of Management is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Fund and enable it to ensure that the accounts comply with applicable legislation. It is also responsible for safeguarding the assets of the Fund and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board of Management is responsible for the maintenance and integrity of the corporate and financial information included on the charity's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Honorary auditor

The Board expresses its sincere appreciation of the work carried out by Mr A W Croxford FCCA as honorary auditor.

P R Bailey, *President*
8 February 2006

THE CHARTERED CERTIFIED ACCOUNTANTS' BENEVOLENT FUND
STATEMENT OF FINANCIAL ACTIVITIES
FOR THE YEAR ENDED 31 DECEMBER 2005

<i>Notes</i>	Unrestricted funds £	Endowment funds £	Total funds 2005 £	Total funds 2004 £
Incoming resources				
2 Donations	62,831	—	62,831	60,335
Legacies	65,461	—	65,461	159,979
Credit card royalties	50,703	—	50,703	80,687
3 Investment income	54,352	37	54,389	43,545
	<u>233,347</u>	<u>37</u>	<u>233,384</u>	<u>344,546</u>
Resources expended				
<i>Charitable expenditure:</i>				
Grants	31,111	—	31,111	37,999
4 Support costs	21,810	—	21,810	19,559
Management and administration	463	—	463	433
	<u>53,384</u>	<u>—</u>	<u>53,384</u>	<u>57,991</u>
	179,963	37	180,000	286,555
Transfer between funds	3,252	(3,252)	—	—
	<u>183,215</u>	<u>(3,215)</u>	<u>180,000</u>	<u>286,555</u>
	Net incoming/(outgoing) resources for the year			
	183,215	(3,215)	180,000	286,555
Other recognised gains and losses				
Unrealised gain on investments	51,907	—	51,907	27,885
	<u>235,122</u>	<u>(3,215)</u>	<u>231,907</u>	<u>314,440</u>
	Net movement in funds			
Fund balances brought forward at 1 January	1,219,502	3,215	1,222,717	908,277
	<u>1,454,624</u>	<u>—</u>	<u>1,454,624</u>	<u>1,222,717</u>
	Fund balances carried forward at 31 December			
	<u>1,454,624</u>	<u>—</u>	<u>1,454,624</u>	<u>1,222,717</u>

All amounts relate to continuing activities. There were no other gains and losses other than those disclosed above.

The notes on pages 48 to 50 form part of these accounts.

**THE CHARTERED CERTIFIED ACCOUNTANTS' BENEVOLENT FUND
BALANCE SHEET AS AT 31 DECEMBER 2005**

	£	2005 £	2004 £
Notes			
Fixed assets			
5 Investments		749,060	<u>669,806</u>
Current assets			
6 Concessionary loans	88,367		100,472
ACCA current account	3,330		586
Tax recoverable	2,572		1,402
Prepayments and accrued income	50,648		138,592
Cash at bank and on deposit	560,647		<u>311,859</u>
		705,564	<u>552,911</u>
Total assets		<u>1,454,624</u>	<u>1,222,717</u>
Capital funds			
7 Endowment		—	<u>3,215</u>
Income funds			
8 Designated funds	100,036		100,472
General funds	1,354,588		<u>1,119,030</u>
		1,454,624	<u>1,219,502</u>
		<u>1,454,624</u>	<u>1,222,717</u>

The accounts were approved by the Board of Management on 8 February 2006 and signed on its behalf by:

P R Bailey, *President*

The notes on pages 48 to 50 form part of these accounts.

THE CHARTERED CERTIFIED ACCOUNTANTS' BENEVOLENT FUND
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2005

1 Accounting policies

(a) *Accounting convention*

The accounts are prepared under the historical cost convention, as modified by the revaluation of investments at market value, and in accordance with applicable accounting standards. In preparing the financial statements the Fund follows best practice as laid down in the Statement of Recommended Practice 'Accounting and Reporting by Charities' (SORP 2000).

(b) *Investments*

Fixed asset investments are stated at market value at the balance sheet date. Any gain or loss on revaluation is taken to the Statement of Financial Activities.

(c) *Income*

Income is accounted for on an accruals basis except for donations which are accounted for when received. Legacies are included in the year in which they are receivable, which is when the Fund becomes entitled to the resource. Investment income is stated gross of taxation recoverable. Interest receivable on concessionary loans is accounted for when the loan is repaid.

(d) *Unrestricted funds*

The unrestricted general funds represent the amounts retained to ensure the continuing charitable activities of the Fund.

The designated funds represent the amounts set aside by the Board of Management for the provision of the non-payment of the concessionary loans and the inclusion of a Disaster Fund. The Disaster Fund will be to assist members affected by national or international disaster, whether the result of forces of nature, terrorism or war and will be funded by 5% of the Benevolent Fund's annual income. However, should the need arise, these funds can be withdrawn at anytime.

	2005	2004
	£	£
2 Donations		
Donations from members	41,021	40,776
Costs reimbursed by ACCA (notes 10 and 11)	21,810	19,559
	<u>62,831</u>	<u>60,335</u>
3 Investment income		
Dividends on listed investments	29,293	28,782
Interest on cash deposits	18,472	8,723
Interest on concessionary loans	6,594	5,983
Other interest	30	57
	<u>54,389</u>	<u>43,545</u>
4 Support costs		
Staff costs (note 10)	14,820	12,800
Staff expenses (note 10)	3,180	2,979
Trustees' expenses (note 11)	3,810	3,780
	<u>21,810</u>	<u>19,559</u>

**THE CHARTERED CERTIFIED ACCOUNTANTS' BENEVOLENT FUND
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2005**

	2005 £	2004 £
5 Investments		
<i>Quoted investments</i>		
Market value at 1 January	669,806	616,170
Acquisitions	27,347	25,751
Net unrealised investment gains	51,907	27,885
	<u>749,060</u>	<u>669,806</u>
Market value at 31 December	<u>749,060</u>	<u>669,806</u>
Historical cost as at 31 December	<u>598,918</u>	<u>571,571</u>

6 Concessionary loans
The concessionary loans are mostly secured by legal charges on freehold properties and are either interest free or at bank base rate. These loans are classified as debtors. It is not expected that any of the loans will be repaid within one year.

7 Endowment fund		
<i>Freda Franklin Memorial Fund</i>		
At 1 January	3,215	2,817
Net movement in funds for the year	(3,215)	398
	<u>—</u>	<u>3,215</u>
At 31 December	<u>—</u>	<u>3,215</u>

The Freda Franklin Memorial Fund was established by a legacy of £3,000 received in 1990 from the late G C Franklin. The Fund was represented by specific investments. During the year the Charity Commission for England and Wales approved a resolution by the Board to transfer the investments to the Unrestricted Fund. This was completed on 5 September 2005 and the Freda Franklin Memorial Fund ceased to exist from that date.

	General funds £	Designated Funds		Total 2005 £
		Disaster fund £	Loan fund £	
At 1 January	1,119,030	—	100,472	1,219,502
Net movement in funds for the year	235,122	—	—	235,122
Transfer in respect of Loan Fund	12,105	—	(12,105)	—
Transfer in respect of Disaster Fund	(11,669)	11,669	—	—
	<u>1,354,588</u>	<u>11,669</u>	<u>88,367</u>	<u>1,454,624</u>
At 31 December	<u>1,354,588</u>	<u>11,669</u>	<u>88,367</u>	<u>1,454,624</u>

The Board of Management has committed £5,993 (2004: £5,273) of the unrestricted funds for grants approved, but not paid.

**THE CHARTERED CERTIFIED ACCOUNTANTS' BENEVOLENT FUND
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2005**

9 Analysis of net assets between funds

	Investments £	Net current assets £	Total 2005 £
Unrestricted funds:			
Designated funds	—	100,036	100,036
General funds	749,060	605,528	1,354,588
	<u>749,060</u>	<u>705,564</u>	<u>1,454,624</u>

10 Related party transactions

The Fund exists to provide assistance to persons in need who are or have been members of ACCA or related organisations and their families and dependants. ACCA is responsible for the administration of the Fund and bears some of its overhead expenses, which are not reflected in the Statement of Financial Activities. However, staff costs and expenses incurred by ACCA amounting to £18,000 (2004: £15,779) are included as income in the Statement of Financial Activities as 'Costs reimbursed by ACCA' and the expenditure as 'Support costs'.

ACCA also collects certain income and pays certain expenditure on behalf of the Fund and there may, therefore, at any time be a balance outstanding between the Fund and ACCA.

11 Board of Management remuneration

Board members are not remunerated, but may be reimbursed for directly incurred travel expenses. These costs amounted to £3,810 (2004: £3,780) to 7 (2004: 6) Board members. These are included as income in the Statement of Financial Activities as 'Costs reimbursed by ACCA' and the expenditure as 'Support costs'.

12 Auditor's remuneration

The auditor received no remuneration for the year (2004: £nil).

**THE CHARTERED CERTIFIED ACCOUNTANTS' BENEVOLENT FUND
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
THE CHARTERED CERTIFIED ACCOUNTANTS' BENEVOLENT FUND**

I have audited the accounts of The Chartered Certified Accountants' Benevolent Fund for the year ended 31 December 2005 which comprise the Statement of Financial Activities, Balance Sheet and the related notes. The accounts have been prepared under the historical cost convention, as modified by the revaluation of investments at market value, and the accounting policies set out therein.

Respective responsibilities of the Board of Management and auditor

As described in the Report of the Board of Management, the Board is responsible for preparing the accounts in accordance with applicable UK law and Accounting Standards.

I have been appointed as auditor under Section 43 of the Charities Act 1993 and report in accordance with regulations made under Section 44 of that Act. My responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Charities Act 1993. I also report to you if, in my opinion, the Report of the Board of Management is not consistent with the accounts, if the Fund has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by law regarding Board of Management remuneration and transactions with the Fund is not disclosed.

I read the Report of the Board of Management and consider whether it is consistent with the audited accounts. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the accounts. My responsibilities do not extend to any other information.

Basis of opinion

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the Board in the preparation of the accounts, and of whether the accounting policies are appropriate to the Fund's circumstances, consistently applied and adequately disclosed.

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

Opinion

In my opinion the accounts:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the Fund's affairs as at 31 December 2005, of its incoming resources and application of resources in the year then ended; and
- have been properly prepared in accordance with the Charities Act 1993.

A W Croxford

Honorary Auditor,

Chartered Certified Accountant and Registered Auditor, Dunfermline

8 February 2006

Notes: An audit does not provide assurance on the maintenance and integrity of the website, including controls used to achieve this, and in particular on whether any changes may have occurred to the accounts since first published. These matters are the responsibility of Council but no control procedures can provide absolute assurance in this area.

Legislation in the United Kingdom governing the preparation and dissemination of accounts differs from legislation in other jurisdictions.